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Unità di Informazione Finanziaria per l'Italia

# Unità di Informazione Finanziaria Annual Report

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The *Unità di Informazione Finanziaria per l'Italia* (UIF), is the central national body charged with combating money laundering and the financing of terrorism. It was set up at the Bank of Italy pursuant to Legislative Decree 231/2007, in compliance with the international rules and standards requiring each country to institute its own FIU, independently run and operating autonomously.

The UIF collects information on potential cases of money laundering and financing of terrorism mainly in the form of reports of suspicious operations filed by financial intermediaries, professionals and other operators. It conducts a financial analysis of this data with the sources and powers assigned to it, and assesses the results with a view to transmitting them to the competent investigative and judicial authorities for further action.

The regulations require supervisory authorities, government departments and professional bodies to provide information to the UIF. The Unit works closely with the investigative and judicial authorities to identify and analyse anomalous financial flows. It is a member of the global network of FIUs that share the information needed to tackle cross-border money laundering and financing of terrorism.

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## INTRODUCTION

The Annual Report on the activities of the UIF (Italy's Financial Intelligence Unit) is presented to Parliament, via the Ministry of Economy and Finance, thereby fulfilling the Unit's legal accountability requirements. There are numerous other occasions, including in the most prestigious institutional forums, where the UIF makes public its activities and strategies, the outcomes achieved, the risks observed, its needs, and its proposals for improving the system of combating and preventing money laundering and the financing of terrorism, in accordance with the stringent confidentiality requirements imposed by law and international standards to safeguard the active cooperation framework. The report on 2015 illustrates the single functions performed by the UIF and the role it has developed within the complex domestic and international anti-money laundering system.

In 2015, the Financial Action Task Force (FATF) approved the mutual evaluation report on Italy's anti-money laundering regime. Overall, the outcome of the assessment was satisfactory. The report recognized that the regime is characterized by a well-developed legal and institutional framework, a good understanding of the risks, generally good policy cooperation and coordination between the main authorities, and a particularly effective mechanism for the reporting, analysis and assessment of suspicious transactions. The report examined in detail the characteristics and operations of the UIF while recognizing its full autonomy and independence and its capacity to develop decisional processes without interference, in accordance with international standards. The findings were particularly positive for all of the Unit's institutional functions: it was deemed a competent, well-performing financial intelligence unit capable of producing high-quality analyses that concretely support investigations of money laundering, predicate offences, and the financing of terrorism. The report identifies the necessary measures and offers recommendations for improving the domestic anti-money laundering regime. The Unit has already taken steps towards implementing the relevant initiatives under the Action Plan developed by the Financial Security Committee (Section 1).

On 20 May 2015, the Fourth Anti-Money Laundering (AML) Directive was approved which aligns EU regulations to international standards and the 2012 FATF Recommendations. This further strengthens the European regulatory framework, especially with regard to: assessing the risk of money laundering at the supranational, national and individual obliged entity levels; the activities and powers of the FIUs; the transparency of the information regarding the beneficial ownership of companies and trusts; and ensuring data confidentiality. The incorporation of the Directive into Italian law will provide an opportunity to resolve a number of problems in the Italian legal system and to strengthen it further, following the recent introduction of the crime of self-laundering. The threat of global terrorism generated an emergency that suggests the need for additional changes to European legislation, imposing on the international community the need to intensify efforts to improve countries' capability to prevent and combat terrorism and its funding channels. The international network of FIUs has become an important instrument for gathering information related to this phenomenon,

information which must be widely shared, eliminating the obstacles to international cooperation and facilitating collaboration within the countries themselves (Section 2).

The data on the analysis of suspicious transaction reports (Sections 3 and 4) confirm the UIF's ability to effectively handle the constantly increasing flow of information from the system (in 2015, more than 84,000 reports were analysed and nearly 82,500 received). Despite continuing problems with some of the reporting institutions, there has been an overall improvement in active cooperation, with a reduction in transmission times for reports and an improvement in the quality of the data filed. The increase in the number of reports from professionals was heavily influenced by the regularization of funds held abroad.

We continued to work towards the full exercise of the institutional functions assigned to the Unit. A strong emphasis was placed on strategic analysis and research (Sections 5 and 6). In planning its inspections, the Unit has further widened the range of its controls, extending it to more obliged entities outside the banking and financial sector. This year we have again developed projects to analyse certain high-risk sectors (Section 7). Cooperation with the national authorities (the judiciary, the National Anti-Mafia Directorate, the Finance Police, the Anti-Mafia Investigation Department, and others) and foreign authorities (other FIUs) and supranational organizations (FATF and the Egmont Group) continued to be intensive and, when necessary and within the legal limits, it was extended to new entities including with regard to possible links with terrorism (Sections 8 and 9).

The strong and growing dedication demonstrated by the UIF's staff, whose numbers have remained essentially unchanged, together with its organizational and technological changes, has made it possible for the Unit to handle a further significant increase in the workload, improve the quality of its analyses, and successfully manage the volume of work of an extraordinary nature that defined 2015. The need to encourage active cooperation on the part of the obliged entities and to report thoroughly and openly on its work to the relevant authorities and, more generally, to society at large, which is the ultimate beneficiary of its services, has led the Unit to increase its external communications (Section 10).

In this spirit of service, and encouraged by the positive and explicit recognition it has received even internationally, the UIF is determined to improve how it carries out its tasks and to face the new challenges posed domestically and internationally in preventing and combatting money laundering and terrorist financing.

**The Director**

**Claudio Clemente**



## 1. THE FATF MUTUAL EVALUATION REPORT ON THE ITALIAN ANTI-MONEY LAUNDERING SYSTEM

In 2015 the Financial Action Task Force (FATF) approved the Mutual Evaluation Report on Italy's anti-money laundering and counter-terrorist financing measures.<sup>1</sup>

The Report recognized Italy's system as having a strong legal and institutional framework, a sound understanding of the risks and, in general, a good degree of policy cooperation and coordination among authorities.<sup>2</sup> The evaluation looked not just at verifying Italy's technical compliance with the regulatory standards, but also at the effectiveness of the measures adopted and the actions taken, which plays an important role in the evaluation exercise as a whole.

Evaluation  
results

This positive evaluation can be seen in the ratings assigned. In 8 of the 11 'Effectiveness' outcomes Italy received a medium/high rating ('Substantial') and only 3 'Moderate' ratings. In the 'Technical Compliance' area, the country received 37 high ratings ('Compliant' or 'Largely Compliant') out of 40.<sup>3</sup>

The Mutual Evaluation examined in detail the characteristics and range of operations of Italy's Financial Intelligence Unit (Unità di Informazione Finanziaria per l'Italia - UIF). The evaluation was particularly positive, with a 'Substantial' effectiveness rating given to all the Unit's areas of competence. The Report judged the UIF to be a well-functioning financial intelligence unit that produces good operational analysis and high-quality strategic analysis, adding value to the suspicious transaction reports (STRs). This analysis is useful to the NSPV (the Special Foreign Exchange Unit of the Finance Police) and the DIA (Anti-Mafia Investigation Department) in launching investigations into money laundering, predicate offences and terrorist financing. Thanks in part to the positive assessment of the UIF's areas of competence, the overall apparatus for the analysis and investigation of cases of suspected money laundering or terrorist financing was viewed as particularly effective.

Evaluation  
of the UIF

The Report also expressed approval of the UIF's organizational structure; it recognizes that the UIF performs its functions 'with full autonomy and independence' and that 'all the decisional process is developed without any [external] interference'. The Report also applauded the UIF's recent restructuring and its constant focus on obtaining the resources needed to effectively perform its work.

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<sup>1</sup> See [Mutual Evaluation Report on Italy](#).

<sup>2</sup> Italy has a mature and sophisticated AML/CFT regime, with a correspondingly well-developed legal and institutional framework. [...] All the main authorities have a good understanding of the ML and terrorist financing (TF) risks, and generally good policy cooperation and coordination'. See [Mutual Evaluation Report](#), February 2016, p. 5.

<sup>3</sup> Effectiveness is evaluated using a four-point scale: High, Substantial, Moderate, Low. Technical Compliance, instead, is assessed on a five-point scale: Compliant, Largely Compliant, Partially Compliant, Non Compliant, Not Applicable (the last is used when it is not possible to make an evaluation because of the country's particular characteristics).

## 1.1. The Mutual Evaluation process

The Mutual Evaluation was conducted in accordance with the ‘Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems’ approved by FATF following the revision of its Recommendations in 2012.

The evaluation process began in the first half of 2014. Throughout the process, the various Italian national authorities involved in preventing and combating money laundering and terrorist financing were asked to illustrate their results by preparing documents and data in support of the measurement of the effectiveness of their actions. In January 2015 the team of assessors, composed of International Monetary Fund experts, conducted an on-site visit.<sup>4</sup> After additional analysis and discussion, the Report was approved during the FATF plenary meeting of October 2015, and was published in February 2016.

The evaluation process required ongoing coordination among all the national authorities concerned, led by a steering committee set up for this purpose within the Financial Security Committee (FSC). The UIF contributed regularly in the various settings and phases of the evaluation process, preparing documents and studies on each significant aspect, producing statistics as needed, including time series, and describing successful case studies, all used in assessing the quality of operations and the results.

## 1.2. Effectiveness

Risk-based approach

The National Risk Assessment (NRA) adopted by Italy in July 2014<sup>5</sup> served as the starting point and central hub for the FATF evaluation. It appreciated the quality of the NRA and the robustness of the methodology applied and the information base employed. The Report took a brief look at the quality of the analysis of threats and vulnerabilities and on the adequacy of action subsequently undertaken by authorities to prevent and combat them.

It suggested that the assessment of the terrorist financing risk, deemed of low significance (‘lowly significant’) at the time the NRA was performed, be updated. Furthermore, the Report recommended to all the authorities involved that they adapt their instruments and operational practices to the evolving risks.

In the meantime, the assessors acknowledged that UIF had duly adapted its practices in light of the results of its own strategic analysis and that the recent reorganization had made it possible to focus more on analysis and to pay greater attention to STRs related to terrorist financing.

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<sup>4</sup> The International Monetary Fund applies the FATF Methodology in assessing national anti-money laundering systems. The Mutual Evaluation Report is then approved by its plenary meeting.

<sup>5</sup> See the UIF’s Annual Report for 2014, page 77.

### The NRA: UIF initiatives

The action of the UIF, rooted in a risk-based approach, has evolved in a manner consistent with the results of the NRA, conducted in accordance with the FATF's Recommendation no. 1, through targeted initiatives on matters within its institutional remit.

The NRA has classified as 'very significant' the threat that money laundering poses to the Italian economy, especially due to widespread illegal practices, such as organized crime, tax evasion, corruption, drug trafficking, usury and various types of corporate crimes and bankruptcy fraud. The significance of the threat is amplified by the excessive use of cash and by the size of the underground economy, which facilitate the rechanneling of illicit proceeds into the legitimate economy.

Due to the variety and scale of its financial manifestations, organized crime is often behind tax violations and other crimes mapped by the national risk analysis. Identifying the financial flows associated with criminal enterprises is a priority for the system of preventing and combating money laundering in general and for the UIF in particular. For this reason, in November 2015 the UIF set up an internal focus group on organized crime ('Osservatorio sulla Criminalità Organizzata')<sup>6</sup> to monitor, gather and provide internal operational structures with information and methodologies for analysing situations of possible significance. The UIF, with the DIA, has also developed data mining systems to swiftly identify reports with potential links to organized crime.

In addition, to prevent the crime of corruption, as early as 2014 memoranda of understanding were signed with the Italian National Anti-Corruption Authority (ANAC) and with the Municipality of Milan and, in 2015, anomaly indicators for general government entities, proposed by the UIF and adopted by decree of the Minister of the Interior, were published.

To reduce vulnerabilities in the fight against money laundering and terrorist financing, inspections were undertaken in sectors with inherent risk profiles, such as gaming and the transport of valuables. In addition, during the year the UIF focused on intermediaries that provide money-transfer services, a sector that is particularly exposed to terrorist financing risks, in order to develop a better understanding of the sector and verify compliance with active collaboration obligations.<sup>7</sup>

The UIF also pursued initiatives designed to overcome gaps in regulations. Specifically, to lessen the impact of the lack of access to investigative information, in early 2014, it developed, in partnership with the Finance Police, an indicator that, through the prior exchange of the personal data contained in the reports received, provides the UIF with a classification of such reports based on their investigative interest.<sup>8</sup>

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<sup>6</sup> See Section 4.4.

<sup>7</sup> See the box 'On-site inspections in the money transfer sector' in Section 7.1.

<sup>8</sup> Reference is made to the agreement with the Finance Police under which the UIF provides in advance to the Special Foreign Exchange Unit the identifying particulars of STRs and receives a monthly report from the NSPV indicating, in summary and non-individual form, the investigative interest levels of the reports in light of the prior criminal and police records of the persons involved.

As to efforts to combat terrorist financing, the UIF, in aligning the risk assessment with the increased perception of the threat, improved operational processes. With regard to the more general reorganization in 2014, the internal division of duties was made more functional with the creation of a dedicated section that focuses on this specific type of risk. Centralization has made it possible to strengthen – and in some cases diversify – the approach to analysing reports of this type. This section was tasked with performing financial analysis of STRs relating to money transfer services, a sector that is at high risk for terrorist financing, deemed to be highly vulnerable in part owing to the uneven EU regulatory framework.

With regard to procedural innovations, the UIF launched an early warning system through which it can alert investigative bodies of those situations most at risk for terrorist activity from an investigative standpoint.

Research and study focused on the issues identified in the NRA as critical problems for the system, such as the use of cash and the withdrawal of funds in Italy using foreign credit cards. In addition, in-depth study was made of innovative payment instruments, such as virtual currency, that still lack a regulatory framework and that therefore contribute to the risk of money laundering and terrorist financing.

#### Financial intelligence

With regard to financial intelligence, the FATF Report recognized the importance of the results of the UIF's analyses and the value these add to investigations and criminal proceedings relating to money laundering, predicate offences and terrorist financing. Besides the quality of the STRs and the in-depth analyses conducted by the UIF, the Report highlighted the UIF's adequate resources and expertise, ample IT resources, the advanced methods used in operational and strategic analysis, and the cutting-edge tools for managing activities and work processes. The Report praised the RADAR system in particular, which supports the management of STRs, and encouraged the launch of the new 'Datawarehouse', created by the UIF and which became operational in 2015.

In assessing international cooperation activities, the Report noted the contribution of the effective action provided by the timely exchange of information with other Financial Intelligence Units, both spontaneously and upon request. The Report highlighted the UIF's ability to obtain administrative, financial and police information requested by foreign FIUs and its cooperation with other types of foreign entities. The Report also stressed that cooperation is not dependent upon identifying any predicate offence for analysis and that it is conducted using 'several techniques' to enhance the international exchange of information, based in particular on the use of the European FIU.NET (Known/Unknown exchanges, bilateral and multilateral data-matching across databases).

It encouraged the UIF to increase the number of its requests for international cooperation to foreign counterparts in order to broaden its financial analysis. Moreover, in 2015 the UIF made more extensive use of this channel of cooperation.<sup>9</sup>

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<sup>9</sup> See Section 9.1.1.

### 1.3. Technical Compliance

As to technical compliance, the Report emphasized the robustness and completeness of the regulatory foundation of the Italian apparatus for preventing and combating money laundering and terrorist financing and the proliferation of weapons of mass destruction. The relevant legislation was judged to be particularly sound, including in relation to confiscation measures, financial sanctions, preventive and supervisory measures for financial intermediaries, and transparency of legal persons.

The FATF expressed a positive opinion on all those aspects most closely connected with the UIF's responsibilities regarding STRs, the UIF's characteristics and powers, international cooperation and analysis work. The UIF received a 'Largely Compliant' rating under the relevant Recommendations (nos. 20 and 23 on the reporting of suspicious transactions, no. 29 on the characteristics, powers and organization of the FIU and no. 40 on international cooperation).

### 1.4. Observations

The Report highlighted some of the critical aspects of the anti-money laundering system that are important in terms of both effectiveness and technical compliance.

Special emphasis was placed on how current anti-money laundering legislation does not permit the UIF to access investigative information for its analyses, as required by the FATF standards. The existing laws also indicate a much too limited number of law enforcement agencies (the NSPV and the DIA) as recipients of the dissemination of the UIF's STRs and relative analyses. The Report recommended expanding the dissemination to other investigative bodies and interested agencies and authorities, such as the Revenue Agency and ANAC.

These are regulatory restrictions that the UIF has already flagged on a variety of occasions and in different settings, even offering detailed suggestions for changes to the legislation. The Report nonetheless acknowledged the importance of the operational model established by the UIF and the Finance Police, making it possible to attenuate, even if not entirely resolve, the problems pointed out.<sup>10</sup>

These arrangements, in the context of the Mutual Evaluation, sustained the positive opinion of the effectiveness of the UIF's operations.

The Report stressed the importance of other factors for the UIF's work: the mandatory sharing of archived STRs with investigative bodies;<sup>11</sup> the lack of systematic feedback on the outcomes of investigations conducted with respect to the results of the analyses; failure of the Customs Agency ('Agenzia delle Dogane') to transmit STRs on checks of declarations of physical cross-border cash movements.<sup>12</sup>

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<sup>10</sup> See Note 8.

<sup>11</sup> See Section 4.6.

<sup>12</sup> See *Italy*, [Mutual Evaluation Report](#), February 2016, p. 39.

The upcoming transposition into Italian legislation of the EU's fourth Anti-money laundering Directive may offer an opportunity for introducing the regulatory changes recommended by the assessors.

## 2. THE LEGISLATIVE FRAMEWORK

### 2.1. The Fourth EU AML Directive

On 20 May 2015, Directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the ‘Fourth Directive’) was approved.<sup>13</sup>

As described in the UIF’s Report on 2014, the Fourth Directive aligned EU legislation with international standards and with the Recommendations of the Financial Action Task Force (FATF) adopted in 2012. European law has been strengthened and made clearer, especially as regards: risk assessment at the supranational, national and individual obliged entity levels; the activities and powers of the FIUs; transparency and access to information on the beneficial ownership of companies and trusts; and data confidentiality safeguards.

The Fourth Directive confirmed the role of FIUs as ‘central national units’ extending their financial analysis tasks to the predicate offences of money laundering, explicitly including tax offences. The provisions emphasize the fundamental requirements of autonomy and independence and adjust the definition of an FIU, specifying its tasks as receiving information (extended to include communications that are useful for in-depth investigations), conducting analyses (more selective and targeted to cases of effective risk) and disseminating the results of its analyses.

Role of the FIUs

The rules governing international cooperation were also revised and extended so that requests from foreign FIUs are dealt with in the same way as domestic ones, regardless of any differences in the laws of the Member States and in the definitions of the predicate offences. As regards the use and further communication of the information exchanged, especially for use in investigations carried out by the competent bodies, it was confirmed that the FIU providing the information must give its ‘prior consent’ as ‘promptly and to the largest extent possible’, and reasons must be given for any refusal of consent.

International cooperation

The Fourth Directive provides for central public registers in all Member States containing information on the beneficial ownership of companies, entities and trust companies, which must be accessible to the FIUs, the other competent authorities and anyone who can demonstrate a legitimate interest.

Transparency of the ownership

As regards data protection, reference is made to the protection of personal data, confirming the confidentiality of information on suspicious transactions (whose processing is expressly described as being ‘a matter of public interest’) and limiting the possibilities of accessing the data held by the FIUs.

Personal data protection

The need for the Fourth Directive to be transposed into national law promptly was reiterated by the EU Finance Ministers during the ECOFIN meetings of 8 December 2015 and 12 February 2016 in relation to the terrorism emergency and the recent terror attacks. It was thought necessary to complete this process sooner, by the end of 2016

Transposition of the Directive and further amendments

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<sup>13</sup> The Directive was published in the Official Journal of the European Union, L 141, Vol. 58, p. 73, 5 June 2015.

rather than by the original deadline of July 2017 as established by the Fourth Directive. Further measures to be adopted were also identified, mainly in relation to: extending the FIUs' access to information on bank accounts; strengthening domestic and international cooperation; and introducing further safeguards in relation to virtual currencies, payment cards, and cash. These measures should be included in an amendment to the Fourth Directive.<sup>14</sup>

## **2.2. Risk assessment at European level**

In implementing the provisions contained in the Fourth Directive that recognize the importance of a supranational approach to identify and counter specific threats, the European Commission launched a supranational risk assessment of money laundering and terrorist financing as it affects the internal market, to complement and enhance the national risk assessments being carried out by the Member States.

The 'supranational' assessment relates to the risks of money laundering and the financing of terrorism in the internal market, in addition to the national risks. The assessment, which will take into account the opinions expressed by Europe's supervisory authorities and by the FIUs,<sup>15</sup> will distinguish between threats and vulnerabilities, including those risks that, independently from their country of origin, affect the other Member States, even if only partially. The national risk assessments (NRAs), conducted by each of the Member States, will facilitate the European Commission's own assessment.

### **Frequency and methodology**

The European Commission will update its Supranational Risk Assessment every two years unless particular cases call for more rapid action. It will be based on the methodology used by the Commission's Ad-Hoc Working Group, composed of representatives from the Member States, the FIUs and the supervisory authorities.

The assessment will be carried out at specialized workshops, run by teams of experts, dedicated to the identification of the risks of money laundering and terrorist financing in the internal market, and to the identification of threats and vulnerabilities.

Based on the assessment results, the Commission will draw up recommendations for the Member States as to suitable measures to address the risks it has found. If the Member States decide not to apply these recommendations in their own national systems, they must notify the Commission, giving their reasons.

## **2.3. International developments in light of the terrorist threat**

### **UN Resolutions**

The new global terrorist threats have presented the international community with the need to intensify their efforts to improve their capability of preventing and combating terrorism and its channels of financing.

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<sup>14</sup> The European Commission is going to present a proposal soon.

<sup>15</sup> The FIUs opinions will be transmitted via the EU Financial Intelligence Units' Platform.



UN Security Council Resolutions 2199 and 2253, adopted in 2015, broaden the definition of the crime of terrorist financing and call for all jurisdictions to extend the scope and improve the effectiveness of the financial sanctions available to target the assets and sources of financing of terrorist organizations.

The G20 countries have stepped up their commitment to increase their understanding of the nature of existing threats and the adoption of all the necessary countermeasures.

The FATF strengthened its own intervention tools, mainly by drawing up guidelines and typologies, as well as by assessing countries' compliance with international standards and the effectiveness of their prevention systems. Following the Paris terror attacks of November 2015, an extraordinary plenary meeting was called in December to define specific initiatives to expand and clarify the field of action and begin preparation of an updated counter-terrorism strategy.

Extraordinary  
FATF Plenary  
session

The FATF launched a Terrorist Financing Fact-Finding Initiative in 2015 as suggested by the G20 to verify compliance with the main counter-terrorism measures and exert the necessary pressure on less cooperative countries. This project concentrates on criminalizing terrorist financing and applying financial sanctions (Recommendations 5 and 6). Initially, out of the 199 jurisdictions examined, serious shortcomings were found in 22 countries due to the lack of provisions under criminal law in relation to the offence of terrorist financing, the freezing of assets and resources. Thanks to this initiative, numerous countries have introduced new legislative measures. Currently, 15 countries lack the basic safeguards and have been asked to adopt urgent measures and report back as soon as possible on the corrective measures taken.

FATF strategy

At its plenary meeting in February 2016, the FATF also approved its overall Strategy on Combating Terrorist Financing. The new strategy continues along the lines of the previous one, developing them further and fully integrating all the various parts. For example, the need for rapidity in assessing national systems is indicated. This is so as to keep putting pressure on countries that continue to fall behind. At the same time, many areas for future analyses are identified, including in view of any possible changes to the current standards.

A more appropriate and up-to-date understanding is needed of the risks of terrorist financing, which is in constant evolution and has diversified into multiple sectors. This can be achieved by reconstructing the techniques used by terrorist organizations to collect, manage and transfer funds. The creation of specific risk indicators, thanks to constant cooperation between the public authorities and the private sector, will make the early identification and reporting of sensitive activities more effective. For the same reason it will be necessary to ensure wider use of the information in the context of financial intermediaries and the groups to which they belong.

The development of more effective domestic coordination mechanisms between the competent authorities is another of the strategy objectives. There must be an increase in the amount of information available to the FIUs for their own analyses and the findings must be passed on to all the bodies that can use them to develop effective intelligence operations and investigations. International cooperation must also be extended by removing the barriers that continue to limit the exchange of information between FIUs.

One priority area is the assessment of the risks connected with the use of cash, especially high-denomination banknotes, and of other payment means, in particular pre-paid cards. In general, the new strategy calls for verification of the completeness and adequacy of the current standards in light of new threats and vulnerabilities. Possible measures to improve protection could also deal with the criminal offence of terrorist financing, taking account of the previously mentioned UN resolutions, and increasing cooperation and information exchange at the domestic and international levels.

**FATF-Egmont  
Group  
cooperation**

Cooperation between the FATF and the Egmont Group has been particularly productive in that the latter has contributed the experience of the FIUs in terms of: identifying the trends and procedures used in financing terrorism; defining the financial profile of ‘foreign terrorist fighters’; looking for innovative forms of multilateral cooperation for the analysis of the international financial networks that support terrorism. The Egmont Group has also prepared indicators to facilitate risk assessment and the identification of suspicious transactions that should be reported to the FIUs.

**EU initiatives**

The European Union has also developed a strategy for fighting terrorism that is consistent with the FATF’s initiatives. It is based on: the recent European Agenda on Security; a proposal for a directive on combating terrorism to expand the scope for the criminal law to intervene; the need to transpose the Fourth Directive rapidly and to strengthen the safeguards it introduces.

**The Action Plan**

The ECOFIN Council discussed ways of strengthening the defences against terrorist financing. Starting with the framework of rules set out in the Fourth Directive, the finance ministers, the Council and the European Commission agreed on the need to accelerate implementation and assess the adoption of supplementary measures through targeted amendments. The Commission, at the invitation of the Council, presented an Action Plan in February 2016 to step up the fight against terrorist financing. Among other things, the Plan outlined a series of measures to facilitate access for the FIUs to a wider range of information and to improve national and international cooperation to combat terrorist financing. The Plan explicitly mentions a project developed by the EU FIU Platform and coordinated by the Italian FIU<sup>16</sup> to identify any obstacles to international cooperation and possible action to remove them. The results of this project should guide future interventions to strengthen the European regulation of the FIUs in terms of their activities, powers and cooperation.

## **2.4. National legislation**

### **2.4.1. Laws**

Some important changes were made to anti-money laundering legislation in 2015.

**Recent  
changes**

Under the 2016 Stability Law<sup>17</sup> Parliament increased the threshold from €1,000 to €3,000 for transfers of cash and bearer instruments, made for whatever purpose between different persons, and also for foreign currency exchanges.<sup>18</sup> No changes were

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<sup>16</sup> See Section 9.4.3

<sup>17</sup> Law 208/2015.

<sup>18</sup> Article 49, paragraphs 1 and 1-bis, Legislative Decree 231/2007.

made to the threshold of €1,000 for amounts payable in cash to bearers of bank or postal savings books and when cashing cheques.<sup>19</sup> A specific provision maintains the limit of €1,000 for cash remittances.

Parliament also moved the deadline from 30 September to 30 November 2015 for activating the voluntary disclosure procedure introduced in 2014 to encourage the emergence of funds held abroad. Additional documentation could be submitted up to 30 December 2015.<sup>20</sup>

Voluntary disclosure

Taking up this offer does not affect the application of anti-money laundering requirements according to the FATF's best practices and the Ministry of Economy and Finance's circular of 9 January 2015.<sup>21</sup> The procedure does not include the imposition of financial sanctions in the case of violation of the ban on current or savings accounts opened in foreign countries used in an anonymous way or with a false name.<sup>22</sup>

The sanctions for tax offences were revised according to the criteria of premeditation and proportionality in relation to the seriousness of the crime.<sup>23</sup>

Tax offences

Changes were made to the definition of offences related to income tax and value added tax; provision was made so that some of these offences are not subject to penalties if all tax debts are paid in full, including sanctions and interest; apart from cases not liable for punishment, the penalty will be reduced where the amounts due were paid prior to the dispute going to trial. The penalty is increased however if the offence is committed by a professional or by a bank or financial intermediary, while carrying out tax consultancy activities, through the creation and marketing of models for tax evasion.<sup>24</sup>

To improve tax compliance and apply the FATCA (Foreign Account Tax Compliance) regulations, Parliament passed the law ratifying and implementing the agreement between Italy and the United States.<sup>25</sup> This law contained the measures on the obligations of Italian financial institutions regarding the automatic exchange of information on tax matters, deriving from that agreement and other agreements and technical memorandums of understanding between Italy and other foreign states, according to the OECD standard and EU legislation.<sup>26</sup> The implementing decrees of the Ministry of Economy and Finance were then issued and published in the Italian *Gazzetta Ufficiale*.<sup>27</sup>

FATCA regulations

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<sup>19</sup> Cheques issued for an amount equal to or greater than the threshold must bear the name of the beneficiary and be marked as 'not transferable'.

<sup>20</sup> Decree Law 153/2015, converted into Law 187/2015. For the voluntary disclosure procedure, see Law 186/2014 which amended Decree Law 167/1990, converted into Law 227/1990.

<sup>21</sup> See also the [Testimony](#) of the UIF Director of 25 November 2014, before the joint session of the 2<sup>nd</sup> (Justice) and 6<sup>th</sup> (Finance and Treasury) Committees of the Italian Senate. The text is only available in Italian.

<sup>22</sup> Article 5-*quinquies*, paragraph 1(b-bis), Legislative Decree 167/1990 as amended by Legislative Decree 153/2015. Article 58, paragraph 6 of Legislative Decree 231/2007 is not applicable.

<sup>23</sup> Legislative Decree 158/2015 amending Legislative Decree 74/2000.

<sup>24</sup> Articles 13 and 13-bis, Legislative Decree 74/2000.

<sup>25</sup> Law 95/2015.

<sup>26</sup> 'Standard for automatic exchange of financial account information in tax matters'. For EU provisions, see Directive 2014/107/EU.

<sup>27</sup> Decree of 6 August 2015, in *Gazzetta Ufficiale* n. 187 of 13 August 2015 and Decree of 28 December

This intergovernmental agreement establishes the automatic exchange of financial information to counter tax evasion on the part of US citizens and residents who hold accounts in Italian financial institutions and on the part of Italian residents with accounts held in US financial institutions. There are due diligence obligations for tax purposes and data acquisition regarding financial accounts and some kinds of payments. Anti-money laundering rules will continue to be applied.<sup>28</sup>

#### Other changes in criminal law

Changes were also made in 2015 to crimes against the Public Administration and to criminal conspiracies linked to organized crime and false accounting.<sup>29</sup>

The penalties are more severe for certain offences against the general government and for organized crime, including foreign organized crime groups; the crime of ‘*concussione*’ referred to in Article 317 of the Italian criminal code<sup>30</sup> may be committed not only by a public official but also by a person working in the public service; there have been some changes to measures regarding accessory penalties and attenuating circumstances; and a measure on financial reparations was introduced. The offence of false corporate accounting, regulated by the criminal provisions of the Civil Code in relation to companies and consortiums, was revised.

#### Decriminalization of minor offences

At the start of 2016 the Government decriminalized a wide range of minor offences,<sup>31</sup> which also affected the regulations on sanctions in relation to money laundering.

A so-called ‘blind’ approach was taken to decriminalizing offences that were punishable only with a financial sanction (Article 1) and a ‘targeted’ approach was taken for specific categories (Articles 2 and 3). The sanctions applied as a result of decriminalization also apply to violations committed before the government intervention, unless the criminal proceedings have already resulted in a sentence or an irrevocable decree. Some matters designed to protect important legal interests are excluded from decriminalization; anti-money laundering regulations are not mentioned among these. With regard to the procedure for the application of the administrative sanctions provided for the decriminalized areas, Legislative Decree 8/2016 establishes that the provisions of Law 689/1981 will be applied where possible and that, in the case of sector-based regulations, the authorities allowed to impose sanctions must make reference to the laws that cover those violations.<sup>32</sup>

### Effects of the decriminalization of anti-money laundering violations

Legislative Decree 8/2016 changed into administrative offences the following violations of anti-money laundering legislation that had previously entailed only

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2015, in *Gazzetta Ufficiale* n. 303 of 31 December 2015.

<sup>28</sup> Articles 5 and 10 of Law 95/2015.

<sup>29</sup> Law 69/2015.

<sup>30</sup> Translator’s note: Article 317 refers to the crime of ‘*concussione*’ for which there is no exact English equivalent. It takes place when a public official or person responsible for public services abuses his/her power or function inducing someone else to unduly give or promise money or other assets to the official or to a third party.

<sup>31</sup> Legislative Decree 8/2016, implementing the delegation contained in Law 67/2014.

<sup>32</sup> Article 7 of Legislative Decree 8/2016.

financial sanctions: violation of the rules on mandatory identification unless a more serious crime is involved; failure to register data or late or incomplete registration; failure of external collaborators to file a report to the entity they are working for or the late or incomplete submission of such a report, for the purposes of compliance with the registration requirements.<sup>33</sup>

The criminal implications remain in place for the other matters punishable under the anti-money laundering decree, including the imposition of prison sentences;<sup>34</sup> various situations are possible which, as regards due diligence, include failure to act or fraud on the part of the perpetrator.<sup>35</sup>

The generic references to the competent authorities that will be able to impose administrative sanctions for decriminalized cases have led to some questions of interpretation in the absence of specific rules to coordinate with the provisions of the anti-money laundering decree.

As regards the revision of the sanctioning system, the UIF has on several occasions highlighted the fact that Legislative Decree 231/2007 has some gaps and some punitive excesses for minor criminal conduct. As a result it has more than once called for a thorough review of the subject and the introduction of clear and consistent guidelines, efficient procedures and effective sanctions.<sup>36</sup> This revision has still not been done and should be completed on the occasion of the coming transposition of the Fourth Directive.

**The need to  
revise sanctions**

On 18 January 2016 the European Delegation bill for 2015 was presented in Parliament, authorizing the Government to transpose Fourth Anti-Money Laundering Directive.

**The 2015  
European  
Delegation bill**

The principles and criteria for the authorization provide that, based on current legislation, the obliged entities should be encouraged to cooperate and that the tools available to the FIU for their operational and strategic analyses should be strengthened. Specifically, the FIU could, with due caution, use investigative information and identify the transactions to be communicated on the basis of objective criteria. It will be able to directly issue anomaly indicators and instructions for the detection and reporting of transactions; it will define the procedures for communicating the results of a suspicious transaction report (STR) back to the reporting entity, including on the basis of the return flows received by the investigative bodies. Further measures are designed to strengthen intra-FIU international cooperation.

Safeguards must be strengthened to protect the confidentiality and security of reporting entities, STRs, and the results of the analyses and data acquired, including those obtained through international cooperation.

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<sup>33</sup> Article 55, paragraphs 1, 4 and 7 of Legislative Decree 231/2007. The decriminalization act also affects paragraph 6 insofar as it lays down that the penalty provided for in paragraphs 1 and 4 should be doubled when the identification and registration obligations are met by fraudulent means.

<sup>34</sup> Crimes referred to in Article 55, paragraphs 2, 3, 5, 8 and 9.

<sup>35</sup> Article 55, paragraphs 2 and 3.

<sup>36</sup> See the box 'Other prospects for reforming the prevention system' in the [UIF's Annual Report on 2014](#), page 14.

New provisions will enable policies and safeguards to be guided and managed effectively following a risk-based approach. A specific area will be devoted to drawing up a national assessment of the risks of money laundering and terrorist financing and of the strategies for dealing with them, together with the Financial Security Committee (FSC), which will play a central role.

It will be possible to update the list of obliged entities on the basis of the related risk assessments. For issuers of electronic money and providers of payment services in another European country and which provide payment services in Italy through agents or accredited entities, the mandatory establishment of a central contact point should ensure the effective fulfilment of anti-money laundering obligations. The Bank of Italy will be tasked with adopting the implementation regulations for the contact points.

The sanctions system as a whole will be the subject of a comprehensive review based on the criteria of effectiveness, proportionality and deterrence. Criminal sanctions should be limited to the most serious cases; the amount and type of administrative sanction will be ranked and the grounds for indictment and the sanctioning procedure will be reviewed.

Further changes will be needed in the area of customer due diligence; transparency of legal entities, entities other than natural persons, and trusts; storage of information; and wholesale and retail trade in second-hand objects made of gold or precious stones.

The draft law was approved by the Chamber of Deputies on 27 April 2016. As regards anti-money laundering, limited changes were made to sanctions and record-keeping requirements for professionals and cases in which professional services cannot be provided; for a more effective and immediate control of the regularity of the activities of agents in the money transfer sector an electronic register will be set up at the Organismo degli agenti e dei mediatori (OAM), listing accounts closed for non-commercial reasons. The text is currently being examined by the Senate.

#### **2.4.2. Secondary legislation and FIU communications**

**General  
government  
anomaly  
indicators**

In order to facilitate the detection of suspicious transactions related to money laundering or terrorist financing on the part of general government offices, at the proposal of the UIF, in 2015 the Ministry of the Interior published a decree containing the anomaly indicators and instructions for adopting organizational procedures aimed at active cooperation. The measure is the result of cooperation between the UIF and the competent ministries, with the contribution of ANCI (the national association of Italian municipalities), some individual municipalities (including that of Milan) and other authorities.

The decree refers to the obligation to report suspicious transactions and obligations relating to the prevention of terrorist financing, by providing that general government offices, according to how they are independently organized, must adopt internal procedures to ensure the effectiveness of the detection of suspicious transactions, their timely reporting to the UIF, full confidentiality as regards those involved, and standardized procedures.

General government personnel must pass on the information needed to evaluate suspicious transactions to a specific manager who will liaise with the UIF as regards all communications and insights associated with the reports.

The manager can combine this role with that of being in charge of preventing corruption.<sup>37</sup> When these positions are filled by different people, appropriate coordination mechanisms must be put in place. Local authorities in places with fewer than 15,000 inhabitants can select a common manager for active cooperation. In the case of complex organizational structures, the manager can delegate more than one individual to liaise with the UIF, as long as coordination is guaranteed. The procedures adopted must make it possible to reconstruct in full the reasoning behind the decisions taken, allow responsibilities to be allocated between the members of staff who detect any potentially suspicious activity and the manager, and encourage the dissemination of knowledge about the reporting requirements as regards suspicious transactions.

It is possible to adopt automatic transaction selection procedures based on quantitative and qualitative parameters. When appraising subjective elements, it is necessary to take into account the information on the entity carrying out the transaction, as discovered during the work of general government and, in particular, that linked to politically exposed persons, parties listed as being under investigation or those who are listed as terrorist suspects.

The anomaly indicators contained in the annex to the decree will contribute to correct and consistent compliance with the obligation to report suspicious transactions and to reducing costs. As is the case for the indicators established for the other recipients of anti-money laundering obligations, the anomaly indicators are not exhaustive. The closest attention must therefore be paid to other kinds of conduct and features of transactions which, although not mentioned in the decree, are equally symptomatic of suspicious behaviour. On the other hand, the presence of one or more of the indicators is not in itself sufficient to merit reporting to the UIF; it is in fact necessary to make an overall assessment of the transactions in question, considering the subjective and objective aspects and all other available information.

Some indicators are of a general nature and relate to the identity or the behaviour of the party involved in the transaction and to the procedures used to request or execute the transactions; others are related to sectors at risk: tax audits, tenders, public funding, real estate and wholesale and retail trade. There are specific indicators for the prevention of terrorist financing.

In 2015 some amendments were made to the Bank of Italy's measures originally issued on 3 April 2013 dealing with due diligence and registration in the Single Electronic Archive.

**Bank of Italy  
measures**

The amendments concern the anti-money laundering obligations to be applied in relation to the transfer of trade receivables. It was also made clear that the service of selling units of their own collective investment schemes or those managed by third parties is considered to be an on-going relationship.

In relation to the completion of the reform of the Single Register for financial intermediaries (see Article 106 of the Consolidated Law on Banking), which includes trust companies<sup>38</sup> registered in a separate section of the Register, the UIF explained the

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<sup>37</sup> Article 1, paragraph 7(1) of Law 190/2012.

<sup>38</sup> Article 199, paragraph 2 of the Consolidated Law on Finance.

procedure to be followed for the submission of STRs and aggregate data in its press releases of 10 August 2015 and 5 May 2016.

**Communication  
on virtual  
currencies**

On 30 January 2015 the UIF issued a communication on the anomalous use of virtual currencies. The communication was the result of the analyses that it had carried out on this subject in conjunction with other functions of the Bank of Italy.

**Press release on  
the prevention  
of terrorist  
financing**

In the context of a marked increase in the terrorist threat and bearing in mind the measures taken by the international community, in April 2016 the UIF issued a press release to boost the capacity of those with active cooperation obligations to intercept suspicious elements that may be linked to the financing of terrorism and the activity of ‘foreign terrorist fighters’, while waiting for the specific indicators to be defined by the FATF.

In view of the particular complexity of the phenomenon of terrorist financing and the difficulty of identifying suspicious behaviours in advance, UIF has requested those with reporting obligations to make the widest use of the large quantity of information available and to adjust the automatic selection procedures for anomalous transactions.

In consideration of the extremely diverse forms that financial support to terrorists may take, the press release also drew attention to the various ways in which such support can be given and to the many channels that are vulnerable to being used in this way, from the more traditional (such as the misuse of non-profit organizations and through money transfers) to more innovative methods (collecting funds online, including through crowd funding platforms).

The press release paid special attention to the activity of ‘foreign terrorist fighters’ and to traces that can be found in the economic and financial system in relation to the preparation stage for trips, transits and returns to the state of origin or residence. To intercept significant episodes, it is necessary to consider: the types of transaction, especially if unexpected and not easy to justify in terms of usual operations; their possible recurrence; their concentration into a limited time frame; and amounts that are large overall in relation to the economic profile of the customer.



### 3. ACTIVE COOPERATION

The UIF is the institution authorized to investigate suspicious transactions that may involve money laundering or financing of terrorism, on the basis of reports from financial intermediaries, professionals and other qualified operators who are required to collaborate actively in detecting such transactions and to promptly notify the Unit.

Centralizing the flow of information at the Unit means that the evaluations can be standardized and integrated in order to identify subjective and objective links, trace financial flows even beyond Italy's borders, reconstruct innovative ways to launder money and select those cases that deserve in-depth financial analysis.

The Unit sends the results of its analyses to the competent law enforcement bodies (the NSPV - Special Foreign Exchange Unit of the Finance Police and the DIA – the Anti-Mafia Investigation Department) for further investigation. The suspicious transaction reports are sent to the judicial authorities if crimes are involved or if the authorities request the reports. The results of the analysis may be sent to the supervisory authorities if important cases are detected.

The Unit uses this vast body of information to develop anomaly indicators and identify patterns of anomalous behaviour to guide reporting entities in detecting suspicious transactions.

#### 3.1. Reporting flows

In 2015 the UIF received 82,428 reports,<sup>39</sup> an increase of over 10,000 reports or about 14.9 per cent more than in 2014 (see Table 3.1).

Table 3.1

	Reports received				
	2011	2012	2013	2014	2015
Number of reports	49,075	67,047	64,601	71,758	82,428
<i>Percentage change year on year</i>	<i>31.5</i>	<i>36.6</i>	<i>-3.6</i>	<i>11.1</i>	<i>14.9</i>

This result confirms the increase in the number of reports received, highlighting a growing awareness of the role of active cooperation within the system for the prevention of money laundering and financing of terrorism, including in categories that were less aware in the past, such as professionals and non-financial operators.

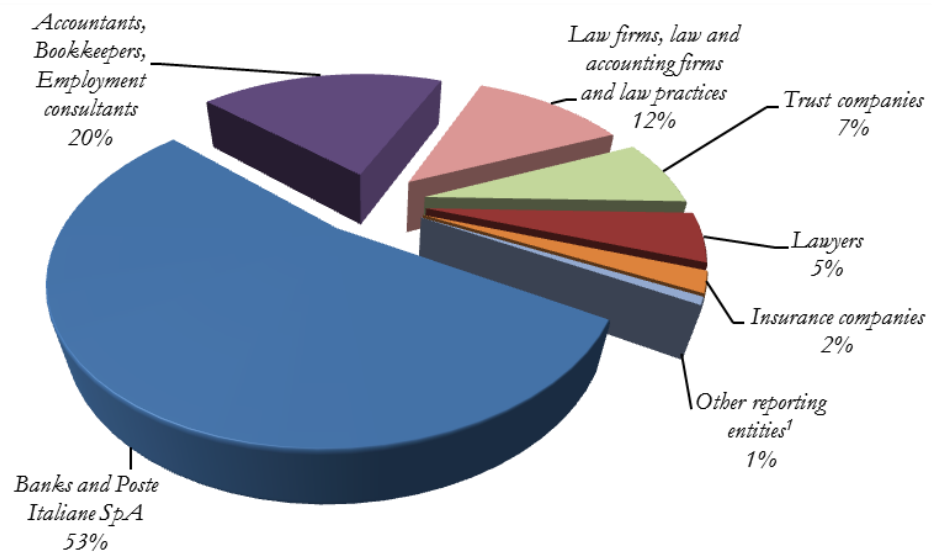
In 2015 this increase was greatly influenced, especially with regard to professionals, by the effects of the 'voluntary disclosure' measures to regularize funds held abroad;<sup>40</sup>

<sup>39</sup> Detailed information on suspicious transaction reports can be found in the [Quaderni dell'antiriciclaggio, Collana Dati statistici](#), published on the UIF's website.

over the year 6,782 voluntary disclosure reports were received, 8.2 per cent of total reports.<sup>41</sup> Taking part in regularization does not mean non-compliance with reporting obligations pursuant to Legislative Decree 231/2007, since they are instrumental in preventing the use of capital of illicit origin (see Figure 3.1 and Table 3.2).

Figure 3.1

**Distribution of voluntary disclosure STRs by type of reporting entity**



<sup>1</sup>The category includes notaries and the National Council of Notaries, asset management companies and SICAVs, EU and non-EU investment firms, auditing companies and auditors.

<sup>40</sup> In view of the number of voluntary disclosure STRs, in September 2015 the UIF introduced a specific survey category 'Money-laundering: voluntary disclosure' to manage them better, including from a statistical point of view.

<sup>41</sup> The data include the reports classified by reporting entities as related to voluntary disclosures, numbering 5,849, as well as those classified as such by the UIF during their processing.

Table 3.2

<b>Reports connected to voluntary disclosure by type of reporting entity</b>			
	<b>Total STRs</b>	<b>Total Voluntary disclosure STRs<sup>1</sup></b>	<b>%</b>
<b>Total from all entities</b>	<b>82,428</b>	<b>6,782</b>	<b>8.2</b>
<b>Banking and financial intermediaries</b>	<b>74,579</b>	<b>4,250</b>	<b>5.7</b>
Banks and Poste Italiane SpA	65,860	3,600	5.5
Financial intermediaries - Arts. 106 & 107 of the 1993 Banking Law, payment institutions	5,249	0	0.0
Insurance companies	1,201	141	11.7
Electronic money institutions	1,099	0	0.0
Trust companies - Law 1966/1939	859	475	55.3
Asset management companies & SICAVs	129	4	3.1
EU and non-EU investment firms	116	30	25.9
Companies managing markets and financial instruments	2	0	0.0
Other financial intermediaries	64	0	0.0
<b>Professionals</b>	<b>5,979</b>	<b>2,530</b>	<b>42.3</b>
Notaries and National Council of Notaries	3,227	53	1.6
Accountants, bookkeepers and employment consultants	1,497	1,322	88.3
Law firms, law and accounting firms and law Practices	849	804	94.7
Lawyers	354	336	94.9
Auditing firms, registered auditors	21	5	23.8
Other professional services providers	31	10	32.3
<b>Non-financial operators</b>	<b>1,864</b>	<b>2</b>	<b>0.1</b>
Gaming and betting firms	1,466	0	0.0
Gold traders and manufacturers and retailers of precious stones and metals	240	0	0.0
Antique dealers and auction houses	2	0	0.0
Other non-financial operators	156	2	1.3
<b>Other</b>	<b>6</b>	<b>0</b>	<b>0.0</b>

<sup>1</sup> See footnote 41.

The increase in STRs is mostly attributable to the combined effect of the increase in STRs sent by 'Banks and Poste Italiane SpA' and those sent by 'Professionals'. 'Banks and Poste Italiane SpA' recorded an increase of over 6,800 reports, confirming this as the category most responsible for the growth, despite showing a decrease in percentage share. 'Professionals', who account for just over 7 per cent of the total, recorded an increase of over 150 per cent compared with 2014 - an increase in absolute terms of

more than 3,500 reports. The number of reports from ‘Non-financial operators’ continued to rise, with an increase of over 60 per cent compared with 2014 (see Table 3.3).

Table 3.3

	STRs by type of reporting entity				
	2014		2015		(% change on 2014)
	(number)	(% share)	(number)	(% share)	
<b>Total</b>	<b>71,758</b>	<b>100.0</b>	<b>82,428</b>	<b>100.0</b>	<b>14.9</b>
Banks and Poste Italiane SpA	59,048	82.3	65,860	79.8	11.5
Financial intermediaries excl. banks and Poste Italiane SpA <sup>1</sup>	9,172	12.8	8,719	10.6	-4.9
Professionals	2,390	3.3	5,979	7.3	150.2
Non-financial operators	1,148	1.6	1,864	2.3	62.4
Entities not covered by the previous categories	0	0.0	6	0.0	-

<sup>1</sup> The entities listed in Legislative Decree 231/2007, Article 11(1) excluding (a) and (b), 2 and 3, and in Article 10(2)(a), (b), (c) and (d).

There was a fall of about 5 per cent in the number of reports sent by ‘Financial Intermediaries’ compared with 2014, although they still account for a significant share of the total reports, at over 10 per cent (see Table 3.3). This reduction was found mainly among financial intermediaries registered pursuant to Articles 106 and 107 of the TUB,<sup>42</sup> payment institutions and electronic money institutions (see Table 3.4), whose reports come from a small group of 125 entities active in 2015 (118 in 2014): of these, 9 in particular sent more than 100 reports. This means that the overall data for this category is extremely volatile.<sup>43</sup> The decrease is explained by specific events (such as judicial investigations that have led to the suspension of activities for some financial intermediaries and their cancellation from the register) and the shift of large financial flows (the remittances of settled ethnic groups in Italy) to EU payment institutions whose active cooperation is often insufficient.<sup>44</sup>

<sup>42</sup> Articles 106 and 107 of Legislative Decree 385/1993, prior to the reform contained in Legislative Decree 141/2010, which eliminated the general and special registers envisaged by Articles 106 and 107 and instituted the new register pursuant to Article 106 of the TUB.

<sup>43</sup> The 2014 Report showed a significant increase compared with the previous year.

<sup>44</sup> See Section 4.5.1.

Table 3.4

<b>STRs by category of banking and financial intermediary</b>					
	<b>2014</b>		<b>2015</b>		<i>(% change on 2014)</i>
	<i>(number)</i>	<i>(% share)</i>	<i>(number)</i>	<i>(% share)</i>	
<b>Banking and financial intermediaries</b>	<b>68,220</b>	<b>100.0</b>	<b>74,579</b>	<b>100.0</b>	<b>9.3</b>
Banks and Poste Italiane SpA	59,048	86.6	65,860	88.2	11.5
Financial intermediaries - Arts. 106 & 107 of the 1993 Banking Law, <sup>1</sup> payment institutions	6,041	8.9	5,249	7.0	-13.1
Insurance companies	723	1.0	1,201	1.6	66.1
Electronic money institutions	1,822	2.7	1,099	1.5	-39.7
Trust companies - Law 1966/1939	310	0.4	859	1.2	177.1
Asset management companies & SICAVs	127	0.2	129	0.2	1.6
EU and non-EU investment firms	64	0.1	116	0.2	81.3
Companies managing markets and financial instruments	0	0.0	2	0.0	-
Other financial intermediaries <sup>2</sup>	85	0.1	64	0.1	-24.7

<sup>1</sup> Articles 106 and 107 of Legislative Decree 385/1993, prior to the reform contained in Legislative Decree 141/2010, which eliminated the general and special registers envisaged by Articles 106 and 107 and instituted the new register pursuant to Article 106 of the TUB.

<sup>2</sup> The category includes the other entities listed in Legislative Decree 231/2007, Articles 10(2) letters a), c), d) and f) and 11, paragraphs 1-3.

The reports sent by ‘Professionals’<sup>45</sup> totalled 5,979, a significant increase over 2014 (see Table 3.5), mainly due to the STRs linked to voluntary disclosure operations (more than 40 per cent of the reports in this category). Of the 6,782 reports of this kind received by the UIF up to 31 December 2015, more than 2,500 were sent by professionals (see Table 3.2).

**Professionals**

However, the increase in the ‘Professionals’ category dropped significantly; excluding those reports linked to regularization, the increase is of about 44% compared with 2014. The contribution of notaries continues to be predominant, in line with previous years. Reports from accountants, bookkeepers, employment consultants, law firms, law and accounting firms, lawyers and law practices have increased in absolute terms but continue to be marginal and not proportional to potential active cooperation.

<sup>45</sup> The category includes the entities listed in Legislative Decree 231/2007, Articles 12(1) and 13(1).

Table 3.5

<b>STRs received from professionals and non-financial operators</b>					
	<b>2014</b>		<b>2015</b>		
	<i>(number)</i>	<i>(% share)</i>	<i>(number)</i>	<i>(% share)</i>	<i>(% change on 2014)</i>
<b>Professionals</b>	<b>2,390</b>	<b>100.0</b>	<b>5,979</b>	<b>100.0</b>	<b>150.2</b>
Notaries and National Council of Notaries	2,186	91.5	3,227	54.0	47.6
Accountants, bookkeepers and employment consultants	148	6.2	1,497	25.0	911.5
Law firms, law and accounting firms and law practices	20	0.8	849	14.2	4,145.0
Lawyers	7	0.3	354	5.9	4,957.1
Auditing firms, auditors	16	0.7	21	0.4	31.3
Other professional services providers <sup>1</sup>	13	0.5	31	0.5	138.5
<b>Non-financial operators</b>	<b>1,148</b>	<b>100.0</b>	<b>1,864</b>	<b>100.0</b>	<b>62.4</b>
Gaming and betting firms	1,053	91.7	1,466	78.6	39.2
Gold traders and manufacturers and retailers of precious stones and metals	47	4.1	240	12.9	410.6
Antique dealers and auction houses	0	0.0	2	0.1	-
Other non-financial operators <sup>2</sup>	48	4.2	156	8.4	225.0
<b>Other</b>	<b>0</b>	<b>0.0</b>	<b>6</b>	<b>100.0</b>	<b>-</b>

<sup>1</sup>The category includes the entities listed in Legislative Decree 231/2007, Articles 12(1) and 13(1).

<sup>2</sup>The category includes the entities listed in Legislative Decree 231/2007, Articles 10(2)(e), (f) and (g) and 14(1) of, not included in the previous categories

The significant increase in STRs sent by ‘Professionals’ continued in the first part of 2016. The prevention and sanctioning apparatus needs to look for and implement solutions that make intensive and sustained active cooperation possible for these categories, even when the flow of reports linked to voluntary disclosure dries up. The UIF is committed to maintaining a dialogue with the categories concerned, especially as regards the quality and quantity of the reports. Pursuing these objectives requires the professional orders to play a more active role. It would be desirable to complete the

plan already under way since 2012<sup>46</sup> with the National Council of the Order of Accountants and Bookkeepers (CNDCEC) being authorized to receive STRs from its members and forward them to the UIF. This procedure, which guarantees reporting anonymity,<sup>47</sup> has laid the foundations for an increase in reports from notaries: the CNN (the National Council of Notaries) has played a consistently important role over the last four years, forwarding virtually all of the STRs received (in 2015, 3,146 against 81 sent directly) and making it easier for notaries to fulfil their reporting obligations. For other categories of professionals too, the concrete opportunity for members to send reports via their own national body could make fulfilling active collaboration obligations easier, in compliance with the protection of confidentiality pursuant to Articles 45 and 46 of Legislative Decree 231/2007.

The number of reports submitted by non-financial operators<sup>48</sup> increased again in 2015, from 1,148 in 2014 to 1,864. About 80 per cent came from gaming and betting companies, a category that has been subjected to specific inspections by the UIF over the last few years.

**Non-financial operators**

The contribution of general government remains very low: just 21 reports in 2015 up from 18 the previous year.

**General government**

The UIF launched a series of initiatives to put into effect the provisions of the national anti-money-laundering legislation, in force since 1991, whereby general government offices are among those entities obliged to report suspicious transactions. The recent ministerial decree on anomaly indicators,<sup>49</sup> following a proposal by the UIF, is part of this implementation.

In 2015, 941 new entities registered with the system for collecting and analysing anti-money-laundering data in order to report suspicious transactions. Most of the new entities are professionals (839), especially those belonging to the categories accounting for many of the voluntary disclosure STRs.<sup>50</sup> Of the new professionals registered, 400 have actually submitted a total of 2,027 reports, of which 1,833 are ascribable to voluntary disclosure operations.

**New registrations**

In the first quarter of 2016 there was a much greater increase in reports than in the same period in 2015: 26,562 against 19,609. Although there was an increase in the number of reports sent by 'Banks and financial intermediaries', the category's percentage share went from 92.8 per cent to 86.1 per cent as there was a substantial increase on a quarterly basis in the reports submitted by professionals and non-financial operators (from 7.2 per cent to 13.9 per cent), with those of the former still influenced by voluntary disclosure.

**Trend 2016**

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<sup>46</sup> Ministry of the Economy and Finance Decree of 4 May 2012 implementing Article 43(2) Legislative Decree 231/2007

<sup>47</sup> Article 43(3), Legislative Decree 231/2007.

<sup>48</sup> The category includes the entities listed in Articles 10(2) e), f) and g) and 14(1) of Legislative Decree 231/2007.

<sup>49</sup> See Section 2.4.2.

<sup>50</sup> Accountants, law firms, law and accounting firms, lawyers and law practices.

### 3.2. Suspicious transactions

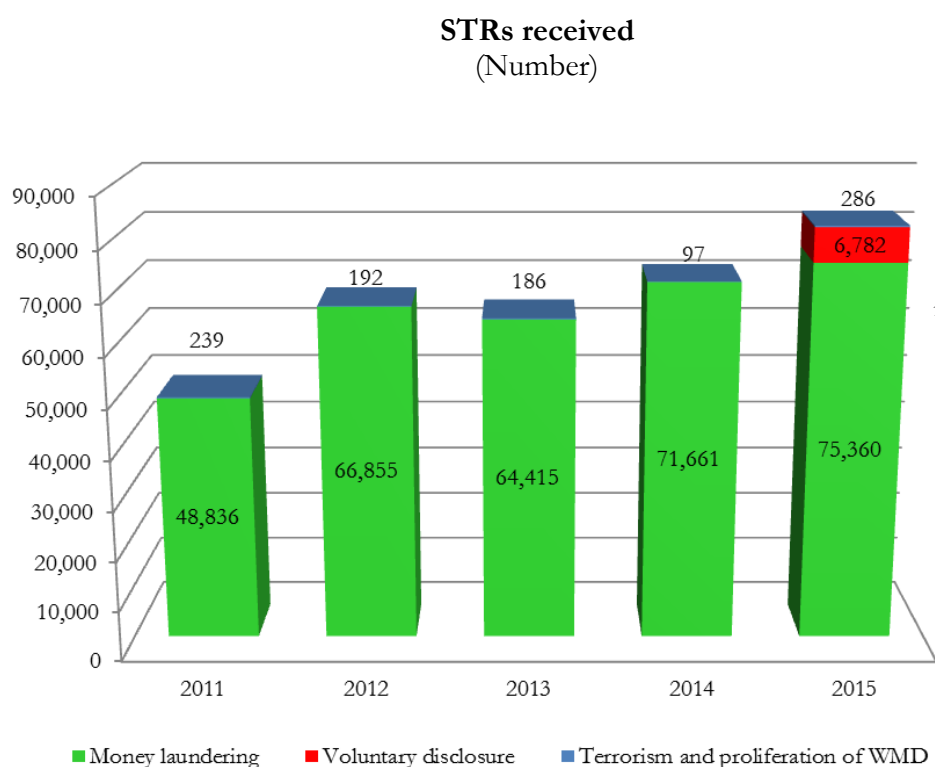
Almost all the reports received in 2015 involved suspected money laundering. Those relating to financing of terrorism or the proliferation of weapons of mass destruction (WMD), though still a marginal share of the total, nearly tripled over the year, as a result of the exacerbation of the threat of terrorist action from persons connected with ISIL and because of the perception of this risk by operators (Table 3.6 and Figure 3.2).

Table 3.6

Distribution of STRs by category					
	2011	2012	2013	2014	2015
	<i>(number)</i>				
<b>Total</b>	<b>49,075</b>	<b>67,047</b>	<b>64,601</b>	<b>71,758</b>	<b>82,428</b>
Money laundering	48,836	66,855	64,415	71,661	82,142
<i>of which</i> voluntary disclosure					6,782 <sup>1</sup>
Financing of terrorism	205	171	131	93	273
Financing of proliferation of WMD	34	21	55	4	13

<sup>1</sup> See footnote 41.

Figure 3.2



<sup>1</sup> See footnote 41.



This trend was confirmed in the early months of 2016, with 136 reports on financing of terrorism and 3 on proliferation of weapons of mass destruction.

The distribution of STRs in Italy was uneven again in 2015. The top three regions for number of suspicious transactions account for over 40 per cent of the total (see Table 3.7).

Table 3.7

<b>Distribution of STRs received by region where transaction occurred</b>					
<b>Regions</b>	<b>2014</b>		<b>2015</b>		<i>(% change on 2014)</i>
	<i>(number)</i>	<i>(% share)</i>	<i>(number)</i>	<i>(% share)</i>	
Lombardy	13,021	18.1	16,892	20.5	29.7
Lazio	8,948	12.5	8,928	10.8	-0.2
Campania	8,786	12.2	8,436	10.2	-4.0
Veneto	5,623	7.8	6,430	7.8	14.4
Piedmont	4,667	6.5	5,711	6.9	22.4
Emilia-Romagna	4,760	6.6	5,579	6.8	17.2
Tuscany	4,874	6.8	5,105	6.2	4.7
Puglia	4,128	5.8	4,800	5.8	16.3
Sicily	4,122	5.7	4,394	5.3	6.6
Liguria	2,195	3.1	2,267	2.8	3.3
Calabria	2,368	3.3	2,034	2.5	-14.1
Marche	1,728	2.4	1,837	2.2	6.3
Friuli-Venezia Giulia	1,082	1.5	1,400	1.7	29.4
Sardinia	1,241	1.7	1,369	1.7	10.3
Abruzzo	1,086	1.5	1,171	1.4	7.8
Trentino-Alto Adige	809	1.1	969	1.2	19.8
Umbria	650	0.9	805	1.0	23.8
Basilicata	503	0.7	611	0.7	21.5
Molise	331	0.5	447	0.5	35.0
Valle d'Aosta	155	0.2	224	0.3	44.5
Abroad <sup>1</sup>	681	0.9	3,019	3.7	343.3
<b>Total</b>	<b>71,758</b>	<b>100</b>	<b>82,428</b>	<b>100</b>	<b>14.9</b>

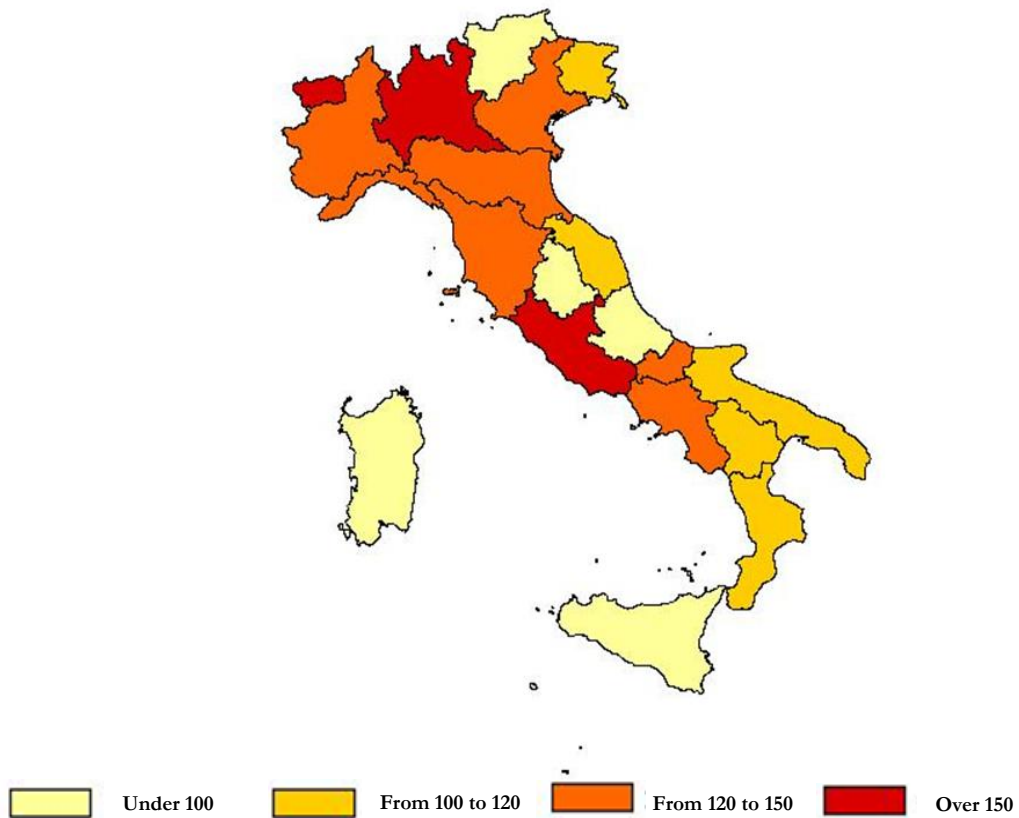
<sup>1</sup> The category includes reports from obliged Italian entities for which the business reported in the appropriate parts of those reports is with a foreign counterpart. The significant increase in 2015 is attributable to voluntary disclosure reports.

As in previous years, Lombardy was the region that sent the most STRs (16,892 or 20.5 per cent of the total), followed by Lazio (8,928, 10.8 per cent) and Campania (8,436, 10.2 per cent; see Figure 3.3).<sup>51</sup> The marked increase in reports from Lombardy compared with 2014, both in relative and absolute terms, seems largely attributable to the substantial flow of voluntary disclosure reports from this region.

The number of reports from Lazio, which decreased by 2.6 per cent from 2013 to 2014, remained essentially stable in 2015, but its share of the total fell. The number of reports from Calabria declined considerably (-14.1 per cent), as did that of Campania, though to a lesser extent (-4 per cent). Among the regions submitting reports accounting for over 5 per cent of the total, the most significant increases were recorded in Piedmont (+22.4 per cent), Emilia Romagna (+17.2 per cent), Puglia (+16.3 per cent) and Veneto (+14.4 per cent).

Figure 3.3

**Distribution of STRs received by region where transaction occurred**  
*(Number of STRs per 100,000 inhabitants)*



In 2015, the total value of suspicious transactions actually executed and reported to the UIF came to about €97 billion, against about €56 billion in 2014. Taking attempted

<sup>51</sup> Since more than one suspicious transaction can be included in each report, the source of the report is usually assumed to be the same as the place of the request/execution of the first transaction.

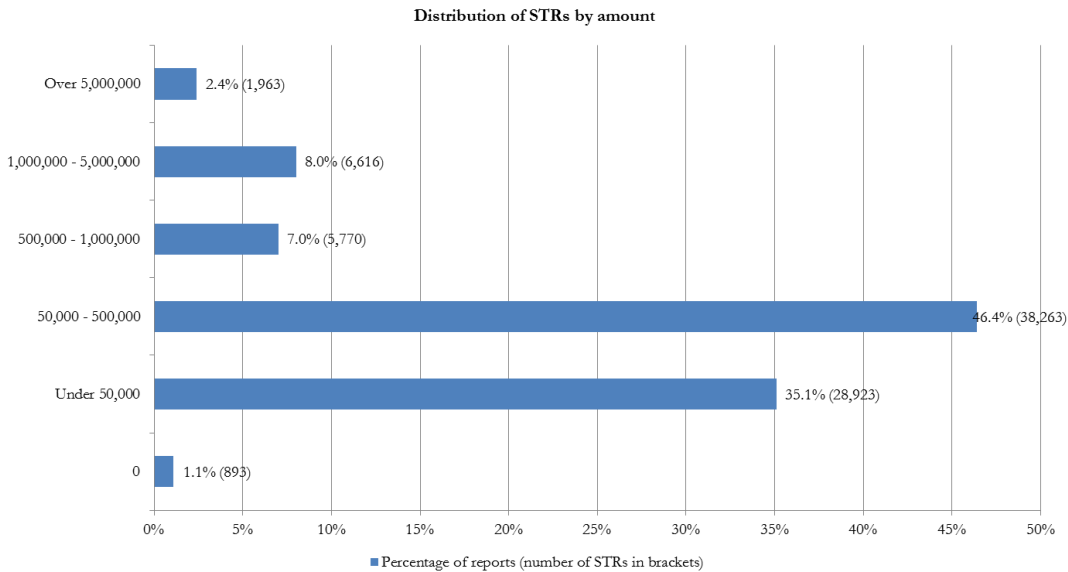
transactions into account, the total value for 2015 is equal to €114 billion, compared with €164 billion in 2014.

In appraising the amounts reported it must be noted that both transactions actually executed and those only attempted are reported. Establishing the correct amounts for attempted transactions leaves room for considerable uncertainty because often the intermediary has only been informed in advance of a possible transaction, with no available evidence as to the actual existence of an underlying cash flow. As a result overestimation is common given that customers often propose high value transactions, which are attempts at fraud or made under false pretences as regards their economic possibilities, once again as part of an attempt at fraud. It should also be considered that, for 2015, the voluntary disclosure process often involved a number of obliged entities. For this reason, the same transaction may be reported more than once.

Amounts reported

About 30,000 reports, or 36.2 per cent of the total, related to suspicious transactions amounting to less than €50,000 (see Figure 3.4). Reports for amounts over €500,000 accounted for 17.4 per cent of the total. Compared with 2014, there was a reduction in relative terms of suspicious transactions involving amounts of less than €50,000 (42.9 per cent in 2014) and an increase in those of amounts over €500,000 (14.8 per cent in 2014).

Figure 3.4



With regard to the type of transactions reported, as in previous years the majority were cash transactions or credit transfers. Of the over 290,000 suspicious transactions reported, about 77,000 referred to cash transactions (about 26 per cent of the total) and over 96,000 to domestic credit transfers<sup>52</sup> (about 33 per cent of the total; see Figure 3.5).

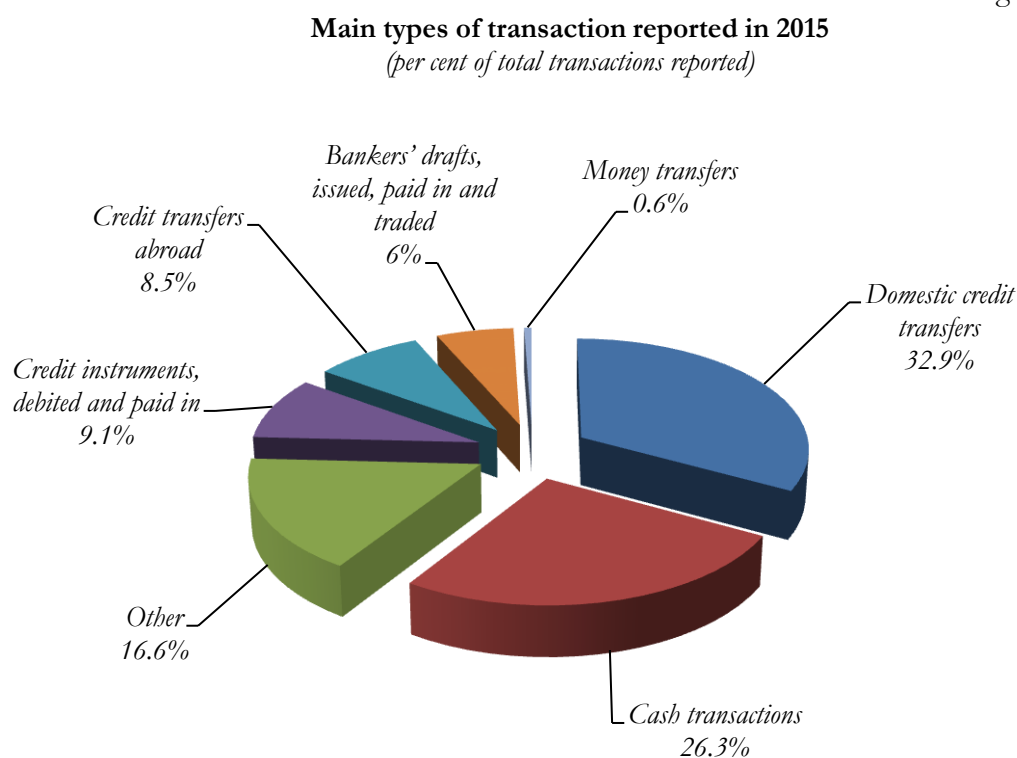
Type and average amount of transactions reported

<sup>52</sup> The increase compared with 2014 is attributable to the use of a new calculation method that considers all the transactions of each report, even if they are of the same type. The standard used last year only considered transactions of different types for each report. Under the old system, the result would be

By amount, credit transfers abroad were particularly large, averaging €85,600, which is considerably more than the €11,600 average for domestic credit transfers.

With regard to credit instruments, bankers' drafts averaged €27,000, higher than the average of €13,300 for bank cheques. The average amounts of money transfers were small, at €2,100. The value of the cash transactions reported averaged €2,500.

Figure 3.5



**Transmission times**

In 2015 some 55 per cent of reports were sent within one month of the transaction,<sup>53</sup> 70.9 per cent within two months and over 80 per cent within three months (see Figure 3.6). The data remained essentially unchanged from 2014 (55.2, 71, and 79.7 per cent). However, the share of reports submitted more than seven months after the transaction date rose (7.4 per cent against 6.5 per cent in 2014).

Although the system has raised awareness of the need to reduce reporting times over recent years, there is still room for improvement.

As the Mutual Evaluation pointed out, transmission times have yet to correspond to the idea of 'prompt' reporting which affects the degree of effectiveness of active cooperation. With reference to the various categories of reporting entities, in the 15 days following the transaction, 'Banks and Poste Italiane SpA' sent 40 per cent of their

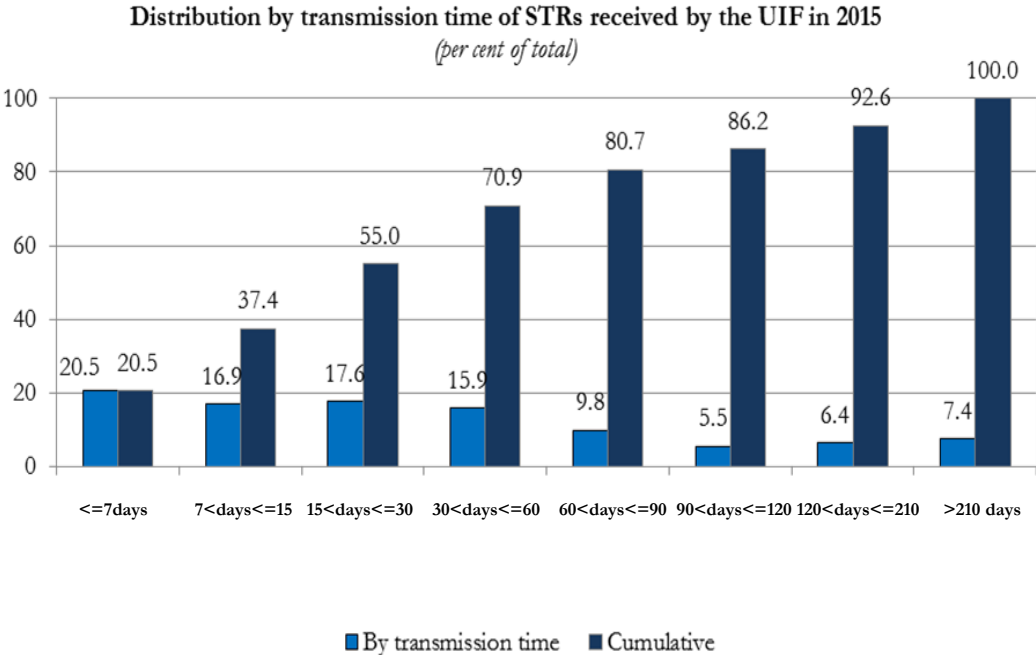
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173,536, more or less comparable to the figure of 149,000 for 2014. In the same way, again using the previous method of calculation, there would be 60,290 credit transfers (domestic and abroad) or 34.7% of total transactions, basically in line with last year's share of 31%.

<sup>53</sup> Transmission times are normally calculated as the interval between the most recently reported transaction and the submission date.

reports, ‘Professionals’ sent 39 per cent, ‘Other financial intermediaries’ sent 14 per cent and ‘Non-financial operators’ sent 25 per cent. The difference between the categories may also depend on different internal analysis processes for ascertaining the grounds for suspicion, influenced by the type of activity and the organizational complexity of the reporting entity.

Figure 3.6



**3.3. The quality of active cooperation**

Effective active cooperation requires not only timely communication but also complete information of a good quality. In order to improve the system, the UIF is working on several fronts: since 2012 it has held a series of meetings with the main reporting entities to discuss common irregularities and inefficiencies in reporting, and offers constant support in using the Infostat-UIF portal and filing reports. The main reporting entities from the ‘Bank and Poste Italiane SpA’ category have been monitored since 2014 in order to promote self-assessments (through comparisons with others in their reporting category) and to set up initiatives to improve organizational safeguards and business processes. In 2015 bilateral contacts were established with new reporting entities to refine techniques for assessing suspicious activity and thereby achieve more complete and effective reporting. This set of initiatives will continue throughout 2016, based on observations of the quality of the data sent to the UIF.

Support for reporting entities in registering with and using the Infostat-UIF portal is essential so that obliged entities can make better use of the system. In 2015 the UIF

**Support for reporting entities**

received around 3,000 requests for support sent by email to the address provided.<sup>54</sup> 'Professionals' using the Infostat-UIF system to send voluntary disclosure STRs for the first time asked numerous questions about how to register as a UIF reporting entity. New functions have been set up for reporting entities to add documentation to the reports already sent to the UIF but not yet forwarded to investigative bodies. The channel also guarantees greater security and confidentiality for the information requested by the UIF in the field of financial analysis.

**Feedback reports**

As in 2014, the UIF continued to provide the main operators of the 'Bank and Poste Italiane SpA' category with a summary of its findings by sending out feedback reports.

These reports provide some indicators that operators can use, on the basis of their individual experience and type of activity, to gauge their own position in relation to others in the same reporting category. There are indicators for four different aspects of making a report:

1) the extent of the cooperation, measured by the number of reports submitted by the reporting entity in the relevant time period as a percentage of the total number of reports sent by the reference group. This provides a parameter for the entity to assess the relative quantity of reports made;

2) timeliness in submitting reports, shown by the percentage distribution of reports by time period and by median transmission time. This allows the reporting entity to assess their own speed of reaction to emergent suspicious elements;

3) the ability to detect transactions that pose an effective money laundering risk, measured by indicators that capture both the risk level of the reports according to the UIF's prior financial analysis and the existence of any law enforcement investigations under way;

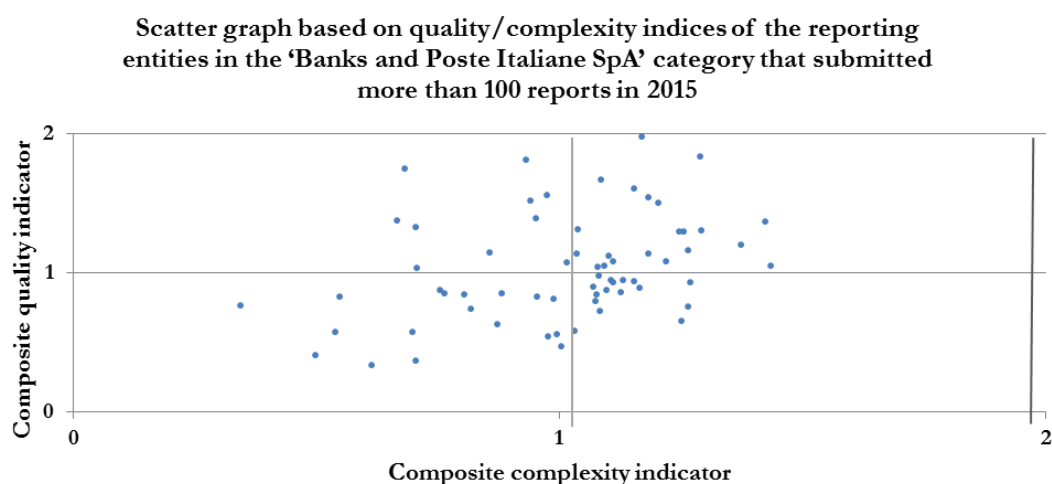
4) the ability to describe suspicious activities adequately and effectively in terms of the number of transactions and persons indicated in the STRs.

For the main reporting entities in the 'Banks and Poste Italiane SpA' category, two indices were examined that summarize the importance of the reports received in 2015 in terms of the high level of risk measured by the UIF and of interest to the investigative authorities (the composite quality indicator), and of how well the cases were described (the composite complexity indicator), in order to evaluate the position of each reporting entity with respect to the average for the reporting category.

Both indices are expressed in relation to the average values of the reporting category for each reporting entity. Figure 3.7 shows the positioning of the reporting entities in each of the four categories relating to the quality/complexity of their active cooperation. The scatter graph was plotted with reference to 65 operators from the 'Banks and Poste Italiane SpA' category that submitted more than 100 reports in 2015. Compared with 2014, there is a higher concentration of reporting entities around the average value, which is higher than in 2014 in terms of both quality and complexity.

<sup>54</sup> [servizio.ops.helpsos@bancaditalia.it](mailto:servizio.ops.helpsos@bancaditalia.it).

Figure 3.7



Among the 22 entities monitored, 33.8 per cent of them submitted reports of a quality and complexity higher than the benchmark.

The reports of 9 entities, or 13.8 per cent, were less complex but of above-average quality; 17, or 26.2 per cent of the total, sent reports with a high level of complexity but of below-average quality.

Finally, 17 reporting entities (26.2 per cent) sent reports that were below average in terms of quality and complexity. These results will be analysed further with a view to setting up initiatives to improve active cooperation.

To improve the adequacy of active cooperation, above all for reporting entities in categories other than 'Banks and Poste Italiane SpA', the checks carried out during the acquisition phase on the consistency and correctness of reports have been extended, and approaches to reporting have been devised to enable a transfer of information that is more suitable for the requirements of financial intelligence. An important example of this involved reports from money transfer intermediaries in 2015.

Initiatives of this kind could be extended to other categories, such as custody and transport of cash companies which, thanks to initiatives for communication and dissemination together and to inspections carried out by the UIF, are making more reports. There is significant room for improvement in the information content of the reports sent by this category, so as to provide a clear representation of reasons for suspicion and clear guidance for the UIF's evaluations.

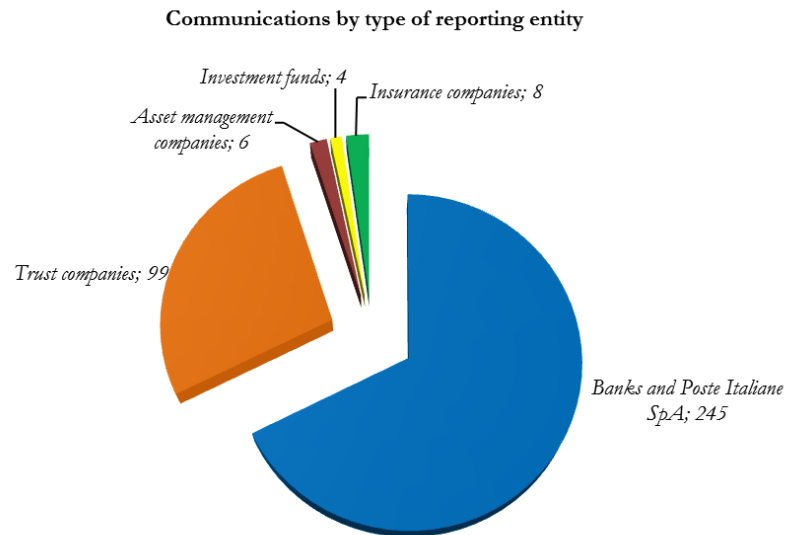
### 3.4. Communications of cases where due diligence is not possible

The UIF receives communications about transactions made by intermediaries to return funds when they are unable to carry out adequate due diligence on their customers.<sup>55</sup> These communications help enlarge the information database available to the UIF for its institutional purposes.

#### Data on returned funds

In 2015 the UIF received 362 communications of this kind (more or less the same as in 2014)<sup>56</sup> for a total of about €44 million, most of which were sent by banks (about 68 per cent) and trust companies (about 27 per cent) as defined in Law 1966/1939 (see Figure 3.8).

Figure 3.8



As for the banking relationships reported, around 70 per cent concerned financial resources held in current accounts.

Funds were returned in 321 cases to operators in Italian municipalities, mainly Milan and Rome, and in 41 cases to banks with headquarters abroad.

<sup>55</sup> Article 23(1-bis) of Legislative Decree 231/2007. Communications are made following the instructions issued by the UIF with the [Measure](#) of 10 March 2014.

<sup>56</sup> In 2014 the UIF received 276 such communications starting in March when the communications channel was set up.



## 4. OPERATIONAL ANALYSIS

The UIF performs a financial analysis of suspicious transaction reports submitted by obliged entities and forwards them to the Special Foreign Exchange Unit of the Finance Police and to the Anti-Mafia Investigation Department, along with a technical report containing the results of the analysis.

The financial analysis consists of information gathering to gain a better understanding of the content of the original transaction, identify persons and objective connections, reconstruct the financial flows underlying the operations, and thereby identify transactions and situations linked to money laundering or the financing of terrorism, augmenting the body of information available. It is a process of transformation in which the data obtained from the suspicious transaction reports are processed through automated systems, enriched by cross-checking archives and open sources, and classified according to risk and transaction type in order to identify those that are most significant and warrant being disseminated as effectively as possible for subsequent investigative developments. This process follows the risk-based approach defined in the international standards and allows for intelligence efforts to be adapted to into account the risks and vulnerabilities identified in the course of risk assessments and the results of strategic analyses.

The analysis of suspicious transaction reports is central to the Unit's financial intelligence activities and is instrumental in extracting from the reports the investigative elements to be forwarded to the authorities responsible for investigating cases of money laundering, predicate offences and the financing of terrorism.

The UIF is constantly working to improve its assessment processes and its data sources, strengthening the selectivity and effectiveness of its institutional activities and the sharing of its results with investigative bodies.

The wealth of knowledge that comes from the selection and financial analysis of STRs also allows the UIF to classify suspicious transactions and to identify and define types and patterns of abnormal behaviour to be shared with the obliged entities.<sup>57</sup>

### 4.1. The numbers

In 2015 the Unit analysed and transmitted 84,627 STRs to investigative bodies (Table 4.1 and Figure 4.1), an increase of about 11.6 per cent over 2014.

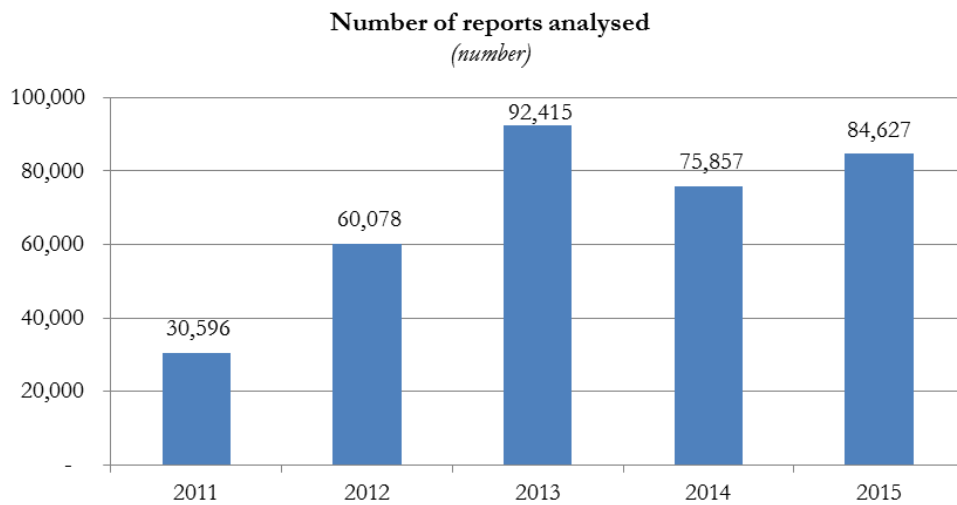
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<sup>57</sup> See Section 5 and Section 2.4.2.

Table 4.1

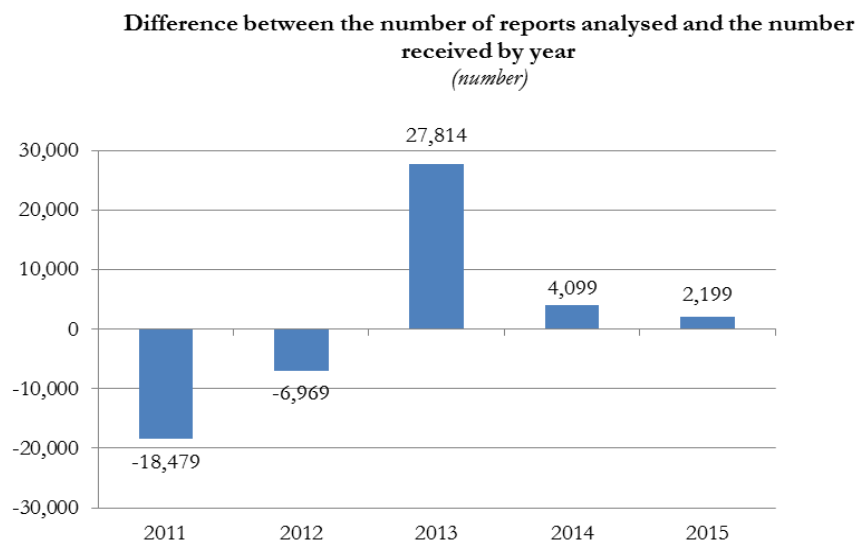
Reports analysed by the UIF					
	2011	2012	2013	2014	2015
Number	30,596	60,078	92,415	75,857	84,627
<i>Percentage change on previous year</i>	<i>13.5%</i>	<i>96.4%</i>	<i>53.8%</i>	<i>-17.9%</i>	<i>11.6%</i>

Figure 4.1



The drive to speed up data processing continued in 2015; the number of reports analysed by the UIF outnumbered those received (82,428) by more than 2,000 STRs (Figure 4.2).

Figure 4.2



At the end of 2015 there was a backlog of approximately 8,200 STRs, which given a monthly inflow of about 6,900 reports can be considered the norm. This result was achieved by the continuous fine-tuning of work processes, which included greater access to information sources, a more rational organization of resources and more effective use of technological support.

## 4.2. The process of analysis

In accordance with international standards, the financial analysis process is divided into a series of activities designed to identify those STRs deemed to be well-founded and warranting further investigation, to assess the actual degree of risk involved and to decide how they should be handled by drawing upon a variety of information sources.

The analysis process uses the RADAR information technology system to gather and manage reports and to perform the first phase of data enrichment. The recurrence of suspicious behaviour (even among different operators) or cross-checks with other transactions serve as grounds for the suspicion that gave rise to the report.

The RADAR system classifies the reports, identifying those deemed to be of highest risk and therefore to be given priority treatment, on the basis of an automatic rating assigned to each report which partly relies on the level of risk indicated by the reporting entity.

In the initial phases of the analysis process, indicators of investigative interest from the Finance Police are also used.<sup>58</sup> This tool, which does not specify the subject or the reason behind the investigative interest, has been extremely useful for analytical and management purposes. It has also helped to mitigate a shortcoming in the Italian regulatory framework that does not provide for the UIF's use of investigative data, as required by international standards, EU regulations and as requested in the FATF Mutual Evaluation Report.

The analysis process also includes the exchange of information with the FIU network which has progressively grown through the use of new functionalities (known/unknown requests and Ma3tch in FIU.NET).<sup>59</sup>

## 4.3. Risk assessment

Proper risk assessment in the various phases of the STR appraisal process is important for the financial analysis and in the subsequent investigative phases. The assessments synthesize a number of factors.

One of the most important factors is the obliged entities' own evaluation of the risk of money laundering or terrorist financing associated with the reported transaction, expressed on a 5-point scale.

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<sup>58</sup> See Section 1.2, Note 8.

<sup>59</sup> See Section 9.1.1.

The risk level assigned by the reporting entity helps to determine the automatic rating assigned by the RADAR system to each STR.

The automatic rating, expressed on a scale of 1 to 5 calculated with a structured algorithm that uses mainly qualitative variables, is an initial analysis of the reported transaction's risk level, which, incorporating internal and external factors, may differ from the risk profile assigned by the reporting entity. However, its accuracy also depends on the correct and thorough compilation of the STR by the reporting entity.

Though sophisticated, the automatic rating system is obviously unable to adequately capture qualitative risk factors that can be detected in a financial analysis. The automatic rating can be confirmed or modified throughout the various phases of the process and the transaction's final rating is then transmitted to the investigative bodies.

The UIF is constantly working on improving its tools and methodologies (including econometric techniques) in order to provide guidance which, together with the ratings mechanisms detailed above, makes the processing of reports more efficient.

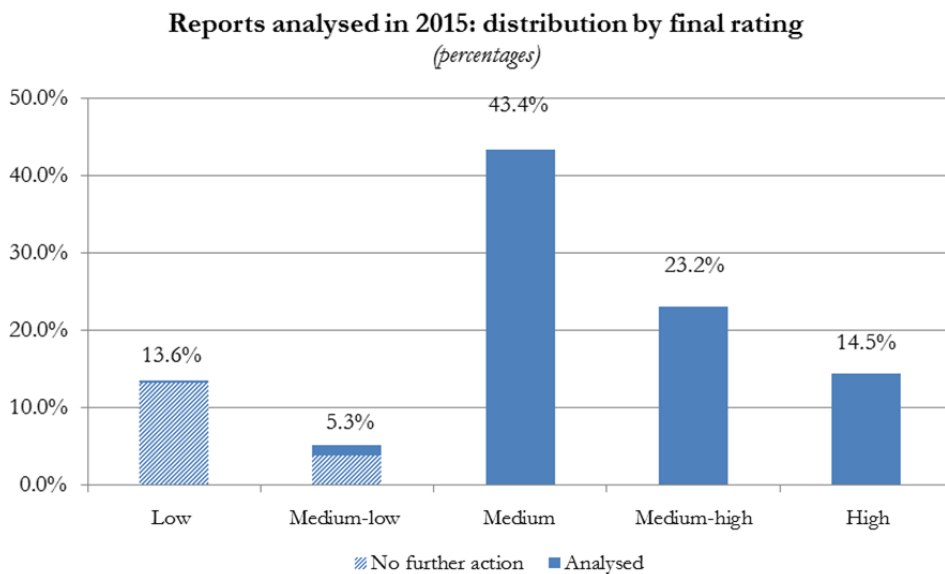
**Personal data matching**

Following the entry into service of the UIF's data warehouse in July 2015, the system has been enriched with a new process that allows for integrated cross-matching of personal data between external databases and within the individual STRs.<sup>60</sup> The aggregation of information in a single entry point, previously available through multiple queries across various data banks, makes the analytical process more efficient and, by decreasing processing times, enables more accurate analysis of the reports.

**The UIF's final rating**

In 2015, 37.7 per cent of the fully-processed STRs analysed by the UIF were considered high risk (high and medium-high rating), 43.4 per cent medium risk and 18.9 per cent low risk (low and medium-low rating; see Figure 4.3).

Figure 4.3



<sup>60</sup> See Section 10.4.

The original ratings made by the reporting entities and the final ratings assigned by the UIF after financial analysis coincide for more than 44.5 per cent of the reports analysed. More specifically, the final ratings confirming the initial assessment of low risk accounted for 14.2 per cent of STRs, those of medium risk for 14 per cent and those of high risk for 16.3 per cent (see Table 4.3).

The percentage of reports deemed by the reporting institutions to be of low risk was 40 per cent, those of medium risk more than 30 per cent, and the rest were deemed high risk. The share of risk ratings that were modified by the UIF in its final rating varied by risk class.

Table 4.3

		Risk indicated by the reporting entity			
		Low and medium-low	Medium	Medium-high and high	Total
UIF Rating	Low and medium-low	14.2%	4.0%	0.7%	18.9%
	Medium	21.7%	14.0%	7.8%	43.4%
	Medium-high and high	6.6%	14.7%	16.3%	37.7%
Total		42.5%	32.7%	24.8%	100.0%

Note: the cells in light blue give the percentages of reports for which the final rating assigned by the UIF and the risk class indicated by the reporting entity correspond.

The differences between the ratings reflect the different factors considered in making the respective risk assessments, which in the case of the reporting institution may be due to their individual characteristics (size, organization and internal procedures, diagnostic capabilities, control systems, staff training, etc.). On the other hand, for the UIF they may be due to the interconnections identified through the data acquisition and analysis procedures that contribute to determining the final rating.

**4.4. The methodology**

The financial analysis process begins with a first-level analysis to assess the actual level of risk of each STR and to determine the most appropriate treatment.

Based on the information received through automatic data enrichment and from other sources, the UIF determines whether the suspicion of money laundering appears to be founded and whether further investigation is needed.

When certain conditions are satisfied (the description of the transaction and the reasons for the suspicions are exhaustive, the suspicion relates to a phenomenon that is already known, further investigation is not possible, the opportunity to share

information with the investigative bodies more rapidly) the STR can be accompanied by a simplified report, thereby reducing processing times.

If further investigation is needed to retrace the movement of the suspicious funds, the STR undergoes second-level analysis, which produces a detailed report on the findings of the additional investigation.

In this phase, a multitude of options and tools for in-depth analysis are available. In addition to contacting the reporting institution and other obliged entities to obtain additional information, the analyst may also consult the national database of financial account holders in order to identify the banks with which the reported persons maintain accounts, access the national tax database and involve foreign FIUs if the transaction involves cross-border connections or if notable recurrences emerge from FIU.NET's periodic multilateral matching function ('Ma3tch').

Operational since July 2015, RADAR has a new functionality that allows reporting entities to integrate additional documentation into an STR that they have already submitted to the UIF. With this feature, the UIF can request and obtain documents or information during its analysis of the STR, resulting in greater timeliness in obtaining information and heightened IT safety and privacy standards.

The Unit's data warehouse<sup>61</sup> has made it possible to use most of the information accessible to the UIF, both internal and external, on an integrated basis. The data warehouse also facilitates the processing of massive quantities of information and therefore supports the identification and analysis of phenomena of interest and be used in support of the entire range of the UIF's official duties (management, inspections, strategic analysis, determination of patterns and models of conduct, and information exchange with judicial authorities, foreign FIUs and sectoral supervisory authorities). Data integration creates an environment that allows the utilization of vaster and, overall, more comprehensive and cogent information. The data warehouse also offers visual analysis tools inspired by social network models (link analysis or social network analysis).

### **Financial analysis and network analysis**

Financial analysis of the more complex STRs often reveals interdependent and network-like financial relationships. Identifying and exposing the determinants of these interconnections is the main goal of network analysis. With its data warehouse, the UIF has also begun to make systematic use of network analysis tools and methodologies in its analysis procedures.

The suspicious transaction report describes an event or a sequence of events involving various parties where each party may be connected to other parties, transactions or relationships. Moreover, that same suspicious transaction report serves as a link between the parties involved in that context and possibly to other contexts identified in other reports.

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<sup>61</sup> See Section 10.4.

The automatic personal data matching procedures allow for the identification of new subjective links based on the presence of interests of multiple parties in the same economic activity or involvement in the same judicial investigation.

Given the growing number of STRs and, consequently, surveyed subjects, the use of network analysis techniques makes it easier to identify links, even indirect ones, between entities (hubs), and to reconstruct and explore relational networks.

The real nature and range of increasingly complex financial dynamics which involve interconnected economic-entrepreneurial, financial, and environmental contexts cannot be grasped (at least not without considerable difficulty) when the analysis is limited to an individual STR that, despite correctly classifying the transaction involved, may contain a more nuanced indication of money laundering.

Because of its characteristics, network analysis may be particularly useful in the analysis of criminal activity, especially in the reconstruction of criminal enterprises and organized crime groups, including terrorists, as well as the identification of related strategic hubs.

The proceeds of organized criminal activity are a primary source of laundered money, and pose a risk to the integrity of the economic and financial system. Because of money laundering's domestic impact – as recognized in the National Risk Assessment – the identification of financial flows and assets ascribable to criminal consortia (the mafia in particular) is one of the key priorities for the UIF as the recipient of the STRs and as the entity tasked with assessing, analysing and sharing information in furtherance of investigative and judicial activities.

Monitoring  
organized crime

In December 2015 the Director of the Anti-Mafia Investigation Department<sup>62</sup> stressed that about 11,000 of the STRs sent by the UIF that year were 'potentially linked' to organized crime and had been forwarded to the National Anti-Mafia Public Prosecutor, who then identified those that were linked to ongoing criminal proceedings in the various public prosecutor's offices, the final recipients of the information.

The wealth of information contained in the STRs that directly or indirectly relates to organized crime, when quickly and correctly outlined, analysed and assessed, may be an important asset not only for developing schemes and connections that may help the obliged entities, but also for improving the content available to the various competent authorities. The specialization of competencies, though necessary, must not translate into an excessive segmentation of information; instead, we should foster a shared strategy for combatting crime, thereby increasing the system's overall efficiency.

The rapid identification, understanding and assessment of such STRs is not easy. There are many financial manifestations of organized crime, and it is impossible to identify operational characteristics that are unequivocally unique with respect to those found in the more general landscape of the illegal economy.

Judicial records show that illegal proceeds derive from a variety of crimes, the involvement of numerous nominees, the continuous commingling of illegal and legal profits and opaque methods of operation often entailing multiple transfers (of securities

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<sup>62</sup> Year-end conference, Ministry of the Interior, 15 December 2015.

or assets) that involve elevated large number of legal and natural persons. Not uncommonly, the various transactions are carried out simultaneously or within close proximity of one another, often in distant locations or between operators in diverse economic sectors.

As already mentioned, to enhance the tools available and for the rapid and correct detection of reports that potentially relate to organized criminal activity, the Unit has established a dedicated, internal focus group tasked with monitoring and gathering the information and methodologies deemed useful for the analysis of organized criminal activity for the benefit of all the UIF's internal operating units.<sup>63</sup> Moreover, together with the Anti-Mafia Investigation Department, data mining systems have been developed for the timely selection of reports that are potentially linked to organized crime.

## 4.5. Issues of major concern

Operational analysis has revealed specific issues that have been the subject of further investigation.

### 4.5.1. Money transfers

#### Reporting procedures

The money transfer sector has distinct organizational and product features, making it difficult to compare to other sectors.<sup>64</sup> The structure of this type of transaction is basic and repetitive, resulting in a single type of send or receive transaction for money transfers below the legal ceiling of €1,000. The relationship with customers is occasional and due diligence merely involves requesting an identity document at the time of the transaction.

The information pertaining to a single transaction often becomes significant solely when connected to other financial flows, linking it with the subjects and countries that send or receive the money transfer. Thus, the number of transactions and subjects involved in the suspicious activity may become significant, even in the order of several hundred. This has prompted the reporting entities to make use of the option provided in the reporting instructions issued by the UIF to represent the transactions in a simplified form, indicating in the dedicated fields a limited number of subjects and transactions.

In order to offset the resulting information deficit and, at the same time, to avoid placing an excessive burden on the reporting entity, starting in 2015 the Unit will allow the attachment of electronic documents to the reports. These documents will contain all the data that gave rise to the report (the sender's or receiver's personal information, location and agents used, and the dates and amounts of the transactions) according to a common standard layout developed with the sector's main reporting entities.

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<sup>63</sup> See the box 'The NRA: UIF initiatives', Section 1.2

<sup>64</sup> See Claudio Clemente's [Testimony](#) before the Sixth Committee of the Chamber of Deputies (Finance) dated 19 April 2016 (in Italian only).



In 2015, the UIF received 2,268 reports, for a total of over 200,000 suspicious transactions. The operators active in the sector number 21; of these, 3 generated 83 per cent of the STRs in question. **Analysis of the reports**

The most frequent type of transaction, accounting for more than 50 per cent, was the transfer of small sums of money often sent to a recipient in the same country as the sender and deemed low or medium-low risk. About a third of the reports were deemed medium risk either because they involved significant sums of money or owing to the presence of counterparties in countries other than the country of origin.

The riskiest anomalies (13 per cent of the total) are those with elements worthy of attention in relation to reports of crimes or persons under investigation, in some cases for terrorist activity, or to networks engaging in illegal activities including for the purposes of organized crime. In some of these cases, the recurrence of the same agents tasked with managing the transactions indicated a possible involvement, as detected by some reporting entities in the course of internal audits.<sup>65</sup>

For this category of STRs, the UIF has developed specific financial analysis methodologies, including the use of tools that process large quantities of information. **Aggregated analysis**

Thanks to the standardization of the information attached to the reports sent by entities operating in the money transfer sector, 213,558 money transfers between Italian agents and foreign counterparties were aggregately analysed in 2015. They amount to 205,685 outward and 7,873 incoming transactions, involving a total of 33,310 clients and 2,034 agents.

Aggregate analysis widens the time frame under review, thus detecting recurring persons or entities, be they executors, agents or counterparties, as well as their relationships and connections, which often go undetected in an individual transaction. It can also discern important phenomena from transactions that, when examined individually, appear of little significance.

For 9.8 per cent of customers (senders and receivers), this analytical approach has detected anomalies characterized by the presence of multiple counterparties located in different countries, indicating the existence of international networks which, in certain cases, also operate in areas considered at risk of terrorism.

Particular attention was paid to analysing transfers by agents whose dealings reveal tangible links to a common customer base. As a result of this activity, the agents suspected of involvement in irregular activities, as well as those reported by the money transfer operators, have been subjected to monitoring. In 2015, these accounted for about 3.6 per cent of the agents signalled in the reports.

Automatic checks are performed on the parties involved in transfers to verify and ascertain their possible presence on 'watch lists', compiled using open sources or internal UIF archives. In 2015 more than 500 names were verified because identical to the names of parties labelled high-risk, such as 'politically exposed persons' (PEPs), or parties charged with engaging in organized crime, scams or fraud, extortion, drug trafficking, crimes against people or property or acts of terrorism.

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<sup>65</sup> Regarding the investigative measures taken by the UIF see the box 'Investigative verifications in the money transfer sector', Section 7.1.

**Reports from other obliged entities**

Reports on money remittances are sent to the UIF by other obliged entities that intercept the financial flows transmitted by money transfer, including through the parties' current accounts.

The information obtained has proved to be of great importance, leading to the detection of anomalies in the operations of EU payment institutions doing business in Italy under the freedom to provide services and that display an insufficient degree or a complete lack of active cooperation.

The information drawn from these reports has proved to be valuable in reconstructing the flow of remittances that are not captured in the official statistics. EU financial intermediaries that operate under the freedom to provide services are not currently subject to the same reporting obligations as other Italian operators who must provide data on remittances for balance of payments purposes.

The analysis has identified foreign remittances in the order of hundreds of millions of euros sent by newly-formed financial intermediaries or others whose shareholder base or 'corridors' served have undergone recent and significant changes. Most of the time, these operators work with financial agents that have already been reported to the Unit on several occasions for anomalous transactions carried out in the service of other money transfers. The results of the analysis have been brought to the attention of the competent Italian authorities and possible regulatory intervention was proposed.<sup>66</sup>

### **Money remittances by EU financial intermediaries**

On 19 April 2016, Claudio Clemente, Director of the UIF, testified before the Sixth Committee of the Chamber of Deputies (Finance) regarding money transfers and the prevention of money laundering and terrorist financing.

EU financial intermediaries that operate in Italy under the freedom to provide services are not required to produce statistical reports on their money transfer operations (though some do so voluntarily), making it difficult to develop a real understanding of the market.

Based on the data and information available, obtained for statistical purposes, remittances towards foreign countries have decreased significantly overall in the last five years, largely due to the drastic reduction in remittances towards China (from €2.7 billion in 2012 to €560 million in 2015). The sudden reduction recorded in recent years appears anomalous even in the light of the information acquired through the Unit's active cooperation with the Customs and Monopolies Agency in the matter of tax evasion associated with international trade and the specific exposure of this 'corridor' to the risk of channelling illegal funds.

The measures taken to detect potential alternative channels relied on the results of the in-depth analysis of the STRs. In so doing, we found that a significant part of the difference in the flows is related to the migration of many agents towards Community payment institutions that do not produce statistical reports for balance of payment purposes.

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<sup>66</sup> See Section 7.1.

Moreover, these payment institutions were found to disregard the controls and their active cooperation obligations, exploiting asymmetries in the regulatory framework between Italian and Community subjects.

The imminent incorporation of the fourth AML Directive into national law<sup>67</sup> offers an important opportunity to strengthen the prevention efforts in the money transfer sector. For instance, it should be stipulated that the ‘central point of contact’ be made mandatory for those operating in Italy under the freedom to provide services and that it be given a larger role, effectively becoming the reference point for the national authorities for all anti-money-laundering matters.

This type of regulatory intervention must be associated with equivalent measures for other financial instruments (such as payment cards or virtual currencies) which are similarly exposed to the risk of money laundering and terrorist financing and which necessitate the application of preventative measures.

#### 4.5.2. Suspicious transaction reports relating to terrorist financing

Over the last two years there was a drastic increase in the threat of terrorism.

The changes in the international context, with the Islamic State’s control of territories in Syria, Iraq and Libya, as well as the occurrence of attacks and the presence of terrorist cells and foreign terrorist fighters, including in Europe, have led to a general increase in the levels of attention paid to the phenomenon and to its methods of financing.

These events are reflected in the number of STRs submitted to the UIF relating to terrorist financing: since the second half of 2014, the number has grown significantly after having fallen in the previous five years. This surge in STRs is due to a variety of factors, all stemming from an increase in efforts to prevent and combat the threat of terrorism: the growing number of transactions and procedures that have involved law enforcement and judicial authorities; heightened monitoring by operators of certain types of transactions and customers that are more exposed to the risk of terrorist financing; operators’ increased awareness of their customers’ subjective behaviour and financial conduct, including through insight gleaned from news stories on criminal activity.

The number of STRs classified by reporting entities as suspected terrorist financing – indicated in a specific field in the report – amounted to 273, three times the number received by the UIF in 2014. The number grows to 298 when taking into account reports initially classified as suspected of money laundering and subsequently reclassified by the UIF as terrorist financing.

Volume and recurring themes

The flows of terrorist financing, especially in the case of small, local organizations or parties that act alone, are difficult to intercept because they are often channelled outside the legal financial circuit, are for small amounts, and can be traced to economic activity that is in itself legitimate.

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<sup>67</sup> See Section 2.4.1.

Reports that are typically classified as suspected of terrorist financing are those that contain well-defined grounds for suspicion, such as an established connection (subjective or financial) to terrorist financing either because it has been the subject of a previous report or because it is being investigated by an investigative body or another FIU.

The financial analysis of reports of suspected terrorist financing involves processes, methods and pathways that are substantially similar to those used in assessing reports of money laundering. However, the gravity of the phenomenon, the importance of the subjective factors and the frequent presence of small financial transactions require that the analysis be conducted with particular care. Reports containing possible indications of terrorist activity are subjected to thorough financial investigations that leverage all the information available by widening the context under review.

In order to share information more rapidly, the UIF has launched an alert system which forwards the investigative bodies the relevant details that are being transmitted.

#### Operational categories

Reports pertaining to the financing of terrorism sent to the UIF in 2015 reflect the unique characteristics of the phenomenon.

A significant number of reports (more than 40 per cent) originated from red flags that were subjective in nature. These reports were motivated by a willingness to collaborate with ongoing investigations or by precautionary considerations. Among these, about a quarter (a significant increase from 2014) were generated by the direct or indirect involvement of customers of operators involved in legal proceedings or mentioned in news stories relating to acts of terrorism or religious extremism. Instead, about 20 per cent of reports (and the amount is increasing) were generated by automatic checks of customer transactions that revealed a possible link to the dealings of risky parties or parties subject to restrictive financial measures for reasons involving terrorism (specially designated nationals lists from the UN, EU and OFAC).

The rest of the reports (just over 50 per cent of the total) dealt with financial anomalies or anomalous customer behaviour, identified also on the basis of the anomaly indicators published in 2010 by the Bank of Italy as proposed by the UIF. About 16 per cent of the reports (an increase over last year) related to non-profit institutions (Islamic centres, cultural associations, etc.) often serving an immigrant community with the goal of promoting religious events. These reports generally originate from strengthened monitoring activities of transactions registered to these organizations. Among the most frequent anomalies are cash deposits or withdrawals that appear unusual either because of their amount or frequency, transfers made to natural persons or other non-profit institutions without specifying the purpose of the transfer (in Italy or abroad), or transactions deemed inconsistent with the nature of the organization or the disclosed payment description.

Further analysis of these contexts, which also includes exploring the company's financial and operational links to the people associated with it and to its significant counterparties, assesses whether the transaction is consistent with the business purpose and the disclosed payment description. On many occasions the analysis traced the reported transaction to the raising of funds for the development of places of worship.

In other cases, the reports are attributed to terrorist financing despite demonstrating only generic financial anomalies (such as cash transactions, bank

transfers, or money transfers by foreign customers to foreign recipients which are inconsistent with the profile or routine behaviour) because of the geographic location of the transactions, parties and activities.

A limited number of cases, entirely separate from those set out above, relate to suspicious transaction reports that originated from the identification of financial trails or customer behaviour that, partly thanks to news reports, have been associated with religious extremism or foreign terrorist fighters. The identification of these cases appears to be a direct consequence of heightened awareness on the part of banks.

Examples include the identification of financial anomalies associated with the movements of reported parties (the purchase of airline tickets, repeated withdrawals from overseas) or their sudden and unexplained absence from Italy (sudden business liquidation or loan disbursements followed by cash withdrawals for the stated purpose of moving overseas, or in any event followed by the unavailability of the client); the purchase of particular types of dual-use products that can be used for terrorist purposes (for example, metal powders); a social media presence connected to religious conversion.

#### **4.6. No Further Action (NFA)**

The UIF marks reports that it deems groundless as requiring no further action (NFA), but keeps them for 10 years, with procedures in place to allow the investigative bodies to consult them. NFA does not mean that the reports are deleted, but rather they remain on file and can be retrieved if pertinent new information comes to light. The UIF notifies the reporting entity directly or through a professional association of the NFA status of the report.

In most cases reports are marked for no further action because the reason for the suspicion did not arise from an effective and weighted assessment process but was apparently based on a generic anomaly, lacking in information that could be used to prevent money laundering or the financing of terrorism. Most of the reports marked NFA mainly refer to transactions that, in the absence of specific subjective risk factors, feature proceeds of illegal activities and the accessing of cash, including on an occasional basis, frequently for limited unit amounts. Starting in 2014, the Unit also takes into account the degree of investigative interest associated with the report.<sup>68</sup>

A decision of NFA is very important in the handling of STRs because, along with the rating, it is the main instrument for identifying and selecting the information to seek through further investigation. In addition, it reminds the reporting entities of the importance of properly identifying and representing the facts that reasonably support their grounds for suspecting money laundering or terrorist financing. From this perspective, an NFA decision may encourage greater selectivity in handling STRs.

In 2015, the UIF filed 14,668 reports for no further action, or 17.3 per cent of the total analysed (Table 4.4).

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<sup>68</sup> See Footnote 8 in Section 1.2.

Table 4.4

<b>Reports marked NFA by the UIF</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
STRs analysed	30,596	60,078	92,415	75,857	84,627
STRs marked NFA	1,271	3,271	7,494	16,263	14,668
<i>NFA reports as a percentage of total analysed</i>	<i>4.2</i>	<i>5.4</i>	<i>8.1</i>	<i>21.4</i>	<i>17.3</i>

Around 79 per cent of the reports marked NFA had been rated as low or medium-low risk by the obliged entities, while only 2.2 per cent of reports were deemed of high or medium-high risk (Table 4.5).

The number of NFA decisions fell from the peak recorded in 2014 but remained high and is, however, much higher than the amounts recorded in previous years, indicating that the degree of selectivity applied to the reports has become consistently high.

Table 4.5

<b>Comparison of STR risk rating by report entities and final ratings assigned by the UIF</b>					
<i>(percentage composition)</i>					
		<b>Reporting entity risk rating</b>			
		<b>Low and medium-low</b>	<b>Medium</b>	<b>High and medium-high</b>	<b>Total</b>
<b>UIF Rating</b>	<b>Low</b>	73.3	3.4	0.4	<b>77.1</b>
	<b>Medium-low</b>	5.7	15.4	1.8	<b>22.9</b>
<b>Total</b>		<b>79.0</b>	<b>18.8</b>	<b>2.2</b>	<b>100.0</b>

#### **4.7. Postponements of transactions**

The UIF, on its own initiative or at the request of the Special Foreign Exchange Unit, the Anti-Mafia Investigation Department and judicial authorities, may postpone transactions that are suspected of involving money laundering or terrorist financing for up to five working days, provided that this does not jeopardize the investigation.

Postponements are usually ordered in response to unsolicited communications from banks that provide advance information on the contents of the suspicious transaction reports.

This is an incisive power, particularly effective in delaying the execution of suspicious transactions for a limited period, until precautionary measures can be taken by the judiciary.

Our internal procedures have been enhanced in order to guarantee a higher level of privacy and improved timeliness while at the same time minimizing the impact on the reporting entities pending the adoption of the precautionary measures.

In 2015, the UIF handled 124 cases of transactions to be considered for possible postponement (from 228 in 2014). As a result of its analysis and after consultation with the investigative bodies and judicial authorities, the UIF postponed 29 transactions amounting to approximately €16.7 million (Table 4.6). Despite a significant fall in the number of cases brought to the attention of the UIF, the percentage of postponements has increased (from 18 per cent in 2014 to 23 per cent in 2015). The number of postponed transactions for amounts above €1 million remains limited (5 in 2015 from 7 in 2014). In 21 of the postponed transactions, the UIF received notice of a subsequent seizure by the judicial authorities.

The cases considered for postponement generally related to the redemption of insurance policies, the issuance of cashier’s checks, bank transfers (domestic or foreign), and the reimbursement of damaged banknotes. Though less common, some cases involved cash withdrawals, including for significant amounts.

In all of 2015 one postponement request was made by a foreign FIU.

Table 4.6

	<b>Postponements</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Number of transactions	45	40	64	41	29
Total value of transactions <i>(millions of euros)</i>	90.3	21.6	61.9	45.5	16.7

**4.8. Feedback on investigative interest levels**

The UIF receives feedback from the investigative bodies on their level of interest in the STRs transmitted. This communication concerns the overall results of the assessment made by the investigative bodies as to the reports and the financial analysis received from the UIF.<sup>69</sup>

Over the last few years, the UIF and the Special Foreign Exchange Unit have accentuated the selective nature of its procedures for classifying STRs warranting further investigation.

The more selective criteria adopted, while leading to a reduction in the reports categorized as being of investigative interest, allow investigations to be focused more closely on higher risk activities. This is in accordance with the international indications

<sup>69</sup> This communication is not to be confused with the indicators of investigative interest levels described in Section 1.2, Note 8.

emphasized in FATF's recent assessment of Italy and has a positive impact on the effectiveness of the overall effort to combat these crimes.

The feedback indicates that there was agreement for 70 per cent of the reports examined, either positive or negative, between the UIF's final risk rating and the investigative feedback.<sup>70</sup> Moreover, about 99 per cent of those with lower final risk ratings were classified by the investigative bodies as not of interest. Out of the total reports given high final ratings by the UIF, the investigative bodies expressed interest in about 41 per cent of the cases.<sup>71</sup>

In 2015, information on matters of investigative interest is made available on the RADAR platform through the electronic portal used by the investigative bodies.<sup>72</sup> This means that individual reports can be updated in real time, further enhancing the UIF's information framework. As of May, the content of the information exchange has become more detailed, increasing the quality of the feedback.

The information exchange with the investigative bodies, both the investigative interest levels and the feedback, expand the Unit's body of information and enhance its ability to select cases warranting further analysis. The measures implemented in this context fall within the UIF's strategy to increase the volume of information available, in accordance with the regulations and the Unit's intelligence objectives.

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<sup>70</sup> See Section 4.3.

<sup>71</sup> Includes classes 3, 4 and 5.

<sup>72</sup> Relates to the portal that channels the exchange of information concerning STRs between the UIF and investigative bodies.



## 5. PROFILE CHARACTERISTICS AND TYPOLOGIES

The UIF's operational analysis of suspicious transaction reports makes it possible to identify 'profile characteristics,' which are constantly monitored and updated. These are recurring elements that are important for assessing the threats posed by money laundering and terrorist financing such as the improper use of certain financial instruments and payment methods, the geographic location of transactions, the economic sectors at greatest risk, the precise subjective profiles of persons and entities reported and the complex and opaque company structures designed to disguise beneficial ownership.

Using these profile characteristics, it is possible to reconstruct the typologies that define at-risk operational patterns and behaviour profiles. The UIF uses the typologies to classify STRs and to provide updated information to obliged entities to help them detect suspicious transactions. In the spirit of active collaboration, the UIF publishes its results as *Casistiche di riciclaggio* in the *Quaderni dell'Antiriciclaggio* series.<sup>73</sup>

Typologies are defined based upon financial analysis. Its purpose is not necessarily to detect the recurrence of specific types of crimes, but rather to make it possible to recognize 'at-risk behaviour'. In some cases, the financial behaviour observed is closely interlinked with the predicate crime; it follows that the type of transaction may also reflect a specific criminal offence (usury and fiscal carousels fraud). More detailed investigative feedback could offer a better understanding of the connections between behaviours, channels, financial instruments and illegal ends.

### 5.1. Profile characteristics

The most recurrent profile characteristic is the use of cash. During investigations it emerged that, despite the 'changing face of crime' and the significant threats posed by new technologies, recycling methods still rely on traditional techniques, including the use of cash.<sup>74</sup>

Cash is used much more extensively in Italy than in other advanced economies. The Mutual Evaluation Report published by the FATF emphasized how a high use of cash and a relatively large informal economy very significantly increase the risk that the proceeds of illegal activity may be channelled into the regulated formal economy.

Cash

The frequent use of cash is confirmed by the STRs submitted to the UIF. It is the most frequently recurring factor in the operational patterns reported by obliged entities: around 50 per cent of the STRs contain at least one cash transaction and, based on the analysis, the use of cash is a significant element of about 32 per cent of the STRs. About 2 per cent of all the cash transactions observed involve the use of high-denomination banknotes.

<sup>73</sup> See also Sections 5.2 and 10.5.

<sup>74</sup> [Why is Cash still King?](#), EuroPol, July 2015.

The particular sensitivity of reporting entities to the use of cash seems to be prompted more by a precautionary approach than by actual grounds for suspicion and is in part attributable to the awareness generated by the legislative policy choices of recent years.<sup>75</sup> This effect, which was also noted in the Mutual Evaluation Report, is confirmed by the low level of risk assigned by the reporting entities themselves to approximately one third of the STRs that involve the use of cash, which are often dismissed by the UIF.

The extent to which the use of cash is anomalous depends on the economic sector in which it is used to settle transactions. In some sectors, the use of cash is not necessarily viewed as unusual (for example, gaming and gambling, money transfers, ‘cash for gold’ business, etc.), but its negative assessment is reinforced when it is accompanied by other anomalies, such as those tied to subjective profiles, amounts and frequencies of transactions.

Geographically, analysis reveals that cash transactions were most often reported in Molise, Puglia, Liguria, Friuli-Venezia Giulia and Trentino-Alto Adige.

**Valuables other than cash** Gold, diamonds, precious metals and stones can be ways of transferring valuables other than cash, including to and from other countries. These transactions do not often appear among the STRs and are only marginally monitored by those obliged entities most heavily engaged in active collaboration; this shortcoming represents a vulnerability in the anti-money-laundering system. In this context, companies active in the custody and transport of cash, bonds and securities occupy a privileged vantage point; while on the one hand they increasingly report anomalous uses of cash, on the other, they are still not very active in reporting those connected with the transport of other valuables that can potentially be used to transfer significant resources by an alternative channel to the financial sector.<sup>76</sup>

**Banker's draft** With regard to banker's drafts, reports were received of improper cashing practices involving methods that are illogical and disadvantageous from a financial standpoint. Banker's drafts requested by customers payable to themselves remain unnegotiated, even long after their dates of issue.

This operating method, which was observed many times, suggests that the purpose could be to avoid taxation; other times it appears to be used as a way to avoid seizures or enforcement proceedings. In some cases, transactions involve precautionary seizure orders, served on the intermediary the day after or even on the same day the related banker's drafts were requested. In the cases examined, operational anomalies are frequently associated with a specific subjective applicant profile (a named party in criminal prosecutions for tax violations or a person identified as being a member of a criminal organization).

The anomalous use of prepaid and credit cards and the purchase of cryptocurrencies are compounded by the usual risks associated with anonymity. Once again in 2015 the misuse of prepaid and credit cards continued to be one of the most

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<sup>75</sup> During the last few years, there have been substantial legal restrictions placed on the use of cash; for a discussion of the 2016 Stability Law, see Section 2.4.1.

<sup>76</sup> These critical issues were uncovered during inspections (see Section 7.1).

commonly detected practices (around 7,500 STRs against more than 6,000 the year prior).

Around 800 STRs concerning foreign credit cards were submitted. Anomalous use of the cards involved systematic withdrawals of large sums from ATMs located in Italy; they presented clear problems as to the identity of the cardholder or of those making the ATM withdrawals and concerning the source of the funds moved. To address this issue, in recent years the UIF has conducted an annual survey to track the situation and has taken action to raise awareness among the leading operators. Around 800 STRs concerning foreign credit cards were submitted. Anomalous use of the cards involved systematic withdrawals of large sums from ATMs located in Italy; they presented clear problems as to the identity of the cardholder or of those making the ATM withdrawals and concerning the source of the funds moved. To address this issue, in recent years the UIF has conducted an annual survey to track the situation and has taken action to raise awareness among the leading operators<sup>77</sup>.

Prepaid cards  
Credit cards  
Virtual currency

There were around 6,500 reports of anomalous use of prepaid cards involving multiple persons, other than the cardholders, reloading cards with cash. These transactions, repeated over time – often involving several cards issued in the name of a single cardholder – make it possible to move significant amounts of money in a very short period of time and therefore constitute an abusive and strategic use of the card on behalf of third parties who wish to remain anonymous. Usually the funds loaded on the cards are then withdrawn in cash.

More recently, situations have been found in which cards are reloaded, then used to purchase virtual currencies. Cards are reloaded in cash and online throughout Italy, sometimes by persons already involved in phishing scams. The pattern observed involved a high degree of riskiness in that the operators that offer services for the use, exchange, conversion and storage of virtual currencies are not subject to anti-money-laundering regulations and therefore are not required to comply with the obligations for customer due diligence, data recording and suspicious transaction reporting.

With regard to the analysis of economic sectors, gaming and gambling, ‘cash-for-gold’ operations, waste disposal, construction, healthcare and those with a high degree of public capital (public tenders, public financing) are particularly exposed to the risk of money laundering.

Economic sectors  
at risk

In 2015 there was a 39.2 per cent rise in active collaboration in the gaming and gambling sector.

Gaming and  
gambling

Gaming over physical networks has given rise to numerous anomalies, most often connected with the vulnerabilities of the commercial network used by gaming licensees.

Frequently the UIF is informed of situations involving gaps in customer due diligence on the part of venues and outlets, which are reluctant to provide the gaming licensees with the documentation necessary to identify customers as required by law.

The improper use of tickets issued by video lottery terminals (VLTs) is also a recurrent phenomenon. The UIF frequently encounters cases in which a VLT issues a winning ticket after the insertion of banknotes without any game actually being played

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<sup>77</sup> See Section 6.2.

and in which the same individuals repeatedly win at the same gaming establishment, which could imply a black market in winning tickets. It has also found that tickets are sometimes not redeemed after issue, but remain uncashed until close to the deadline for redemption (90 days from issue) and are then renewed by being reinserted in a VLT. This is repeated over and over, making it possible for private individual to transfer money by trading these ‘instruments’ and in doing so getting around the identification rules.

In the online gaming sector, the gaming platforms of other EU countries operating under the freedom to provide services are a source of great vulnerability for the Italian anti-money-laundering system since such cash flows circumvent the monitoring done by the Italian authorities.

In addition, the UIF received reports of cases in which domestic customers used online gambling sites managed by foreign companies operating in Italy to engage in evasive practices. Specifically, funds (even in large amounts) are deposited into online gambling accounts using online prepaid payment instruments, e-voucher and the like; the customer plays low-risk games with the money and then asks to be cashed out; this practice has the effect of laundering the source of the funds.

#### Gold trading for investment purposes

In the course of its financial analysis, the UIF uncovered an unusual practice engaged in by foreign companies that trade gold and precious metals and not entered in the register for professional gold dealers maintained by the Bank of Italy, to facilitate the buying and selling of gold by the Italian public. Payments are usually made on accounts opened in the name of these companies with Italian financial intermediaries, while the metals are held by the company in customs warehouses located abroad. The customer may request delivery or transfer of the metal to another owner. The purpose may be to further unauthorized activity, evade anti-money-laundering safeguards or pursue other illegal aims, such as misappropriation of funds or tax evasion.

#### Insolvency proceedings: loan securitization

Anomalies were found in securitizations of portfolios composed of unsecured bad loans to companies in the midst of insolvency proceedings. The UIF noted, in the transactions reported, that the same names or connected parties appear over and over in the lists of partners or shareholders of the lenders, the advisors and the purchasers of securitized loans. The returns are high given that the redemption periods are very short vis-à-vis their date of purchase and for amounts far in excess of the initial disbursement. The securitizations could have been fictitiously performed in order to put credit recovery action proceeds in the names of natural persons (in the form of profits on securities) that are different from those of the companies (lenders) in which such persons are shareholders or members, or in order to confer legitimacy on the transfer of significant amounts to purchasers.

#### Corporate structures

The UIF continues to scrutinize corporate structures or instruments that can be used, in theory, to conceal ownership, such as trusts and fiduciary mandates, or particularly complex corporate structures, including those with connections to foreign entities, especially when these entities are located in countries that are at risk or uncooperative.

The use of instruments to block the transparency of corporate structures in Italy has been confirmed by an analysis of a significant number of cases in which suspicion is triggered by the reporting agent’s declared difficulty or impossibility in identifying the beneficial owner and performing customer due diligence.

The UIF also identified patterns of operation in which new companies are formed or recapitalized with in-kind contributions for high amounts, consisting of financial instruments of dubious value issued in foreign jurisdictions. The possible involvement in such operations of complicit professionals (who certify the value of the instruments) may lead to de facto ‘fictitious’ capital endowments made for various purposes (to obtain bank loans, to rescue troubled companies, to take part in public tenders) and, specifically, to explain significant cash flows during the subsequent transfer of share capital.

## 5.2. The typologies

The UIF groups the typologies of at-risk behaviour most commonly found in STRs into three main categories: tax crimes, unlawful appropriation and corruption.

### 5.2.1. Tax crimes

The National Risk Assessment revealed how, in Italy, the risks of money laundering arising from tax evasion and other tax crimes are very significant.

Tax violations generate funds that must be recirculated within the economy or that represent more complex criminal behaviour aimed at channelling funds derived from other crimes into seemingly legitimate business activities.

Tax crimes continue to be among the most common typology (representing 19 per cent of all the cases observed in the reports received in 2015), second only to the anomalous use of cash. They include reports of behaviour involving tax evasion or tax fraud. Tax crimes are also reconstructed using STRs on voluntary disclosures of assets held abroad to become tax compliant or the use of such funds (around 6 per cent of all cases).

The kinds of tax irregularities contained in the reports received in 2015 were: invoicing fraud (around 2,000 STRs, compared with around 1,500 in 2014); transfers of funds between connected persons (over 2,000 STRs); the use of personal accounts to move business-related funds (more than 2,000 STRs); repeated cash withdrawals in order to eliminate funds generated on company bank accounts (over 1,600 STRs). Dummy companies or opaque company structures are also frequently used. The use of nominees comes up again and again in STRs from professional service providers in relation to the fictitious ownership of interests in companies, sales of companies in poor financial condition and certain operations to repatriate funds as part of the voluntary disclosure process.

To supplement the indicators and patterns of anomaly issued in recent years, in 2015 the UIF published certain particularly important cases in *Casistiche di riciclaggio*<sup>78</sup> to provide reporting entities with examples to assist them in their prevention efforts.

The examples include the use of prepaid cards to commit possible invoicing fraud, false invoicing in the ferrous metals sector, carousel fraud in the sale of computer

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<sup>78</sup> See also Section 10.5.

products and the sale of business units of cooperatives operating in the healthcare sector for possible tax evasion purposes. Prepaid cards are often used to siphon off from company accounts the proceeds of tax crimes (such as invoicing fraud), which are then withdrawn in cash.

The emerging phenomena discovered in 2015 include anomalous transactions involving securities accounts held in the name of related parties intended to generate losses and gains that, upon offsetting, would generate tax savings. The transactions frequently involve securities (stock and other) issued by the reporting entity that are not listed and therefore are difficult to sell on the markets, or that are sold at prices different from those established by the shareholders' meeting of the issuer.

Some tax crimes are part of more complex schemes involving efforts by organized crime to infiltrate the world of international trade and therefore are connected to other crimes, such as smuggling or counterfeiting goods.

Cooperation among the various competent authorities is required for the success of the UIF's efforts to prevent money laundering connected with tax crimes. The proceeds of tax evasion are often transported in cash beyond national borders. That is why the FATF's Mutual Evaluation Report encourages the Customs Agency (*Agenzia delle Dogane*) to report to the UIF any suspicious cross-border transactions.

Tax crimes are concentrated in the regions of Lombardy (in which voluntary disclosure is prominent) Piedmont, Emilia-Romagna, Marche and Campania.

### **5.2.2. Unlawful appropriation**

Unlawful appropriation, which accounts for around 4 per cent of the suspicious transactions observed in 2015, includes those practices involving the unlawful appropriation of funds through artifice, deception and falsification. The most commonly observed practices are phishing (reported in around 900 STRs), general fraud (more than 700 STRs) and other systems for exploiting economic hardship (such as usury, 'cash-for-gold' operations and pawn shops).

The average value of the suspicious transactions reported is rather high, depending on the kind of fraud involved. Anomalous transactions involving pawn shops, 'cash-for-gold' shops, usury and computer fraud are for smaller unitary amounts.

By region, the highest numbers of reports come from Marche, Campania, Basilicata, Lazio and Abruzzo.

Cases involving unlawful appropriation belong to a high risk class on average, which is confirmed by UIF ratings and by the small number of cases filed for no further action.

The persistent economic crisis and the ensuing increased difficulty in obtaining bank loans have presented criminals with further opportunities to infiltrate the economy. Financial problems continue to facilitate the increase in usurious loans and abusive financing, making companies and individuals more vulnerable to attempts by organized crime to extend its control over the legal economy.

The STRs often involve situations in which the strong pressure exerted by illegal loans on companies takes the form of numerous transactions involving either dishonoured cheques or past-due promissory notes, a higher than average use of cash and entities experiencing financial stress or with economic-financial profiles that are not consistent with their transactions.

Reports of financial transactions involving recurrent inward and outward wire transfers relating to financial intermediation may reveal the illegal conduct of banking and financial business when done by persons or entities not authorized to conduct such business. Similarly, Italian companies may be established for the purpose of providing loans abroad with no authorization to do so.

### 5.2.3. Corruption and misappropriation of public funds

Corruption is still one of the most alarming and dangerous criminal phenomena in Italy, particularly when compared with other advanced countries. It is a significant problem that draws in criminal enterprises, encouraging them to more actively infiltrate the public sector and indirectly triggering other illegal activity. Given the proceeds generated, such activity potentially has a significant impact on the performance of the system for combatting money laundering.

It is extremely difficult to classify reports of this typology in advance. The UIF's financial analysis instead makes it possible to observe some of the indicative elements that contribute effectively to judicial investigations on corruption.

An important, albeit not decisive, part of detecting corruptive practices in the STRs rests in the proper recording of customer information by reporting entities. The RADAR system now allows the reporting entity to report significant information, such as the professional position (for example, manager in a government entity), the 'politically exposed person' status of the customer, or the economic sector. Proper classification helps the UIF select and assess situations that pose the greatest risk of corruption.

Investigations carried out during the year found operating strategies designed to unjustly appropriate funds to the detriment of public entities undergoing liquidation. The funds were used by the bodies involved in the liquidation proceedings for purposes not connected in any way with satisfying the creditors for whom they were intended, and instead were transferred to related persons and companies through a variety of methods of concealment.

**Misappropriation  
of public funds**

As regards public financing, financial analysis revealed that funds were used in ways incompatible with their nature and purpose, such as being transferred to persons located in tax havens or non-cooperative jurisdictions or to pay for professional services unrelated to the purposes for which the funds were disbursed. Operational patterns reveal that transactions for significant amounts were carried out using fiduciaries or foreign trusts. The persons involved are often facing criminal proceedings or lack suitable experience in the economic sector involved. The involvement, in some cases, of the relatives of politically exposed persons could imply corruption during the phase in which financing is granted.

With regard to the concealment of public funds that have been misappropriated, our financial analysis found that sometimes this is accompanied by a subsequent purchase of virtual currencies: companies or cooperatives receiving public financing (the training sector) transfer the funds received to operating platforms for the buying and trading of virtual currencies. The analysis uncovered the central role of the collector, who more often than not is a seller with a preferential position on exchange platforms.



## 6. STRATEGIC ANALYSIS

The international standards set by the Financial Action Task Force (FATF) and the Egmont Group place strategic analysis among the official duties of the FIUs, together with operational analysis to further assess suspected cases of money laundering or financing of terrorism. In keeping with these principles and with national legislation tasking the UIF with the analysis of financial flows for preventive purposes, the Unit is working to identify and assess facts, trends and weaknesses of the system.

Strategic analysis draws on the information and the indications obtained through the analysis of suspicious transaction reports and aggregate data and any other relevant element available to the Unit. The data are processed and combined to help guide the Unit's action, the planning of its activities and the selection of the priorities to pursue.

Strategic analysis is carried out with the contribution of all UIF staff and of the wealth of information available, enriching it with input from external sources, both open and confidential. It rests on two pillars: the identification of the types and patterns of anomalous financial conduct discussed above<sup>79</sup> and the monitoring and study of financial flows and money laundering,<sup>80</sup> which are discussed in this chapter.

An additional purpose of strategic analysis is to assess the risk of money laundering or financing of terrorism activities for the system as a whole or for selected geographical areas, means of payment and economic sectors. Defining risk levels enables the UIF to develop its own vision of the threats to and the vulnerabilities of Italy's anti-money-laundering system. The UIF draws on the results of the strategic analysis while taking part in the preparation of the National Risk Assessment.

By picking out situations and contexts that warrant targeted analysis, strategic analysis enables the UIF to prioritize activities.

Strategic analysis employs quantitative methods, such as econometric techniques and data mining tools, to identify trends and anomalies statistically. The methodologies are chosen on the basis of the phenomenon to be examined, the data available and the objectives, and are suitable for handling large masses of data as they combine all the pertinent information for study of the variables of interest.

The data used by the UIF come from the aggregate AML reports (SARA), information derived from operational analysis, cooperation with national and international authorities, and inspections. If needed, additional data sources and specific data requested from banks are used.

Among the main sources of information used by the UIF are the Bank of Italy's databases, including banks' automated prudential returns and the Central Credit Register. Commercial and open databases are widely used as well.

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<sup>79</sup> See previous chapter.

<sup>80</sup> Articles 6(a) and 7(a), Legislative Decree 231/2007.

## 6.1. The aggregate data

The analysis of financial flows carried out by the UIF is based on SARA reports. The data are submitted monthly and aggregate all the transactions recorded in the Single Electronic Database,<sup>81</sup> including split transactions, for amounts exceeding €15,000. The SARA data are aggregate and anonymous and cover the entire spectrum of payment instruments and transactions.

The main aggregation criteria are determined by the UIF:<sup>82</sup> and include: the type of payment instrument, the location of the reporting branch, the customer's economic sector and residence, and the location of the counterparty and the latter's financial intermediary. Both inward and outward transactions are reported; the value of cash transactions is indicated separately.

Table 6.1 summarizes the main statistics for SARA reports received by the UIF in 2015. The number of records and their total value remain practically the same as in 2014, standing at around 100 million and €20 trillion. The same applies to the number of transactions underlying the aggregate data, which were approximately 300 million. As in previous years, around 95 per cent of the records and value came from banks.

Looking at the breakdown of reporting entities, the increase in the amounts reported by trust companies (€89 billion in 2014) could be attributed to the repatriation of funds through the voluntary disclosure programme.

Table 6.1

SARA aggregate AML reports 2015				
Type of financial intermediary	Number of reporting entities	Total number of aggregate records sent <sup>1</sup>	Total money amount of aggregate records sent (billions of euros)	Total number of transactions underlying the aggregate data
Banks, Poste Italiane and CDP	695	95,885,450	20,050.6	301,312,839
Trust Companies	282	150,385	99.9	561,510
Other financial intermediaries <sup>2</sup>	179	1,274,494	228.6	3,782,765
Asset management companies	172	1,577,181	260.5	7,384,109
Investment firms	138	206,126	114.3	6,476,567
Insurance companies	87	1,478,641	144.2	2,917,387
Payment institutions	53	553,185	79.3	6,315,888
Electronic money institutions	5	1,434	0.8	31,732
<b>Total</b>	<b>1,611</b>	<b>101,126,896</b>	<b>20,978,2</b>	<b>328,782,797</b>

<sup>1</sup> The reporting entity submitting the SARA reports calculates the basic item of the report by grouping the individual transactions according to specific criteria. The SARA data are subject to rectification by the reporting institutions; the statistics given in the table are based on data as at 26 March 2016.

<sup>2</sup> Financial 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.

<sup>81</sup> Article 40, Legislative Decree 231/2007.

<sup>82</sup> UIF Measure of 23 December 2013.

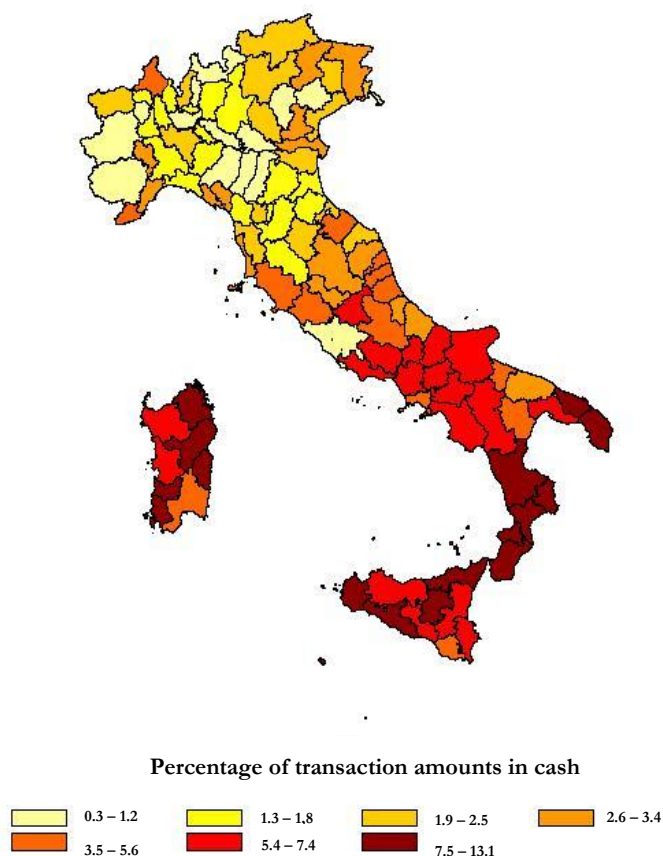
Within SARA reports, cash transactions are among the most significant pieces of information for the prevention of money laundering (as the large number of suspicious transaction reports indicates).<sup>83</sup> Besides the amounts debited and credited in current accounts, the reports include cash settlements in other types of transactions (e.g. securities trading and issuance of certificates of deposit).

Reported cash transactions fell by 6 per cent on the previous year, continuing the downward trend of recent years and reflecting increased use of alternative instruments and the legal restrictions placed on the use of cash.<sup>84</sup>

SARA reports indicate that total amounts credited are vastly superior to those debited (€209 billion versus €28 billion). This is due to the fact that cash withdrawals tend to be split up and therefore to fall below the reporting threshold.

Figure 6.1

Use of cash by geographical area  
2015



Note: Excludes transactions by general government entities and resident banks and financial institutions, whose transactions are exempt from the reporting requirement insofar as they are subject to simplified customer due diligence. The SARA data are subject to rectification by the reporting institutions; the statistics set out in the table are based on data as at 26 March 2016.

<sup>83</sup> See Section 3.2.

<sup>84</sup> See Section 2.4.1.

The use of cash continues to vary greatly by region: it accounts for less than 3 per cent of total transaction value in many central and northern provinces, but climbs up to nearly 14 per cent in parts of the South and Islands (Figure 6.1). The northern provinces with the highest percentages continue to be the border provinces, and in particular those close to countries deemed tax havens.

The high degree of geographical variability in the use of cash, while perhaps a sign of criminal behaviour, reflects differences in the socio-economic and financial environment and in individual preferences on payment instruments. At the beginning of 2016 a study was completed that measured local exposure to money laundering risk by taking into account the ‘natural’ variables that affect the use of cash.<sup>85</sup>

The SARA reports provide highly detailed information on wire transfers, another payment instrument deserving special scrutiny in the fight against financial crime. Reports on transfers are very detailed as they include data on the municipality or foreign country of residence of the counterparties and their financial intermediaries, making it possible to perform a statistical analysis of both the origin and the destination of the funds.

Cases in which the foreign bank is located in a tax haven or non-cooperative jurisdiction are of special interest, insofar as fund transfers may be transferred to and from these jurisdictions for reasons that are not strictly economic but rather connected with the lack of transparency that is a hallmark of these legal systems.<sup>86</sup>

#### Foreign credit transfers

In 2015 credit transfers with counterparties through foreign banks as declared in the SARA reports showed signs of recovery after the downward trend of recent years caused by the economic crisis. Both inward and outward transfers grew, by 10 per cent and 15 per cent respectively, exceeding €1,200 billion and €1,300 billion in value. Figure 6.2 gives the shares of the main countries of origin and destination of the transfers.

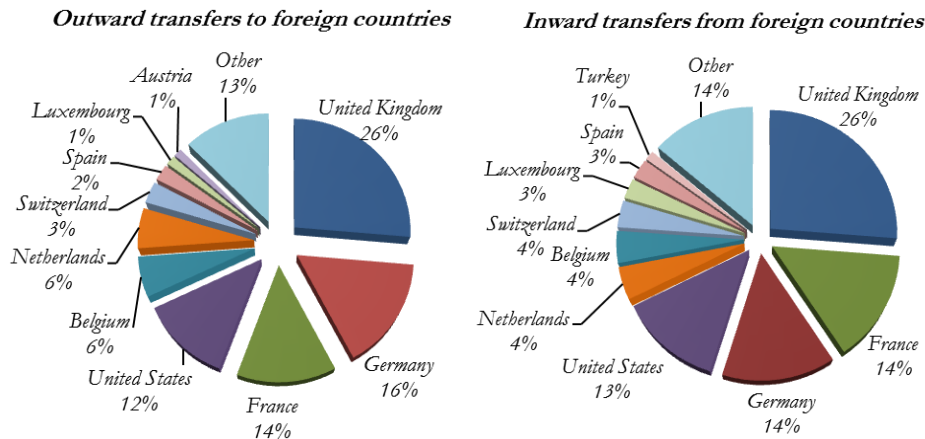
The top ten countries on both the inward and outward sides are Italy’s leading EU trading partners and the United States. The top non-EU countries in the list are also all significant trading partners for Italy (China and Hong Kong for outward transfers, Russia and Hong Kong for inward).

<sup>85</sup> See Ardizzi G., De Franceschis P. and Giammatteo M. (2016), ‘[Cash payment anomalies and money laundering: An econometric analysis of Italian municipalities](#)’, UIF, *Quaderni dell’Antiriciclaggio, Collana Analisi e studi*, 5, and the UIF Annual Report for 2014, pages 65-68.

<sup>86</sup> For econometric evidence on the correlation between outward transfers and lack of transparency in the country of destination, see Cassetta A., Pauselli C., Rizzica L. and Tonello M. (2014), ‘[Financial flows to tax havens: Determinants and anomalies](#)’, UIF, *Quaderni dell’antiriciclaggio, Collana Analisi e studi*, 1.

Figure 6.2

**Credit transfers to and from foreign countries  
2015**



Note: Excludes transactions by general government entities and resident banks and financial institutions, whose transactions are exempt from the reporting requirement insofar as they are subject to simplified customer due diligence. The SARA data are subject to rectification by the reporting institutions; the statistics set out in the table are based on data as at 26 March 2016.

Credit transfers involving counterparties and financial intermediaries located in countries and jurisdictions deemed important from the standpoint of action against money laundering warrant special attention.<sup>87</sup> Figure 6.3 reports the flows involving these main tax havens and non-cooperative jurisdictions.

Credit transfers to and from tax havens, by foreign State ...

Compared with 2014, the list does not include Turkey and San Marino, which are no longer considered high-risk and non-cooperative jurisdictions, along with countries with less significant flows, following a review of the ministerial implementing decrees for the Consolidated Income Tax Law (TUIR) and of the FATF lists. The concentration of transfers by counterparty country, already high, increased further in 2015: the top seven countries (versus 11 last year) accounted for almost 90 per cent of the funds transferred.

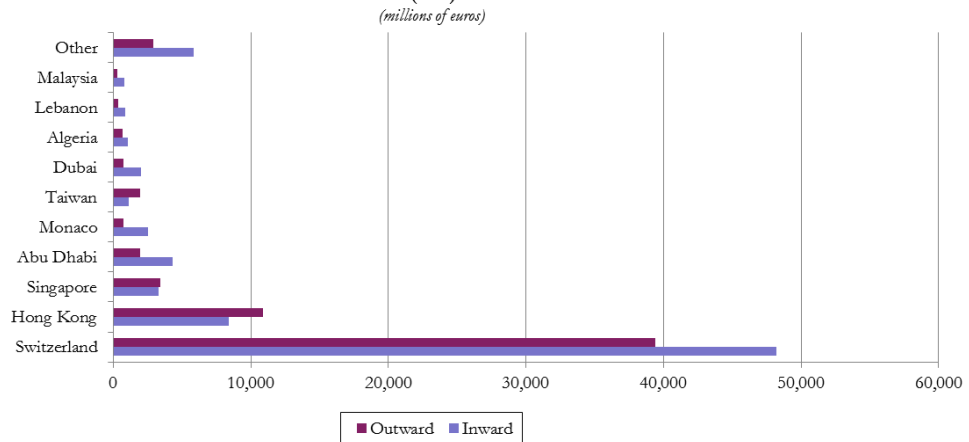
Switzerland again accounted for the largest share by far: its flows increased further compared with 2014, especially inward transfers (up by 25 per cent). Other high-ranking jurisdictions, albeit with much lower shares, continued to be those of East Asia (Hong Kong above all, but also Singapore and Taiwan), the UAE (Abu Dhabi, Dubai) and the Principality of Monaco.

The importance of SARA data in monitoring outward transfers to tax havens was confirmed by a recent cross-check with statistics on the voluntary disclosure scheme for 2015: preliminary analyses on the data available indicated that the provincial breakdown of SARA wire transfers to 'sensitive' countries in 2012-3 was highly correlated with that of the assets repatriated as part of the voluntary disclosure programme.

Figure 6.3

<sup>87</sup> The list of non-cooperative countries and tax havens is drawn from the ministerial implementing decrees for the Consolidated Income Tax Law (TUIR) in effect since 31 August 2015 and the FATF's list of high-risk and non-cooperative jurisdictions as at February 2015, and is consistent with the statistics, relating to 2015, released in *Quaderni dell'antiriciclaggio, Collana Data statistici*.

**Credit transfers to and from tax havens and non-cooperative jurisdictions  
(2015)**



Note: Excludes transactions by general government entities and resident banks and financial institutions, whose transactions are exempt from the reporting requirement insofar as they are subject to simplified customer due diligence. The SARA data are subject to rectification by the reporting institutions; the statistics set out in the table are based on data as at 26 March 2016.

**...and by  
Italian region**

Table 6.2 provides a breakdown of the value of wire transfers with tax havens and non-cooperative jurisdictions by Italian region of origin or destination.

The flows were concentrated in the regions of the North-West (66 per cent of outward and 54 per cent of inward transfers). Compared with previous years, the regions of the North-East increased their share to more than 20 per cent for both inward and outward transfers, while those in the Centre saw their figure unchanged at around 15 per cent. Regions in the South and Islands accounted for a much lower proportion.

Table 6.2

**Credit transfers to and from tax havens and non-cooperative jurisdictions, by Italian region**  
**2015**

	Outward credit transfers (millions of euros)	% of total	Inward credit transfers (millions of euros)	% of total
<b>North-West</b>	<b>40,471</b>	<b>63.7%</b>	<b>42,665</b>	<b>54.3%</b>
Liguria	2,018	3.2%	2,609	3.3%
Lombardy	30,009	47.3%	34,206	43.5%
Piedmont	8,412	13.2%	5,758	7.3%
Valle d'Aosta	31	0.0%	91	0.1%
<b>North-East</b>	<b>13,365</b>	<b>21.0%</b>	<b>19,515</b>	<b>24.8%</b>
Emilia-Romagna	3,687	5.8%	6,075	7.7%
Friuli-Venezia Giulia	1,448	2.3%	1,748	2.2%
Trentino-Alto Adige	381	0.6%	616	0.8%
Veneto	7,850	12.4%	11,076	14.1%
<b>Centre</b>	<b>8,156</b>	<b>12.8%</b>	<b>12,662</b>	<b>16.1%</b>
Lazio	5,139	8.1%	3,981	5.1%
Marche	458	0.7%	925	1.2%
Tuscany	2,425	3.8%	7,498	9.5%
Umbria	134	0.2%	258	0.3%
<b>South</b>	<b>1,265</b>	<b>2.0%</b>	<b>3,185</b>	<b>4.1%</b>
Abruzzo	174	0.3%	1,664	2.1%
Basilicata	29	0.0%	41	0.1%
Calabria	28	0.0%	78	0.1%
Campania	785	1.2%	942	1.2%
Molise	14	0.0%	26	0.0%
Puglia	236	0.4%	435	0.6%
<b>Islands</b>	<b>241</b>	<b>0.4%</b>	<b>540</b>	<b>0.7%</b>
Sardinia	45	0.1%	185	0.2%
Sicily	196	0.3%	355	0.5%
<b>Total for Italy</b>	<b>63,497</b>	<b>100.0%</b>	<b>78,566</b>	<b>100.0%</b>

Note: Excludes transactions by general government entities and resident banks and financial institutions, whose transactions are exempt from the reporting requirement insofar as they are subject to simplified customer due diligence. The SARA data are subject to rectification by the reporting institutions; the statistics set out in the table are based on data as at 26 March 2015.

In general, the volume of these transfers tends to correspond to each region's volume of economic activity and degree of international openness. Local anomalies (at municipal or provincial level) can be detected through econometric analyses comparing financial flows with the economic 'fundamentals' of the foreign jurisdictions and the Italian geographical area involved.<sup>88</sup>

<sup>88</sup> For the models developed for this purpose at the UIF, see Cassetta A., Pauselli C., Rizzica L. and Tonello M. (2014), '[Financial flows to tax havens: Determinants and anomalies](#)', UIF, *Quaderni dell'antiriciclaggio, Collana Analisi e studi*, 1.

The UIF uses the SARA data for targeted inquiries requested by the supervisory authorities and other institutions involved in countering money laundering, organized crime and terrorist financing (the Anti-Mafia Investigation Department, the Finance Police and the judicial authorities).

In 2015, the UIF received 11 requests of this kind.

Other countries, too, feature reports to the FIU that do not necessarily require the presence of a suspicious element. Unlike SARA data, these reports are for specific categories of transactions, contain information on the identity of the persons or entities involved, and may set thresholds on the amounts.

### Value-based reports

The provision of a flow of aggregate and anonymous reports, such as the SARA data, among the tools for preventing and combating money laundering and the financing of terrorism is a unique feature of the Italian legal system. Many other countries do, however, require other flows of information, sometimes of significant magnitude, that do not depend on the discretionary assessment of the reporting entity. In most cases these flows relate to specific types of transactions above a given threshold, usually referred to in the literature as ‘value-based reports’.

The most common value-based reports concern a) cash transactions (in keeping with the Interpretative Note to FATF Recommendation No. 29), b) foreign wire transfers, and c) transactions made by specific entities, e.g. casinos and other gambling and gaming venues. The recipients of the reports are typically FIUs. Using the reports from the third round of mutual evaluations carried out by the FATF, its regional bodies and the International Monetary Fund, the UIF performed an international review on the matter which highlighted that, out of 121 countries examined, 47 feature value-based reports.

The value-based reports used in the different countries normally contain the same basic information on the transactions (type, date, place, amounts and value date) and the persons involved (i.e. those on whose behalf the transaction was made and those who actually made it). The possibility to trace back these transactions to an actual person is the main difference with the SARA reports, which are anonymous and aggregate.<sup>89</sup>

Because of this, value-based reports are mainly used when further scrutiny on suspicious transaction reports is warranted or during other types of investigation.

## 6.2. Aggregate data analysis and research

The quality of data is a key factor in ensuring the reliability of the analyses on financial flows. To detect possible reporting errors, the aggregate data are subjected on acquisition to automatic statistical controls based on quantitative methods, which serve

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<sup>89</sup> Cross-border declaration records and gold trade declarations differ from value-based reports in that they are submitted by one of the parties involved in the transaction (see Section 6.3).



to detect not only erroneous data but also anomalous flows warranting further investigation by the reporting entity.

These controls are of two types: ‘systemic’ controls, comparing the data of each reporting entity with those of the entire system for the same month, and ‘non-systemic’ controls, comparing the conduct of the individual bank with its own reporting pattern over the previous 12 months..

In 2015 the UIF returned a total of around 29,000 aggregate records to about 974 financial intermediaries, 644 of them banks, for further analysis. In most cases, the intermediaries confirmed the data they had sent earlier (92 per cent of the banks and 95 per cent of the other financial intermediaries concerned). The rest involved erroneous data, which the reporting entities then rectified. In 253 cases (1 per cent of the confirmed observations), the reporting entity pointed to a connection between the anomalous aggregate figure being checked and one or more STRs it had already submitted to the UIF. In another 213 cases the observation prompted the entity to consider filing an STR.

Statistical controls  
on data accuracy

The UIF continued its econometric studies of the relevant phenomena and operations with the aim of contributing to the pool of knowledge on certain facts as well as developing operational guidelines for preventing and combating money laundering. The general findings of this work and the methodology used are published in *Quaderni dell’antiriciclaggio, Collana Analisi e studi*, while more detailed evidence is used internally or shared with other institutions tasked with countering money laundering.

Some of the findings, mainly those relating to the breakdown by bank of indicators of exposure to money-laundering risk, were shared with the entity that requested it, but only for the part concerning them. Although still a pilot project, this scheme could become more widely used in the future.

In 2015 two multi-year research projects begun in previous years were completed and the findings were detailed in *Quaderni dell’antiriciclaggio*.

The first project yielded a geographical and functional map of tax havens and offshore financial centres as well as evidence on the global importance of the flows regarding these countries.<sup>90</sup>

Mapping tax  
havens

The second project, of an econometric nature, devised a method to identify banks that submit a significantly lower or higher number of suspicious transaction reports compared with the average value estimated on the basis of the bank’s business and geographical location.<sup>91</sup>

Indicators of  
active  
cooperation

Research continues on ways to provide statistical support to the risk-based approach used by the UIF. A new study uses an econometric model to explore the link between the structured information contained in the suspicious transaction reports and its level of risk as measured by the final rating accompanying all the reports submitted to

<sup>90</sup> See M. Gara and P. De Franceschi, (2015), ‘[Tax havens: operational features, empirical evidence and financial anomalies](#)’, UIF, *Quaderni dell’Antiriciclaggio, Collana Analisi e studi*, 3.

<sup>91</sup> See M. Gara and C. Pauselli (2015), ‘[Looking at ‘Crying wolf’ from a different perspective: An attempt at detecting banks under and over-reporting suspicious transactions](#)’, UIF, *Quaderni dell’Antiriciclaggio, Collana Analisi e studi*, 4, and the UIF Annual Report for 2014, page 68.

**Econometric analysis of the rating**

the investigative bodies. The preliminary results may be seen as the statistical validation of the model used to calculate the rating of suspicious transaction reports.<sup>92</sup> The study provides useful elements that could potentially refine the rating in the future.

**Cash advances on foreign credit cards**

As for work focusing on specific payment instruments, in 2015 the UIF repeated the study to monitor cash advances on credit cards issued abroad that it had conducted in 2014 in cooperation with the Italian Banking Association and a number of large financial intermediaries. The study confirmed the anomalous features identified in last year's study, but also found that some of the banks concerned have taken risk-mitigation measures. The analysis uncovered some of the vulnerabilities in the international anti-money-laundering regulatory framework, especially with respect to the potential role played by the companies managing the payment networks, which possess complete information on the transactions made by cardholders. These companies are not, however, subject to anti-money-laundering obligations. The UIF has highlighted this vulnerability both to the FATF and in the relevant EU forums.

**Screening of sensitive flows**

As the terrorism threat evolved, in 2015 the UIF examined financial flows to the Middle East and North Africa.

**Other activities**

The UIF continues to participate in the academic debate on economics, law and crime prevention; last year it organized, together with Università Bocconi, a workshop on quantitative methods to counter economic crime (see the box).

**UIF-Università Bocconi workshop on quantitative methods to counter economic crime**

In April 2015 the UIF hosted at its Rome headquarters a workshop on quantitative methods to counter economic crime, organized in cooperation with the Baffi-Carefin Centre for Applied Research on International Markets, Banking, Finance and Regulation of Università Bocconi in Milan. The workshop sought to bring together academia and the institutions tasked with countering economic crime to explore and develop synergies to facilitate cooperation to the benefit of both academic research and the fight against these phenomena. The studies and papers presented, some more academic and some focused on the institutional aspects, described the quantitative analysis techniques that may be used in preventing and countering money laundering (and ensuring compliance with its regulations), tax evasion, corruption, organized crime and illegal trade flows. A wide array of methods was illustrated: traditional statistical techniques, non-linear and spatial econometric models, causal analysis models, and social network analysis techniques. The workshop was attended by researchers from the UIF and Università Bocconi, academics from the University of Pavia, and economists from the Bank of Italy's Directorate General for Economics, Statistics and Research, the Italian Customs and Monopolies Agency and the National Anti-Corruption Authority.

UIF analysts participated in conferences on scientific issues of institutional interest to the Unit, both in Italy and abroad, presenting some of their studies. Furthermore, the

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<sup>92</sup> See Section 4.3.

UIF became an associate partner in a project for developing models to assess national money-laundering risk coordinated by Transcrime, the Joint Research Centre on Transnational Crime hosted by Università Cattolica in Milan and the University of Trento and funded by the European Union.<sup>93</sup>

### 6.3. Gold trade declarations

The law governing the market in gold in Italy requires transactions involving investment gold or gold materials for mainly industrial uses (other than jewellery) to be declared to the UIF. This requirement applies to the cross-border trade or transfer of gold for amounts of €12,500 or more.<sup>94</sup>

Under the law the competent authorities have access to the declarations not only for AML purposes but also to counter tax evasion and for public security.

Two types of declarations exist: ‘ex post’ declarations, which are monthly and include all the transactions made in the reference period, and ‘ex ante’ declarations, for physical transfers of gold abroad, which must be submitted before the gold crosses the border.

Table 6.3 provides some composite statistics on the ‘ex post’ declarations received by the UIF in 2015, and gives the total number of declarations received, transactions made and reported amounts for each type of gold transaction. Just under 100,000 gold purchases and sales were reported, amounting to more than €14 billion and marking a decrease of 5 per cent and 7 per cent respectively compared with the previous year.

Statistics on gold trade declarations

Table 6.3

Declarations of transactions in gold 2015			
Type of transaction	Number of declarations	Number of transactions	Declared value (millions of euros)
Sale	38,183	99,624	14,253
Gold loan (concession)	1,724	3,771	1,214
Gold loan (restitution)	592	640	89
Other non-financial transaction	119	120	112
Personal imports of gold	9	9	1
Transfer as collateral	1	1	1
Delivery services for investment in gold	358	360	127
<b>Total</b>	<b>40,986</b>	<b>104,525</b>	<b>15,797</b>

Note: Following the change brought about by electronically-submitted gold trade declarations, the ‘Physical transfers of gold abroad’ item was removed from this table and included in the following table on ‘ex ante’ declarations.

<sup>93</sup>Identifying and Assessing the Risk of Money Laundering in Europe’ (HOME/2013/ISEC/AG/FINEC/400005193) research project, funded by the ‘Prevention of and Fight against Crime’ EU programme of 2013, which is part of the ‘Financial and Economic Crime’ category.

<sup>94</sup> Law 7/2000, as amended.

Thanks to the greater level of detail introduced in the electronically-submitted declarations for 2015, it is possible to calculate the share of industrial (36 per cent) and investment gold (57 per cent) underlying the declarations submitted. The remaining 7 per cent of declarations account for composite transactions for which it is not possible to identify the main purpose of the gold transfer.

Distribution by type of reporting entity...

Among the reporting entities, banks accounted for 28 per cent of total value and professional gold dealers for 72 per cent. The role of private individuals was negligible.

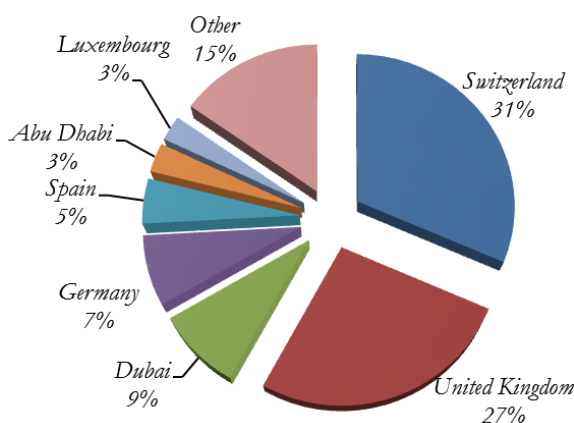
... or by foreign counterparty

In 2015 the total value of transactions with foreign counterparties exceeded €5 billion, or one third of the total. The top five countries (Switzerland, UK, Dubai, Germany and Spain) accounted for 79 per cent of the total (see Figure 6.4).

Switzerland's share dropped again compared with the previous year (from 41 per cent to 31 per cent), while the shares of the United Kingdom (27 per cent) and Germany (7 per cent) increased.

Figure 6.4

Transactions in gold with foreign counterparties  
2015



Geographical concentration of Italian counterparties

The geographical distribution of Italian resident gold-purchasing counterparties was once again highly concentrated, with the provinces of Vicenza, Arezzo and Alessandria, traditionally specializing in gold-working, accounting for 65 per cent of the market, compared with 57 per cent in the previous year.

Statistics on 'ex ante' gold trade declarations

'Ex ante' declarations, required for physical transfers of gold abroad, are a key feature of the reporting framework; if the transfer does not involve a change in ownership, the 'ex ante' declaration is the only source of information available on the transfer.

Table 6.4

<b>'Ex ante' declarations 2015</b>		
<b>Type of transaction</b>	<b>Number of declarations/transactions</b>	<b>Declared value (millions of euros)</b>
Sale	1,285	1,484
Transfer of gold abroad	42	8
Gold loan (restitution)	7	2
Transfer as collateral	1	1
<b>Total</b>	<b>1,335</b>	<b>1,495</b>

Table 6.4 provides the details of 'ex ante' declarations broken down by type of transaction. Transfers of gold abroad that are not connected to other transactions only account for a couple dozen cases and represent 3 per cent of 'ex ante' declarations and less than 1 per cent of total value. The remaining share consists of 'ex post' declarations (and accounts for about 10 per cent of total value). Some 99 per cent of cross-border transfers are done by road transport and 1 per cent by air shipment (rail transport accounts for a negligible share).

The UIF's cooperation with the competent authorities tasked with preventing and countering crime extends to the data on the gold trade declarations. In 2015 the UIF responded to 15 requests for cooperation.

## 7. CONTROLS

### 7.1. Inspections

The UIF contributes to preventing and combating money laundering and the financing of terrorism including by means of on-site inspections of entities subject to reporting requirements.

Given the wide range of obliged entities and the involvement in the controls of a number of authorities, the UIF carries out inspections on a selective and targeted basis by means of risk-based planning. An inspection is not a routine prevention tool and is carried out in justified circumstances or when there are no other channels available to acquire the necessary information about business operations and transactions.

The Unit conducts general inspections to look more closely at sectors and operations at risk, to check that the active cooperation obligations are being fulfilled and that the procedures for making suspicious transaction reports (STRs) are adequate. It also carries out targeted checks so as to supplement the specific information acquired during SOS or foreign FIUs' analyses, or else to meet the requirements regarding cooperation with the judicial authorities, investigative bodies and the supervisory authority for the sector.

In 2015, as in the previous year, the UIF carried out 24 inspections (see Table 7.1), of which 22 were general and 2 were targeted.

Table 7.1

	Inspections				
	2011	2012	2013	2014	2015
Number of inspections carried out	20	17	21	24	<b>24</b>

When planning the inspections for 2015, account was taken of the need to continue expanding the boundaries of the controls, extending them to entities that operate outside the banking and financial sector. Some inspections were carried out as a result of the need to look further into areas of specific interest to the judicial authorities.

The checks in the banking and financial sector were directed towards activities with the highest risk profiles and poor active cooperation. The UIF checked securities' market brokers, cash-in-transit companies and gaming operators. Inspections were also made of insurance companies in conjunction with the Italian Insurance Supervisory Authority (IVASS).

The checks on the asset management sector confirmed there were still problems in customer profiling and weaknesses in the process for identifying suspicious transactions. Analysing how private equity and property funds operate, it was noted that the

subjective profile of the counterparties to the transactions is not always adequately assessed when the funds are being managed.<sup>95</sup>

For companies that transport cash and valuables, inspections found a lack of active cooperation in relation to the transport of valuables other than cash.

In the course of 2015, the UIF started inspections to check compliance with STR obligations on the part of payment institutions working in the money transfer sector<sup>96</sup> given the high risk of money laundering and terrorist financing connected with this particular sector.<sup>97</sup>

The particular riskiness of the money transfer sector is confirmed by the number of legal proceedings that have brought to light how the circuit can be used by criminal organizations to launder substantial financial flows through repeated transactions that are apparently occasional and of low value, by using techniques that artificially split up transactions and frequently make use of nominees.

In recent years, since the Directive on payment services in the internal market was incorporated into Italian law,<sup>98</sup> there has been a steady delocalization of industry towards other European countries and a reorganization of the money transfer business carried out in Italy, mainly because compliance and tax costs are lower.

These operators are often operating in Italy under the freedom to provide services and it is difficult for authorities to coordinate controls. The current legislative framework does not favour adequate knowledge of all the operators in the sector working in Italy and reduces the possibility of reaction and intervention, with knock-on effects on the overall capability to counter illegal phenomena.

The UIF has inspected national payment institutions, branches of EU payment institutions and the central contact points established by EU payment institutions, which operate in Italy through many different agents working as self-employed service providers.

The payment institutions were selected on the basis of information received from the Organismo degli agenti e dei mediatori (OAM), with the help of the supervisory directorates of the Bank of Italy, whose own staff participated in some of the inspections. At the same time as some of the inspections, Finance Police (Guardia di Finanza) carried out coordinated on-site inspections at the main agents of the payment institution concerned.

### On-site inspections in the money transfer sector

The inspections identified the widespread and recurrent problems that can affect the correct fulfilment of STR obligations. It was confirmed that money transfer

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<sup>95</sup> Article 41, Legislative Decree 231/2007.

<sup>96</sup> Article 1(1)(n), Legislative Decree 11/2010.

<sup>97</sup> See [Testimony](#) of Director of the UIF for Italy on 19 April 2016 before the VI Standing Committee (Finance) of the Chamber of Deputies (only in Italian).

<sup>98</sup> Directive 2007/64/EC, incorporated into Italian legislation under Legislative Decree 11/2010, today replaced by Directive (EU) 2015/2366.

channels<sup>99</sup> are being used improperly to transfer substantial sums to countries other than those of residence.

The quantitative thresholds established by the financial intermediaries to control and mitigate the risk of transactions being artificially split up were often set far too high and the automatic safeguards were not always effective.

The inspections found transaction splitting techniques were being used to get around the traditional controls based on the concentration of transactions involving one beneficiary (from n to 1) and one sender (from 1 to n). These techniques involve groups of persons making transfers of amounts that are just below the legal threshold, over several days and with short intervals of time between each one. This involves lists of senders that transfer money to small groups of beneficiaries (from n to n) repeatedly making transfers in the same sequence or in reverse order.

Some irregularities emerged regarding the acquisition of customer identification data by agents and a lack of related controls by the intermediaries. In some cases the identification documents and tax codes used to make the transfers did not appear to be genuine.

The inspections revealed that the distribution network is the weakest link in money transfer services: agents make a very small contribution to active cooperation while in more than a few cases they have been directly involved in splitting transactions ascribed to unaware or non-existent persons or to nominees.

The inspections also brought to light some deficiencies in the prevention of terrorist financing; sometimes incomplete checks were made against the lists supplied by the UN and the European Union for the freezing of funds and economic resources.

**Post-  
inspection  
measures**

The inspections uncovered evidence of possible criminal activity, which the UIF reported to the judicial authorities, and of administrative violations in relation to which the UIF initiated sanction proceedings, sending the records of its findings to the Ministry of Economy and Finance for follow-up.

With specific regard to the results of the checks carried out in the money transfer sector, reports were sent to the National Anti-Mafia Directorate (DNA), and to the Special Foreign Exchange Unit of the Finance Police (NSPV) and the supervisory directorates of the Bank of Italy, to take any necessary action against the intermediaries and agents, in coordination with the OAM and foreign supervisory authorities.

## **7.2. Sanction procedures**

In 2015 a total of 32 proceedings were initiated (27 following on-site inspections and 5 on the basis of off-site assessments) in order to apply pecuniary administrative sanctions for failure to report suspicious transactions (see Table 7.2). Overall, the UIF contested unreported transactions for a total value of around €51 million.

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<sup>99</sup> On this point, see also Section 4.5.1.



Compared with 2014, the number of sanction proceedings for failure to report suspicious transactions more than doubled. The increase was due to more emphasis being given to inspections of entities operating in high-risk sectors and in those for which there is no secondary legislation to enable the correct fulfilment of prevention obligations.

With reference to the law on gold trading, the UIF ran investigations for 7 sanction proceedings in 2015 for failure to make the required declaration of transactions concerning gold transfers or trades with a value of €12,500 or more.<sup>100</sup>

Preliminary investigations were also conducted for 10 sanction proceedings for violations of the obligation to freeze funds and financial resources in accordance with the law on the financing of terrorism.<sup>101</sup>

Table 7.2

<b>Administrative irregularities</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Failure to report a suspicious transaction	62	39	29	11	<b>32</b>
Failure to report a transaction in gold	11	7	7	8	<b>7</b>
Failure to freeze funds for terrorist financing	2	-	7	8	<b>10</b>

In relation to investigations concerning sanctions for the second and third categories of violation in the table, the UIF arranged hearings for those parties that so requested and submitted reports of its findings to the Ministry of Economy and Finance, which is responsible for the proceedings and any application of sanctions.

<sup>100</sup> See Section 6.3.

<sup>101</sup> See Section 8.2.1.

## 8. COOPERATION WITH OTHER AUTHORITIES

### 8.1. Cooperation with the judicial authorities

The intensive and frequent cooperation with the judicial authorities continued in 2015, with regard to various investigations which came to the public's attention. The number of requests by the judicial authorities for the UIF's cooperation is in line with that recorded in 2014 (see Table 8.1).<sup>102</sup>

Table 8.1

Cooperation with the judicial authorities					
	2011	2012	2013	2014	2015
Information requests by judicial authorities	170	247	216	265	<b>259</b>
Responses	172	217	445	393	<b>432</b>

Separate but interlinked objectives for prevention and repression give rise to various forms of cooperation with the judicial authorities.

In the course of its duties the UIF may uncover evidence of criminal activity, which is then reported to the competent judicial authorities pursuant to Article 331 of the Code of Criminal Procedure, either directly by means of a report or via the technical reports sent to the investigative bodies together with the relevant STRs.

If the Unit is aware of an ongoing investigation, it provides information to the judiciary, mainly acquired during on-site inspections.

Thanks to the exchange of information with the judicial authorities, the UIF can work more effectively and expand its knowledge of criminal typologies and practices, which also serves to produce anomaly indicators and representative models of anomalous conduct. In turn, the judicial authorities can take advantage of the Unit's vast stock of information resources and analyses in order to prosecute criminal offences.

The Unit has carried out analyses in support of investigations into criminal organizations, including cross-border ones, corruption, fraud and misappropriation of funds from public bodies and money laundering. The UIF's contribution was also sought in connection with extortion, usury, organized crime, banking and financial illegalities, tax offences and bankruptcy-related crimes and combating the financing of terrorism.

**Reports** The complaints made as part of the technical reports have increased mainly in relation to infringements of the rules on due diligence, while the number of informative reports for investigative purposes is essentially the same as in 2014 (see Table 8.2).

<sup>102</sup> This data includes the findings provided by the judicial authorities following the initial response (such as the transmission of further STRs involving names of interest, the results of the Unit's analyses and the information acquired from its foreign counterparts.

Table 8.2

<b>Reports to the judicial authorities</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Complaints under Article 331 of the Code of Penal Procedure	190	85	<b>233</b>
of which:			
Submitted to the judicial authorities	12	7	<b>5</b>
Made in connection with the technical report sent to the investigative bodies	178	78	<b>228</b>
Information for investigative purposes	8	23	<b>17</b>

In 2015 the UIF continued to provide consulting to the public prosecutor's offices, taking account of the legal distinction of established roles, obligations and methods. There was a particularly high level of cooperation with prosecutors in Rome, Milan, Palermo and Naples. The UIF continued to cooperate with the National Anti-Mafia Directorate and through it with some District Anti-Mafia Departments, as well as with police forces delegated by the judicial authorities to conduct investigations.

#### **The confidentiality of prevention work in relations with the judiciary**

The official secrecy provided for by the anti-money laundering decree regarding all the data held by the UIF may not be upheld against the judicial authorities when the information requested is required for investigations into or proceedings for violations subject to criminal sanctions.

STRs, in-depth technical reports, UIF inspection reports and data from foreign FIUs are often used in criminal proceedings. This information is useful in reconstructing financial flows and in the subsequent investigations by the authorities responsible for detecting money laundering, alleged associated predicate crimes and the financing of terrorism. It must remain confidential to protect the privacy of the information and of all the parties involved in the fight against money laundering and the financing of terrorism. However, the current legislation does not include specific measures for the confidentiality of documents if they are used in legal proceedings.

The draft law under discussion in Parliament on the criteria for delegating the Government to implement the Fourth AML Directive contains indications for strengthening the confidentiality protection systems with regard to reporting entities, the reporting of suspicious transactions, analysis results and the data obtained from exchanges with foreign FIUs.

In implementing the above, suitable mechanisms should be introduced for protecting the confidentiality of data used in prevention work, so that they may be explicitly extended for use in legal proceedings as well.

The UIF participates in courses for trainee magistrates organized by the *Scuola Superiore della Magistratura*<sup>103</sup> to promote the opportunities provided by mutual cooperation by illustrating the work of the UIF.

## **8.2. Cooperation with the Ministry of Economy and Finance and the Financial Security Committee and other forms of cooperation**

The UIF cooperates with the Ministry of Economy and Finance, providing support in formulating prevention policies, drafting the rules governing the subject, creating links with international organizations, and in the area of sanctions.

It participates in the work of the Financial Security Committee, instituted at the Ministry, and works on analysis and coordination for preventing the use of the financial and economic system for money laundering or the financing of terrorism. All the authorities involved in the prevention system are represented on the Committee which serves as a focal point to draw up strategies to deal with known threats, including those resulting from the national assessment of money laundering and financing of terrorism risks. The Committee manages the adoption of international sanctions, liaising with all the relevant administrations and entities in the sector.

In the course of its work the Committee uses a network of experts, made up of designated representatives, including one from the UIF. The network carries out analysis and coordination, summarizes the questions on the agenda of the Committee's meetings, collects data to support the Committee's work by contributing to the drafting of documents on topics requiring the group's approval, and it studies the topics brought to the Committee's attention.

If a joint examination of questions raised by operators is required or it is necessary to answer questions on the interpretation of AML/CFT regulations, the Unit cooperates with the authorities participating in the panel of experts set up for this purpose at the Ministry.

### **8.2.1. List of 'designated' persons and measures to freeze funds**

The UIF monitors the implementation of measures to freeze funds and financial resources<sup>104</sup>; targeted financial sanctions essentially serve in combating the financing of terrorism and the activities of countries that threaten peace and international security.

In this context the UIF also collects information and financial data on the funds and financial resources subject to freezes and facilitates the dissemination and updating of the lists of 'designated' persons.

In 2015 the UIF received 29 notifications of asset freezes relating to natural or legal persons on the lists of those subject to international financial sanctions. Most of the cases referred to updates of transactions on accounts in the names of Iranian and Syrian

<sup>103</sup> See Section 10.5.

<sup>104</sup> Article 10(1) Legislative Decree 109/2007.

banks specifically authorized by the Financial Security Committee in compliance with EU law.

The new regime introduced by Regulation 1861/2015<sup>105</sup> provided for the lifting of most of the financial sanctions against Iran starting the regulation's 'implementation day', set for 16 January 2016.<sup>106</sup> The need for the UN's authorization has been confirmed for a ten-year period with regard to certain supplies of goods and services considered dual-use by UN Security Council Resolution 2231/2015 (previously banned), as has the authorization of competent national authorities for the supplying of goods and services considered dual-use by the European Union (previously banned), and the ban on supplying weapons and missile systems (already banned previously) has been confirmed for a further 8 years. All the sanctions could be reinstated should Iran fail to comply with the agreements on the use of nuclear energy for peaceful purposes.

Table 8.3

Measures to freeze funds as at 31/12/2015					
	Accounts and transactions	Persons	Amounts frozen		
			EUR	USD	CHF
Taliban and Al-Qaeda	53	38	102,969	1,408	50
Iran	60	17	8,554,725	1,684,295,577	37,593
Libya	8	6	125,830	132,357	-
Tunisia	1	1	50,624	-	-
Syria	28	5	19,021,254	240,335	150,748
Côte d'Ivoire	3	1	1,700,214	34,816	-
Ukraine/Russia	4	1	16,139	-	-
<b>TOTAL</b>	<b>157</b>	<b>69</b>	<b>29,571,755</b>	<b>1,684,704,493</b>	<b>188,391</b>

In implementing the July 2015 agreements on the financial sanctions against Iran, the new EU regulation eliminated numerous entities and persons from the lists. The data on the freezing of funds and financial resources will be considerably reduced in 2016.

### 8.3. Cooperation with the supervisory authorities and other institutions

Fruitful cooperation between the various competent authorities and institutions is one of the pillars of the system for preventing and combating money laundering and the financing of international terrorism.

The legislation promotes these relations at national level, by providing that, notwithstanding official secrecy, supervisory authorities cooperate with one another and with the UIF, the Finance Police and the Anti-Mafia Investigation Department (DIA), also by exchanging information, so as to facilitate their respective roles. Clear

<sup>105</sup> Amending Regulation 267/2012.

<sup>106</sup> See the Council Decision (CFSP) 2016/37.

information obligations for the benefit of the UIF are established by the same supervisory authorities and by the administrations concerned and professional bodies.

**Information exchange  
with the Bank of Italy**

The exchange of information between the Unit and the Bank of Italy's supervisory directorates continued to be vigorous and constructive.

The directorates presented the UIF with reports of possible shortcomings in active cooperation by obliged entities, discovered mainly as a result of inspections. The reports were investigated by the Unit and, in some cases, resulted in a charge of failure to report a suspicious transaction for the subsequent imposition of sanctions.

The UIF sent the supervisory directorates reports on dysfunctions found at some financial intermediaries in relation to their organizational structure, customer due diligence and data recording and retention in the single database.

**... with CONSOB**

Cooperation was also consolidated with Consob. The exchange of information involved notifications to the UIF of failures to submit STRs that emerged during its inspections. The UIF sent information to Consob relating to transactions involving suspected market abuse.

**... and with IVASS**

In 2015 there was regular cooperation with IVASS, the insurance supervisory authority. Information was exchanged above all on cases of acquisition of equity in insurance companies, so as to verify the absence of grounds for suspicion of connections with money laundering or the financing of terrorism, as well as on possible cases of regulatory arbitrage carried out by Italian entities making use of insurance companies set up in other European countries.

Over the course of the year IVASS sent the Unit requests for information from foreign counterparts in relation to their supervisory activities.

**Ministry of  
Economic  
Development and  
the Customs and  
Monopolies Agency**

Based on the analyses carried out by the Unit on trust companies and gaming operators, further data were sent to the relevant offices of the Ministry of Economic Development and the Customs Agency.

**National Anti-Mafia  
Directorate and the  
Customs and  
Monopolies Agency**

A permanent panel of experts was set up at the National Anti-Mafia Directorate with the Customs and Monopolies Agency to process data on financial flows linked to international trade and thereby identify potential crimes.

The panel addresses common problems and promotes financial and pre-investigative analyses. The results of such analyses can be compared and the data shared during periodical meetings.

**Ministry of Justice**

In 2015 a panel of experts, in which the UIF participates, was set up at the Ministry of Justice to examine entities' responsibilities for administrative violations resulting from crimes.

The Ministry of Justice makes observations on the codes of conduct drawn up by the entities' representative associations for the prevention of crime, after hearing the opinion of the UIF.<sup>107</sup> The panel of experts examines the working methods adopted for evaluating codes of conduct, verifies new organizational ideas to make checking procedures more efficient and allows room for discussion on legislative changes and new legislation on the subject of entities' responsibilities.

<sup>107</sup> Article 25-*octies* of Legislative Decree 231/2001.

## 9. INTERNATIONAL COOPERATION

### 9.1. Exchange of information with foreign FIUs

Within the system of international and national regulations on anti-money laundering, the function of FIUs is to centralize the receipt and analysis of suspicious transaction reports (STRs) and the exchange of information with FIUs in other countries. This latter function is essential for the analysis of financial flows which more and more frequently go beyond national borders, involving a number of jurisdictions.

Over the years the FIUs have established an extensive cooperation network and developed rapid and secure electronic communication systems.

At the global level, cooperation between FIUs is governed by the Egmont Group standards within the framework of the FATF Recommendations. The standards require the FIUs to provide, both spontaneously and on request, in a rapid, constructive and effective manner, the highest level of international cooperation in the area of money laundering, associated predicate offences and the financing of terrorism. The FIUs' capacity to exchange information is autonomous and direct, with no need for international treaties between governments. Whenever a Memorandum of Understanding is required for FIU cooperation, this must be negotiated and signed in a timely manner.

The fourth European Anti-Money Laundering (AML) Directive provides a comprehensive set of rules for cooperation between FIUs that re-proposes the provisions included in the FATF Recommendations and strengthens the available instruments. The FIUs are also required to provide the information requested by using the same powers that are available to them for domestic analyses.<sup>108</sup>

The information network of the FIUs is also proving crucial to countering terrorist financing, as it allows useful information to be acquired and exchanged to steer the work of the competent national investigative bodies. Innovative forms of cooperation have been developed, based on various means of multilateral data-exchange and on the shared identification of indicators and recurring behaviour patterns.

#### 9.1.1. Requests sent to FIUs in other countries

As part of its remit to analyse STRs, the UIF sends requests for information to foreign FIUs whenever subjective or objective links with other countries come to light. The requests usually seek to reconstruct the origin or use of funds transferred to or from other jurisdictions, to identify movable or immovable assets abroad, and to clarify the beneficial ownership of companies or entities established in other countries.

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<sup>108</sup> Requests for cooperation must be sufficiently detailed, giving the characteristics of the case, reasons for suspicion, and intended use of the information. The Directive also specifies the rules regarding the use and further communication of any information exchanged. The FIU providing the information must give its 'prior consent' as 'promptly and to the largest extent possible' and explanations must be given for any refusal to grant consent.

The cooperation of the UIF with its foreign counterparts is of fundamental importance to the analysis of STRs and to detect cases of economic crime and money laundering on a transnational scale. International cooperation provides the investigative bodies and the judicial authority with additional information to support their criminal investigations and proceedings. Experience has shown that, thanks to this cooperation network with its foreign counterparts, the UIF is able to intercept and quickly recover any cash flows channelled towards other jurisdictions.

The financial analysis of cross-border cases subject to exchanges with foreign FIUs has highlighted some significantly anomalous operating practices, including: recourse to funds and investment instruments in other countries by persons or entities trying to hide their assets while under investigation in Italy; using companies, trusts and other foreign fiduciary arrangements to move cash; establishing companies and performing operations in different countries in order to exploit loopholes in the safeguards and controls and to prevent the beneficial owners being identified; the anomalous use of prepaid cards issued abroad for cash withdrawals in Italy; and the use of foreign companies for the provision of online gambling services.

The number of requests for information sent by the UIF has grown significantly in recent years, totalling 725 in 2015 compared with 172 in 2011 (see Table 9.1).

During the year the UIF continued to systematically send ‘known/unknown’ requests through the European network FIU.NET. This makes it possible to rapidly discover whether counterpart FIUs have evidence on persons or entities of interest. If there is such evidence, reasoned requests are made, including a full description of the case in order to obtain the most detailed information possible.

Table 9.1

<b>Requests sent to FIUs in other countries</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Information required for the judicial authority	128	137	124	146	<b>217</b>
Information required for internal analysis	44	80	56	242	<b>323</b>
Known/unknown <sup>1</sup>	-	-	270	272	<b>185</b>
<b>Total</b>	<b>172</b>	<b>217</b>	<b>450</b>	<b>660</b>	<b>725</b>

<sup>1</sup> In 2014, the number included the reasoned requests sent by the UIF after it had received a ‘Known’ response to its initial ‘known/unknown’ request.

The requests sent to foreign FIUs to meet the information needs of the judicial authorities numbered 217, a significant increase compared with previous years. The information gained from foreign FIUs, which is used based on their consent and to the extent they permit, provide useful inputs to steer the investigations, activate precautionary measures, and allow targeted rogatory letters to be sent.



### 9.1.2. Requests and spontaneous communications from FIUs in other countries

In 2015 the rising trend in requests for cooperation and in spontaneous communications from foreign FIUs, became even more marked. The number of requests recorded in the year was noticeably higher than in previous years. In addition to the ordinary bilateral requests for information, there were frequent multilateral exchanges concerning persons or entities connected to the terrorist activities of the self-proclaimed 'Islamic State', sent in the context of an Egmont Group project to counter the activities of ISIL,<sup>109</sup> and there were numerous communications about suspicious transactions of a 'cross-border' nature,<sup>110</sup> sent through the FIU.NET network (see Table 9.2).

Table 9.2

Requests and spontaneous communications from FIUs in other countries					
Subdivision by channel					
	2011	2012	2013	2014	2015
<b>Egmont network</b>					
Requests/spontaneous communications <sup>1</sup>	467	429	519	486	<b>695</b>
Exchanges re ISIL					<b>383</b>
<b>FIU.NET</b>					
Requests/spontaneous communications <sup>1</sup>	229	294	274	453	<b>518</b>
Cross-border report					<b>557</b>
<b>Total</b>	<b>696</b>	<b>723</b>	<b>793</b>	<b>939</b>	<b>2,153</b>

<sup>1</sup> In 2014, the number included the reasoned requests sent by the UIF after it had received a 'Known' response to its initial 'known/unknown' request.

The requests and communications received are subjected to a preliminary analysis to assess the characteristics of the case and determine whether it is of interest to the Unit with a view to examining any ties with Italy. When requests relate to information that is not directly available (such as in reference to accounts or financial relationships, the origin or use of funds), the UIF takes steps to obtain the information from the obliged entities, external archives (e.g. the Revenue Agency's registry of accounts and deposits) or from investigative bodies, namely the Special Foreign Exchange Unit (NSPV), and the Anti-Mafia Investigation Department (DIA).

The UIF provided replies to 1,223 requests, which also increased by 7 per cent compared with the previous year. In addition to cooperating with foreign counterparts, the UIF looked more deeply into cases arising from international exchanges and passed

<sup>109</sup> See the box 'Multilateral exchanges to counter ISIL', Section 9.1.2.

<sup>110</sup> See Section 9.1.3.

on information to the NSPV and the DIA: during 2015, 868 information reports of this kind were sent out (see Table 9.3).

In almost all cases, the requests received from foreign FIUs aim to discover the existence of an STR linked to names of interest. In numerous cases information is also requested on positions and equity held in businesses and companies, i.e. land registry, tax, or customs data. There is increasing interest in information on accounts and banking or financial transactions, which are acquired by the UIF directly from the financial intermediaries concerned, exercising the same powers available for analysing STRs and ensuring the strictest confidentiality.

There are also numerous cases in which foreign counterparts request police information about criminal records or current investigations. Italian law provides that the Unit can acquire this data from the NSPV and the DIA to cooperate with foreign FIUs. This is a mechanism that, in the field of international cooperation, makes it possible to observe the principle of ‘multidisciplinarity’ which provides that, for the purposes of domestic analysis and reciprocal exchanges, the FIUs must have ‘financial, investigative and administrative’ information.

Table 9.3

<b>Total number of requests received and replies sent</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Requests received	696	723	793	939	<b>1,213</b>
Replies sent	632	805	1,066	1,144	<b>1,223</b>
Communications to the investigative authorities		380	557	713	<b>868</b>

The Unit has taken steps to increase the efficiency of its processes and the effectiveness of its cooperation. One example is the project to improve the overall functionality of the various stages of the process of exchanging information with the judicial authorities and the FIUs in other countries. This includes the use of electronic channels to acquire information and to computerize the request handling process.

The size of the FIU network in which the UIF is active is summarized in Table 9.4.

Table 9.4

<b>No. of FIUs to which the Italian UIF has sent information (on request or spontaneously)</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total no. FIUs	74	74	84	83	<b>86</b>
<i>of which European FIUs</i>	25	24	25	27	<b>25</b>

Innovative ways of exchanging information between the FIUs have been developed. There is a need for more effective identification of international networks

providing financial support to terrorism and this is being pursued by systematic multilateral exchanges. In addition, the need to share information about suspicious transactions in nations other than a FIU's home country has led to the development, within the European Union, of tools for systematic reporting to the FIUs in the countries concerned. The FIUs in the European Union are also developing methods to carrying out joint analyses on cases with a cross-border dimension of common interest.

### **Multilateral exchanges to counter ISIL**

During 2015, to tackle the terrorist threat at the global level, the Egmont Group launched a project to gain a better understanding of the financing of the self-proclaimed 'Islamic State' (ISIL) and the financial characteristics of its 'foreign fighters'.

The project, involving 40 FIUs including the UIF, relies on an 'intelligence-based' approach: given the particular nature of activities providing financial support to terrorism, analysis and exchanges take place before there are any actual 'suspicions' in order to gain more details and to share information on individuals and support networks that have been identified by means of objective elements (places of origin or destination, links between those involved, previous information including that from open sources, etc.). The project is also based on the special procedure for sharing information multilaterally through a specific platform developed for the Egmont Secure Web network. The information is transmitted simultaneously to all potentially interested FIUs, even if there are no specific links between the activities observed and the respective territories. This makes it possible to share intelligence and increase exchanges of information preventively in order to identify other anomalies.

With these innovative ways of cooperating it was possible to profile the financial activity of the 'foreign terrorist fighters' and delineate the networks supporting activities that can be attributed to ISIL.

The flow of multilateral exchanges for the detection of activities providing financial support to terrorist organizations (383 communications in 2015; see Table 9.2) increased steadily in the first few months of 2016. The information gained supplements the UIF's database, providing many elements that are useful for analysing terrorist financing, the persons involved, and the related cash flows. As a result of the consent accorded by its foreign counterparts, the UIF was able to share information and insights with the competent national authorities in order to support the identification and locating of persons involved in terrorist activities or in financing them.

The information that has been made available has in some cases proved essential to the investigations, allowing timely and effective intervention in the context of enquiries, including in relation to the recent terrorist attacks in Europe and to the identification of connections in Italy.

### **9.1.3 Reporting suspicious cross-border transactions**

In accordance with the territoriality criterion, STRs are to be made to the FIU in the country where the reporting entity is established, even if the transaction in question takes place abroad under the freedom to provide services. These situations take on particular importance in the case of financial intermediaries which, under this freedom,

systematically operate in countries other than the one in which they are established, as often happens in the case of payment and e-money institutions.

The fourth AML Directive, while confirming that financial intermediaries operating in the EU under the freedom to provide services must send STRs to the FIU in the country in which they are established, also lays down that ‘when an FIU receives a [suspicious transaction] report ... which concerns another Member State, it shall promptly forward it to the FIU of that Member State’.<sup>111</sup> This provision is applied, in general, to all suspicious transactions with a cross-border dimension.

The Directive implements a practice already used in cooperation between the European FIUs, i.e. the forwarding of spontaneous communications for the benefit of the Units located in the countries where the suspicious transactions are taking place.

The FIU Platform is developing a specific project (in which the UIF participates) to define standard methods at the European level for sharing information among the FIUs regarding suspicious transactions with cross-border elements.<sup>112</sup> Attention is focused on identifying the criteria for defining a cross-border transaction as ‘suspicious’ and for which it is necessary to activate the mechanism for the mandatory sharing of information among FIUs according to the Directive.

In the case of payment or electronic money institutions operating under the freedom to provide services through a network of agents, the fourth Directive, in line with national legislation, also provides for the establishment of a ‘contact point’ for the application of anti-money-laundering obligations and the forwarding of STRs to the FIU of the host country.<sup>113</sup>

The number of communications about cross-border suspicious transactions sent to the UIF increased in the early months of 2016 (there were 557 in 2015).

The information received mainly concerned transactions made by Italian customers with financial intermediaries established in other EU countries. Predominantly, the cases investigated involve fraudulent e-commerce transactions; the sale of counterfeit goods, prohibited substances or child pornography; and irregularities related to the investment in or disinvestment from insurance products. The most recent cross-border reports refer to irregularities found in the course of due diligence on Italian entities, as a result of which foreign intermediaries refused to establish business relationships or carry out transactions.

According to the agreements between the European FIUs, the UIF looks into the cross-border reports it receives and forwards the information to the investigative authorities with the prior consent of the foreign FIU in question, which is then informed of any developments arising from the analyses or possible investigations.

In the presence of suspicious activities with a cross-border dimension, the fourth AML Directive assigns the EU’s FIU Platform the task of facilitating joint analyses on the part of the FIUs involved.<sup>114</sup>

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<sup>111</sup> Art. 53(1).

<sup>112</sup> See Section 9.4.3.

<sup>113</sup> See Section 2.4.1.

<sup>114</sup> See Section 9.4.3.

## **9.2. FIU.NET organizational developments**

Work continued in 2015 on the FIU.NET system's transition towards the European agency Europol. A number of important areas have been defined: the governance of the new system, the legal aspects of the exchange of information between FIUs, and some technical aspects relating to the functionality and connection of the FIUs to Europol's information system.

It was further clarified that within the framework of the legal basis as last defined by the Fourth Directive, the FIU.NET system is dedicated to cooperation between the EU's FIUs through the exchange of information. The possibility of sharing information with Europol as well is subject to the decision of each individual FIU and the domestic rules applicable to them.

From 1 January 2016, at the end of the transition process, the FIU.NET Platform is hosted by Europol, even though its technical configuration has not yet been finalized. To avoid any disruption in the operation of the platform, Europol and each individual FIU signed an 'Interim Service Level Agreement' which specifies the requirements and the operational and technical safeguards needed to ensure the operation of the network.

The administrative aspects and governance of the network are regulated by a Common Understanding between the European FIUs and Europol, which was revised at the end of 2015 to take account of developments since the first version laid down in 2013. The agreement, whose legal basis comprises the provisions of the Fourth AML Directive and the European rules applicable to Europol, also specified how the FIUs would be connected to the new network, which will not necessarily be via the Europol National Unit.

The Common Understanding also includes an exit clause to make it possible for individual FIUs to leave the system if they deem it opportune. The ways in which the FIUs can participate in Europol's decision-making on issues relating to FIU.NET were further clarified.

The participation of the European FIUs in the governance and decision-making processes relating to the operation and management of the network will be through an Advisory Group, appointed by the EU FIUs Platform and tasked with formulating opinions and proposals for Europol's competent decision-making bodies.

More generally, the Advisory Group, of which the UIF is a member, will discuss strategic and operational issues, follow initiatives and projects related to managing the data processed within FIU.NET, establish the priorities in developing the network and the 'Ma3tch' technology, and follow any other matter relating to support for Europol in the operation of the new system. The Group may also issue guidelines on the activities and projects to be carried out.

## **9.3. Technical assistance**

The UIF provides international technical assistance in matters within its sphere of competence, mainly for its counterparts, both bilaterally and multilaterally.

During 2015, the Unit was involved in a study visit to the Bank of Italy on the part of the People's Bank of China, illustrating measures relating to the prevention and combating of money laundering in the financial sector.

The UIF also hosted a delegation of officials and police officers from the countries of the Caribbean Community and from Cuba for a training meeting dedicated to the Italian system for the prevention and combating of money laundering and the financing of terrorism. The meeting took place as part of a training initiative called 'Illicit economy, financial flows investigations and asset recovery' sponsored by the Ministry of Foreign Affairs and International Cooperation.

Following the removal of most of the international sanctions against Iran to counter financing of the proliferation of weapons of mass destruction, and with the resumption of relations with the authorities of that country, contacts were made with the local FIU to investigate the possibility of developing forms of collaboration. The UIF was asked if it could share its experience, especially with regard to the practices and the operational tools developed for reporting and analysing suspicious transactions and for international cooperation.

Within the Egmont Group, the UIF participates in technical assistance activities undertaken by the 'Outreach' and the 'Training' working groups, respectively offering support to nascent or consolidating FIUs and to develop training and capacity-building programmes. Attention is focused on sensitive regions in Africa and Asia and on developing analysis, work procedures and IT tools, as well as international cooperation activities. The initiatives of the Egmont Group in these regions have encouraged many countries to join the organization and to establish FIUs in their own territories.

A number of the FIUs that are currently reviewing their institutional arrangements are interested in technical assistance activities but also in gaining a more detailed insight into the characteristics of the UIF's model and operating practices. The growing interest noted recently seems to be connected with the positive feedback on the Unit received from the FATF relating to technical compliance and effectiveness.

#### **9.4. Participation in international organizations**

The UIF is an active participant in the work of international organizations engaged in preventing and combating money laundering and financing of terrorism, contributing to the development and sharing of common rules and practices.

##### **9.4.1. The FATF's activities**

The UIF is a standing participant in the work of the FATF as part of the Italian delegation headed by the Ministry of Economy and Finance. Work is mainly conducted in the specialized working groups and at the plenary meeting held by FATF three times a year.

The Evaluation and Compliance Group focused on conducting the fourth cycle of the Mutual Evaluation. After Spain, Norway, Australia, Belgium and Italy, evaluations are now under way on Canada, Austria and Switzerland (with UIF experts on the

evaluation teams). The Group further discussed the ‘horizontal or interpretation issues’ that emerged during the evaluations in order to ensure uniform application of the standards and methodology and the quality and uniformity of the evaluation reports.

The Risk, Trends and Methods Group studied further the typologies relating to the physical transport of cash and the misuse of beneficial ownership. During 2015 the Group investigated the methods of terrorist financing, involving both newly emerging organizations such as ISIL and the evolution of typologies that had previously been identified.

The Policy Development Group, responsible for drawing up the guidelines and identifying the best practices for applying the FATF Recommendations, produced its ‘Guidance for a Risk-Based Approach to Virtual Currencies’, specifically dedicated to the characteristics of virtual currencies and the connected risks, and a document entitled ‘Best Practices on Combatting the Abuse of Non-Profit Organisations’. The Group looked further into the questions relating to the application of AML regulations to correspondent banking relationships, in particular in the light of recent de-risking practices.<sup>115</sup>

The International Cooperation Review Group continued its evaluations of those countries with ‘strategic deficiencies’. On the basis of the decisions taken in February 2015, Iran and North Korea are still on the blacklist of countries at high risk. The ‘on-going process’ for jurisdictions that have made a political commitment to address their strategic shortcomings includes Afghanistan, Bosnia Herzegovina, Guyana, Iraq, Laos, Myanmar, Papua Nuova Guinea, Syria, Uganda, Vanuatu and Yemen. The following have progressively been removed from the Group’s list of countries to be monitored: Albania, Algeria, Angola, Cambodia, Ecuador, Kuwait, Indonesia, Namibia, Nicaragua, Pakistan, Panama, Sudan and Zimbabwe.

In December 2015 a special plenary meeting of FATF was devoted to evaluating the recent terrorist threats. The discussion focussed on monitoring and strengthening the effectiveness of the current anti-terrorist measures and on identifying possible additional safeguards. Specific attention was paid to information exchange circuits between the competent authorities and to domestic and international cooperation. These discussions were taken forward in the plenary meeting of February 2016 and form the basis of the new Strategy on Combatting Terrorism Financing.<sup>116</sup>

#### **9.4.2. The Egmont Group’s activities**

The UIF actively participates in the work of the Egmont Group by promoting its policies: experts from the Unit are present in its various working groups.

The Legal Working Group continued its examination of the FIUs that had applied for membership, verifying compliance with the requirements and identifying the corrective actions to be taken. At the same time, the group started to look at some cases of possible violation of international standards by the FIUs of Nigeria, El Salvador and

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<sup>115</sup> The term ‘de-risking’ refers to the difficulties in accessing the financial system on the part of entire groups of clients due to risk aversion.

<sup>116</sup> See Section 2.3.

Panama. The group continued discussions on the results of the survey conducted on the key problems encountered in applying these standards to the FIUs in order to identify priority issues for further investigation. Cooperation with the FATF, the IMF and the World Bank continued in this area. The group also began a project on requirements for autonomy and operational independence in relation to the FIUs, in order to identify the characteristics and implications for their organizational arrangements and for carrying out their functions.

The Operational Working Group continued its projects for the recognition of the FIUs' powers to acquire information; cooperation between FIUs and the police authorities; further investigation of the characteristics of financial analysis; and the use of virtual money for the purposes of money laundering and financing of terrorism. Other areas of interest were the effects of the reciprocity clause in international cooperation; the acquisition of information from obliged entities; the possibility of refusing to cooperate depending on the type of predicate offences in question; data protection constraints; and the possible use of the information exchanged.

The Training Working Group drew up training programmes for FIUs on applying the international standards and it has updated those on operational and strategic analysis. In this context, the UIF organized a workshop on the misuse of public funds and the FIUs' contribution to asset recovery procedures.

The Information Technology Working Group continued work on its programme 'Securing an FIU', which will define IT security criteria for national and international communications. This programme is part of the 'FIU IT System Maturity Model' project, devised as an IT development guide. There are also plans to reorganize the Egmont Secure Web (the Egmont Secure Web Life Cycle Replacement) in order to increase the number of security controls and improve data protection. In addition the Group examined possible ways of ensuring an adequate connection with the FIU.NET system.

The Egmont Committee and plenary meeting defined the characteristics of the organizational review of the Egmont Group, intended to ensure the effective implementation of the new standards and the creation of a regionally-based structure in line with the objectives of the Strategic Plan. The review was also necessary because of the constant expansion of the membership (the Group currently numbers more than 150 FIUs) and implied effects on participation and governance functions.

The transition towards the new organization, managed by a Transition Team in which the UIF actively participated, completed its remit at the meeting of the new groups held in February 2016. On that occasion, a special plenary meeting was convened to look at developments in terrorist financing and at the progress of ongoing initiatives, specifically in order to broaden cooperation between FIUs through the creation of financial profiles for foreign terrorist fighters and the development of multilateral information exchanges.

### **9.4.3. The European FIU Platform**

The fourth AML directive formally recognized the role of the EU FIUs' Platform, in operation since 2006, as an informal discussion and coordination group for the FIUs



of EU member states.<sup>117</sup> It is chaired by the European Commission and composed of representatives from member states' FIUs.

The Directive established a broad legal base for the Platform, describing its mandate as to the development of common policies, opinions and guidelines for the application of the European rules.

The coordination and advisory functions of the Platform involve the development of effective cooperation between the FIUs; the analysis of questions relating to the incorporation into national law of the European rules applicable to the FIUs and to reporting entities; the identification of suspicious transactions with a cross-border dimension and the possible joint analysis of such cases; the standardization of reporting formats through the FIU.net; and the sharing of information on trends and risk factors in the internal market.

The UIF, which proposed and supported the fourth AML Directive's recognition of the role of the Platform, takes an active part in its work. The Platform is intended to provide a useful coordination centre to mitigate the effects of AML regulations being applied differently in individual member countries and increase the effectiveness of the work of the FIUs and cooperation between them.

In the course of 2015 the Platform identified its priorities, defining and approving a work plan that included developing specific projects, divided into eight thematic strands: the establishment and running of the Advisory Group for the governance of FIU.NET; the analysis of issues relating to the implementation of the rules of the fourth AML Directive that interest the FIUs; the definition and the start of the reporting system for suspicious transactions with a cross-border dimension; the recognition of the powers of the FIUs and the identification of barriers to cooperation between them; the system for using the information exchanged by means of international cooperation; the development of joint analysis procedures for important cross-border cases; 'diagonal' cooperation; and the recognition of communications received by the FIUs in addition to STRs.

In particular, the UIF coordinates the project on the barriers to international cooperation and possible remedies. This is a question of particular strategic importance in the light of the heightened terrorist threat in Europe and the recommendations of the FATF and the Council of the European Union.<sup>118</sup> In their conclusions, which were approved after the meeting of 12 February 2016, ECOFIN ministers expressed their 'encouragement to the FIUs to accelerate their mapping work' and, 'depending on the results of the latter', an invitation to the Commission European 'to consider appropriate measures to address any obstacle to the effectiveness of this cooperation and exchange of information'.

The project aims to map out the characteristics and functions of the FIUs in the European Union in the light of the latest regulatory framework provided by the fourth AML Directive, by means of a questionnaire to acquire detailed information on regulations and procedures. The responses will be collected and analysed alongside the

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<sup>117</sup> Directive (EU) 2015/849 Article 51.

<sup>118</sup> See Section 2.3.

initiatives launched by the Commission for the preparation of possible amendments to the Directive.

## **10. ORGANIZATION AND RESOURCES**

### **10.1. Organization**

The UIF is headed by the Director, who is assisted by the Deputy Director and two Directorates: the Suspicious Transactions Directorate, which is in charge of the financial analysis of suspicious transaction reports, and the Analysis and Institutional Relations Directorate, which is responsible for analysing financial flows and cooperating with judicial authorities and other domestic and foreign authorities.

The Director is assisted by several staff managers and by the Advisory Committee for the Review of Irregularities, which is responsible for analysing suspected irregularities uncovered by the UIF in order to initiate sanction procedures, forward reports to judicial and sectoral supervisory authorities and take any other necessary steps.

As required by law, the Unit is also assisted by a Committee of Experts, appointed for three years by a Ministry of Economy and Finance decree after consultation with the Governor of the Bank of Italy.

The Committee monitored the Unit's activities, contributing significantly to decisions on the Fourth Anti-Money-laundering Directive, FATF's Mutual Evaluation and the prevention of international terrorism, and on the analysis of STRs and issues bearing on institutional and international cooperation.

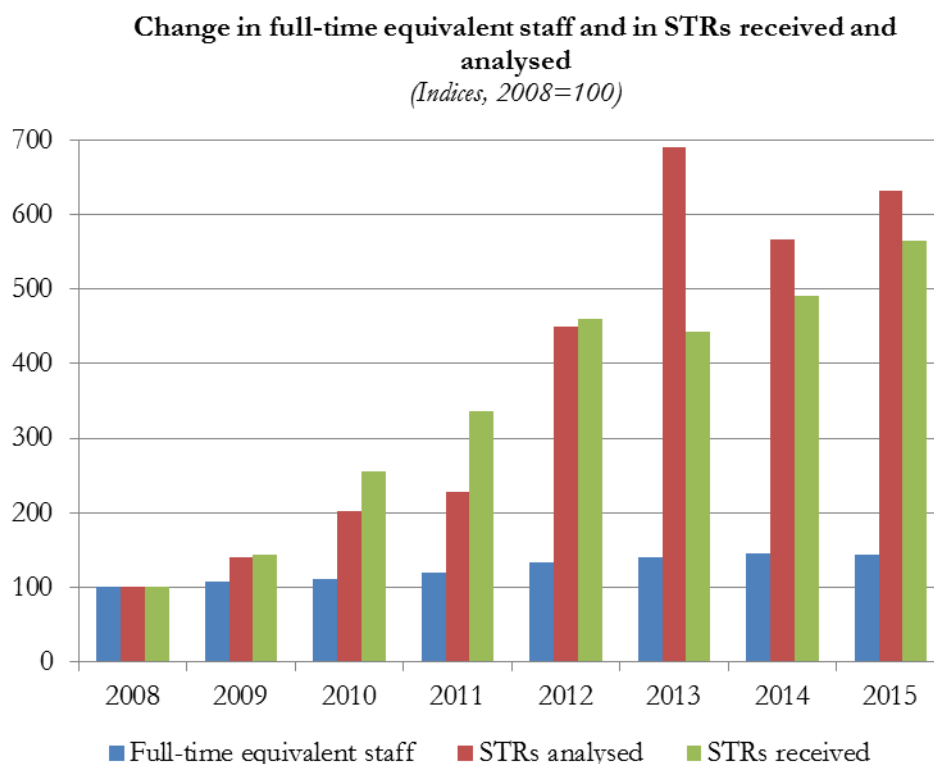
### **10.2. Performance indicators**

The Unit continued to improve its performance in 2015.

The development of dedicated IT systems and strict management control continue to spur improvement in productive capacity, preparing the Unit to handle the progressive and considerable increase in its workload. The measures being taken, and constantly improved, have helped to keep the backlog of unprocessed reports at almost normal levels despite the large increase in STRs in 2015.

The number of STRs processed per full-time equivalent staff has constantly and significantly increased over time. Thanks to the high level of productivity, once again in 2015 the number of STRs processed exceeded those received, despite the continuing rise in new reports (see Figure 10.1).

Figure 10.1



The professional skill and dedication displayed by the staff led to further improvement in the quality of the analysis performed and enabled the Unit to effectively discharge demanding, extraordinary commitments required during the year, such as work connected with the FATF's Mutual Evaluation.

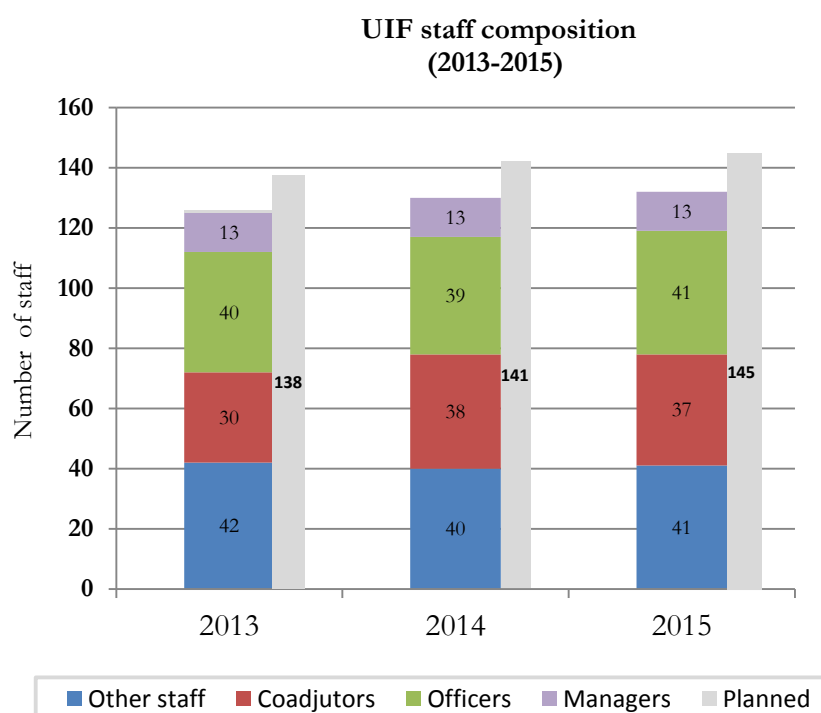
In keeping with international standards, quality improvement measures led to enhanced transaction screening and helped to orient the entire operational process using a risk-based approach:<sup>119</sup> more extensive financial studies were conducted; new analysis approaches and methodologies were tested; cooperation increased with national, supranational and foreign authorities engaged in the fight against money laundering and terrorist financing; and study and research capabilities were enhanced.

### 10.3. Human resources

The number of UIF staff was virtually unchanged in 2015 (from 130 to 132) with the exit of 5 and the addition of 7 members, of which 3 new hires (Figure 10.2). The current staff size is still far below the full staffing level of 145 that had been programmed for 2015. At 31 December, there were 77 employees assigned to the Suspicious Transactions Directorate and 50 to the Analysis and Institutional Relations Directorate.

<sup>119</sup>This topic is discussed in further detail in Chapter 4.

Figure 10.2



The need to raise the staffing level is not prompted just by the strong growth in STRs (up 28% from 2013) but also by the increasing cooperation with other authorities and the international exchange of information, which reflected more intense efforts to prevent terrorist financing. There has also been a growing need for personnel to take an appropriately active role in assisting supranational entities in their work; the commitment required towards the new duties of the EU FIUs' Platform is particularly important.

In response to the rising workload, the Bank of Italy has decided to expand the Unit's workforce to 151 in 2016.

Special attention is given to training. The UIF sometimes conducts its training programmes in collaboration with other domestic and international institutions. Employees also attended training courses on pertinent topics offered by the Bank of Italy, the ESCB and other sectoral authorities.

#### 10.4. Information technology resources

The development of information systems to assist the UIF in its work continued.

In 2015 the UIF's data warehouse was completed. It integrates most of the Unit's databases, develops sophisticated indicators and enables rapid access to information necessary for the detailed analysis of suspicious transactions by searching data in both summary and highly detailed form. Further efforts are under way to integrate other internal and external databases.

[Data warehouse](#)

The original application architecture has been enhanced with the addition of the important 'Network' module. In 2014 the UIF began testing methodologies and systems to find visual analysis techniques and tools capable of providing a more effective representation and search of links not noticeable in a large body of data. At the end of the testing phase, a special application module was developed, based on open source software, to perform advanced analysis by applying social network analysis algorithms to information in the data warehouse. The expressive power of the graphical representation translates into better analysis capabilities, while the use of specific algorithms encourages dynamic searching and identification of phenomena of interest. It is also possible to calculate metrics<sup>120</sup> at the level of the individual node and through these to identify in graphical form those that play an important role within the network.

Exchange of data  
with FIUs and  
judicial  
authorities

The abundance of information held by the UIF is particularly important for institutional and international cooperation. The Unit is developing dedicated instruments and communication systems to better assist it in this task. The project to develop tools to manage the exchange of data with judicial authorities and foreign FIUs, phased in starting 2015 and nearing completion, is particularly important.

The system envisages the development of new functions to improve the efficiency of the processes of exchanging information with other authorities (including judicial authorities) and foreign FIUs, expanding the use of electronic information channels and making it possible to digitalize the entire process for handling requests. This will lead to a higher degree of automation and a reduction in the remaining manual processes and the use of paper-based supports.

There are plans to create a portal through which authorized authorities will be able to submit, in a structured format, requests for information on persons of interest, laying the foundation for fast automated processing of responses. Requests received through FIU.NET will also be inserted automatically in the Unit's system.

Management of  
STRs from  
money transfer  
operators

By the end of July work will be completed on upgrades to the RADAR system to automatically integrate detailed data attached to STRs by money transfer operators, making it possible to obtain complete information in organized form and to use it in automated risk pre-evaluation processes. The introduction of simplified procedures, designed to take account of the characteristics of the money transfer business, will allow operators to contain their costs and will improve the UIF's utilization of the data.

Operating plan

The IT plans for 2016 include the launch of new projects, the most important of which is to bring the information exchanges with obliged entities within the INFOSTAT-RADAR environment in order to gather more information for STR analysis. The new system will operate in a fully protected environment with additional safeguards put in place to protect data confidentiality.

There are also plans to upgrade the current system by, among other things, improving its processing and matching of foreign names (often a very complicated task given the variety of ways they can be transcribed).

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<sup>120</sup> The metrics used in social network analysis serve to determine whether a node occupies a strategic position within the network in terms of its direct links with other nodes (degree). 'Closeness' is a measure of the distance between one node and another, while 'betweenness' denotes the importance of a node's position in a system represented as a network, based on its inclusion in a high number of 'minimum' paths.

## 10.5. Information to the public

The UIF is increasingly engaged in dialogue with other entities and institutions involved in preventing and combating money laundering and terrorist financing and with the public at large.

In 2014 the UIF's Annual Report to the Government and Parliament, and indirectly to the general public, was officially presented to representatives of the institutions, financial intermediaries and operators at a public meeting.

Communication with the public and the AML system

The full Annual Report has been translated into English and both versions are available to the public.<sup>121</sup>

In 2015 the UIF's website<sup>122</sup> was regularly updated to reflect new information. In addition to describing the Unit's work, it provides an overview of the entire Italian and international anti-money-laundering system, offering complete and up-to-date information on regulatory and institutional matters, projects and research. Moreover, a new section was added entitled 'Terrorist financing information portal',<sup>123</sup> providing operators with easy, quick access to open sources of information that is useful for identifying transactions suspected of being linked to financing terrorism.

Website

The Unit has sponsored numerous projects, some recurrent, for debates and meetings with representatives and members of the main professions subject to reporting obligations. The objective is to raise awareness of the purposes and possible uses of the various types of reports submitted to the UIF by providing feedback<sup>124</sup> that is used to make system-level comparisons and facilitate closer dialogue with a view to improving the standards of active cooperation.

Dialogue with obliged entities

In pursuit of this same purpose, the UIF issues publications and its members participate in studies and research on regulations and scenarios for combating all types of financial crime.

Publications study and research

The UIF continues to publish *Quaderni dell'antiriciclaggio*, divided into two series: *Collana Dati statistici* and *Collana Analisi e studi*.<sup>125</sup> The first, published every six months, contains statistical data on the reports received and concise accounts of the Unit's activities. *Collana Analisi e studi*, launched in March 2014, is comprised of papers on selected themes in money laundering and terrorist financing. In 2015, three new editions were published. In April, issue No. 2 of *Quaderni* was dedicated to money-laundering typologies,<sup>126</sup> in August, issue No. 3 provided a 'mapping' of tax havens,<sup>127</sup> and in November, issue No. 4 contained an econometric assessment of the quantitative adequacy of the flow of STRs filed by banks on a provincial basis.<sup>128</sup>

<sup>121</sup> <https://uif.bancaditalia.it/pubblicazioni/rapporto-annuale/index.html>

<sup>122</sup> <https://uif.bancaditalia.it/>.

<sup>123</sup> <https://uif.bancaditalia.it/adempimenti-operatori/portale-contrasto/index.html>.

<sup>124</sup> See Section 3.3.

<sup>125</sup> The *Quaderni* are distributed to the press and are available on the UIF's website.

<sup>126</sup> See Criscuolo C. et al (2015), "*Casistiche di riciclaggio*", UIF, *Quaderni dell'Antiriciclaggio, Collana Analisi e studi*, n. 2. See also Section 5.2.1.

<sup>127</sup> See Gara M. e De Franceschis P. (2015), "*I paradisi fiscali: caratteristiche operative, evidenze empiriche e anomalie finanziarie*", UIF, *Quaderni dell'Antiriciclaggio, Collana Analisi e studi*, n. 3. See also Section 6.2.

<sup>128</sup> See Gara M. e Pauselli C. (2015), "*L'effetto 'al lupo, al lupo' da una prospettiva diversa: un tentativo di identificare*

UIF researchers participated in a number of major conferences in Italy and abroad on scientific topics of institutional interest, presenting studies conducted by the Unit.<sup>129</sup>

In 2015 the UIF participated in numerous conferences, seminars and meetings to enhance awareness and understanding among the public, market operators and other authorities involved in the fight against money laundering.

The Unit provided speakers at more than 65 training programmes, including those organized by the Finance Police Academy (Scuola di polizia tributaria della Guardia di Finanza), the national police, the Higher Institute for the Carabinieri and a European programme on the topics of gaming and gambling. The UIF also provided speakers at events organized by other authorities, such as CEPOL and the Higher Institute for Judicial Studies (Scuola Superiore della Magistratura). Representatives of the Unit also spoke at international events and meetings.

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[le banche sopra- e sotto-segnalanti?](#), UIF, *Quaderni dell'Antiriciclaggio, Collana Analisi e studi*, n. 4. See also Section 6.2.

<sup>129</sup> See Section 6.2.



## ACTIVITIES

### **Information gathering**

- 82,428 suspicious transaction reports
- 101,126,896 aggregate data received
- 40,986 monthly declarations on gold transactions
- 1,335 advance declarations on gold transactions

### **Analysis and dissemination**

- 84,627 suspicious transaction reports examined
- 69,959 reports transmitted to investigative bodies for further inquiry, of which 31,912 assessed as 'high' or 'very high' risk

### **Cooperation with investigative bodies and national authorities**

- 432 responses to requests from judicial authorities
- 233 crime reports
- 29 suspensions of suspicious transactions
- 157 'freezing of assets' orders in relation to terrorist financing or threats to peace and international security

### **Other cooperation initiatives**

- Contribution to the Italian delegation in the fourth cycle of FATF Mutual Evaluation
- Activation of the service allowing direct access to voluntary disclosure data pursuant to the information-sharing agreement with the Italian Revenue Agency
- Under the coordination of the National Anti-Mafia Directorate (DNA) – the launch of a permanent panel of experts with the Customs and Monopolies Agency to process data on financial flows linked to international trade in order to identify any potential organized crime infiltration
- Participation in the permanent panel of experts set up by the Ministry of Justice on the responsibility of entities for administrative violations resulting from crimes

### **Cooperation with other FIUs**

- 1,213 information requests from foreign FIUs
- 1,223 responses sent to foreign FIUs
- 725 requests sent to foreign FIUs, of which 185 'known/unknown' requests transmitted via the FIU.NET platform

### **Raising awareness about money laundering and terrorist financing**

- Speakers at more than 65 conferences and workshops on money laundering at universities and other institutions

- Speakers at workshops for trainee magistrates, organized by the *Scuola Superiore della Magistratura*
- 3 contributions to the *Analisi e studi* series of the publication *Quaderni dell'antiriciclaggio*

### **Regulatory activity**

- Communication on the anomalous use of virtual currencies (30 January 2015)
- Public statement on the method for integrating supporting documentation into suspicious transaction reports (15 July 2015)
- Public statement on the financial intermediaries affected by the reform of the Single Register pursuant to Article 106 of the Consolidated Law on Banking (10 August 2015)
- Public statement on the new 'voluntary disclosure' survey category in suspicious transaction reports (2 September 2015)
- Publication by the Ministry of the Interior, at the proposal of the UIF, of a decree containing the anomaly indicators in order to facilitate the discovery of suspicious transactions related to money laundering or terrorist financing on the part of general government offices (25 September 2015)
- Public statement on the types of transactions reported (30 November 2015)
- Public statement on the prevention of terrorist financing (18 April 2016)
- Public statement on the reform of the Single Register pursuant to Article 106 of the Consolidated Law on Banking and aggregate anti-money laundering reports (5 May 2016)

### **Upgrading of the IT infrastructure**

- Launch of the data warehouse – rapid and integrated access to all the information necessary for the efficient performance of institutional functions
- Launch of the new function for the submission of supplementary documentation to be added to the STRs already sent to the FIU
- Launch of the system for managing the exchange of data with judicial authorities and foreign FIUs with greater automation in the management of external requests
- Launch of a project to develop a new function for the integration of detailed data from money transfer reports into the RADAR platform

## GLOSSARY

### **Anti-Mafia Investigation Department (*Direzione Investigativa Antimafia - DIA*)**

A specialized interforce investigation bureau drawn from various police forces and having jurisdiction over the entire national territory. Created under the Interior Ministry's Public Security Department by Law 410/1991, the Department has the exclusive task of coordinating investigations into organized crime, in all of its forms and connections, and also carrying out police enquiries into crimes of mafia-style criminal association or crimes related thereto

### **Beneficial owner**

Pursuant to Legislative Decree 231/2007, Article 1(2)(u), the beneficial owner of an asset is the natural person on whose behalf a transaction or activity is being conducted or, in the case of a legal entity, the natural person or persons who ultimately own or control the entity or are its beneficiaries, identified on the basis of the criteria referred to in the technical annex referred to in Article 2 of the Decree.

### **Economic and Financial Affairs Council (ECOFIN)**

The Economic and Financial Affairs Council is a configuration of the Council of the European Union (the Council of the European Union is a single legal entity but it meets in ten different 'configurations' depending on the subject matter discussed). ECOFIN is made up of the economics and finance ministers from all member states and, on occasion, national budget ministers. It meets once a month and is responsible for economic policy, taxation matters, financial markets and capital movements, and economic relations with countries outside the EU. It prepares and, together with the European Parliament, adopts the EU's annual budget and coordinates EU positions for international meetings, such as the G20, the International Monetary Fund and the World Bank. It is also responsible for the financial aspects of international negotiations on measures to tackle climate change.

### **Egmont Group**

An informal organization formed in 1995 by a group of FIUs to further international cooperation and enhance its benefits. The number of member FIUs has grown steadily (to 139). In 2010 the Group became a formal international organization; its secretariat is in Toronto.

### **Equivalent countries**

The list of non-EU states and territories that have enacted requirements equivalent to those set forth in Directive 2005/60/EC of the European Parliament and the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and that provide for compliance controls.

The list, pursuant to a decree of the Ministry for the Economy and Finance dated 10 April 2015, names the following countries: Australia, Brazil, Canada, Hong Kong, India, Japan, South Korea, Mexico, Singapore, United States, South Africa, Switzerland and San Marino.

In addition, with the same effects, the list names the following territories: Mayotte, New Caledonia, French Polynesia, Saint-Pierre et Miquelon, Wallis and Futuna, Aruba, Curaçao, Sint Maarten, Bonaire, Sint Eustatius, and Saba.

### **European Union countries**

These comprise the 15 countries that were Member States of the European Union prior to May 2004 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom) and the 13 new Member States admitted since then (Bulgaria, Cyprus, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia).

### **Financial Action Task Force (FATF)**

An intergovernmental organization within the OECD whose purpose is to develop and promote strategies for countering money laundering at national and international level. Its decisions are approved by the OECD. During its initial mandate, beginning in 1989, the Task Force issued Forty Recommendations on monitoring money laundering; during subsequent mandates, 9 Special Recommendations on international terrorist financing were added. The matter was thoroughly reviewed in 2012 with the issue of the revised Forty Recommendations. The FATF also promotes the extension of anti-money-laundering measures beyond the OECD's membership, cooperating with other international organizations and conducting inquiries into emerging trends and money laundering typologies.

### **Financial Intelligence Unit (FIU)**

A central, national unit assigned, for the purpose of combating money laundering and the financing of terrorism, to receive and analyse suspicious transaction reports and other information relevant to money laundering, terrorist financing and their predicate crimes and to disseminate the results of such analyses. Depending on the choices of national legislatures, the FIU may be an administrative authority, a specialized structure within a police force, or part of the judicial authority. In some countries a mix of these models has been adopted.

### **Financial Security Committee (FSC) (*Comitato di Sicurezza Finanziaria*)**

Under Legislative Decree 109/2007, Article 3, this is the committee formed at the Ministry for the Economy and Finance, chaired by the Director General of the Treasury (or the latter's delegate) and composed of 12 members, appointed by decree of the Minister upon designation, one each, by the Minister of the Interior, the Minister of Justice, the Minister of Foreign Affairs, the Bank of Italy, Consob, ISVAP (now IVASS), and the Financial Intelligence Unit. The other five members are a manager from the Ministry for the Economy and Finance, a Finance Police officer, an officer or functionary of the Anti-Mafia Investigation Department (DIA), an officer of the Carabinieri, and a representative of the National Anti-Mafia Directorate (DNA). For asset freezes the committee is supplemented by a representative of the state property agency, and for tasks related to the non-proliferation of weapons of mass destruction it is supplemented by two additional members designated by the Ministry for Economic Development and the Customs and Monopolies Agency. The entities represented on the FSC shall communicate to the Committee, even derogating from official secrecy, the information in their possession relevant to the matters within the Committee's competence. In addition, the judicial authorities shall transmit all information deemed useful in combating international terrorist financing. Legislative Decree 231/2007, Article 5(3), extends the Committee's competences, originally limited to the coordination of action against terrorist financing, to money laundering as well.

### **FIU.NET**

A communications infrastructure among the Financial Intelligence Units of the European Union permitting a structured, multilateral interchange of data and information, with standardized applications and immediate and secure data exchange.

### **Freezing of Assets**

Under Legislative Decree 109/2007, Article 1(1)(e), this is a prohibition on the movement, transfer, modification, utilization or management of funds or access to funds so as to modify their volume, amount, location, ownership, possession, nature or destination, or any other change that permits the use of the funds, including portfolio management.

### **Means of payment**

Pursuant to Legislative Decree 231/2007, Article 1(2)(i), means of payment are cash, bank and postal cheques, banker's drafts and the like, postal money orders, credit transfers and payment orders, credit cards and other payment cards, transferable insurance policies, pawn tickets and every other instrument available making it possible to transfer, move or acquire, including by electronic means, funds, valuables or financial balances.

### **Money laundering**

Article 648-bis of the Penal Code makes punishable for the crime of money laundering anyone who, aside from cases of complicity in the predicate crime, ‘substitutes or transfers money, assets or other benefits deriving from a crime other than negligence, or who carries out in relation to them other transactions in such a way as to hamper the detection of their criminal provenance.’ Article 648-ter makes punishable for illegal investment anyone who, aside from the cases of complicity in the predicate crime and the cases specified in Article 648 and 648-bis, ‘invests in economic or financial assets moneys, goods or other assets deriving from crime.’

Pursuant to Legislative Decree 231/2007, Article 2(1), the following actions, if performed intentionally, constitute money laundering: ‘(a) the conversion or transfer of property, carried out knowing that it constitutes the proceeds of criminal activity or of participation therein with the aim of hiding or dissimulating the illicit origin of the property or of helping any individual involved in such activity to avoid the legal consequences of his or her actions; (b) hiding or dissimulating the real nature, origin, location, arrangement, transfer or ownership of property or rights thereto, carried out in the knowledge that they constitute the proceeds of criminal activity or of participation therein; (c) the acquisition, detention or use of property, knowing at the time of receiving it that it constitutes the proceeds of criminal activity or of participation therein; and (d) participation in one of the actions referred to in the preceding subparagraphs, association with others to perform such actions, attempts to perform them, the act of helping, instigating or advising someone to perform them or the fact of facilitating their performance.’

#### **Moneyval (Select Committee of experts on the evaluation of anti-money laundering measures)**

Moneyval is a sub-committee of the European Committee on Crime Problems (CDPC) formed by the Council of Europe in September 1997. It serves as the Council’s unit on money laundering, also taking account of FATF measures, making specific recommendations to the member states. It evaluates the measures on money laundering taken by the Council members that are not FATF members. As a regional grouping, it has the status of an Associate Member of FATF.

Under a thoroughly revised statute, since January 2011 Moneyval has served as an independent monitoring body of the Council of Europe in the fight against money laundering and terrorist financing; it reports directly to the Committee of Ministers, to which it submits an annual report.

#### **OAM**

The Organization of Agents and Mediators (created pursuant to Article 128-*undecies* of Legislative Decree 385/1993) is exclusively and autonomously responsible for the management of the lists of financial agents and brokers.

#### **Office of Foreign Assets Control (OFAC)**

Under the US Treasury Department, the Office was established under the auspices of the Undersecretary of the Treasury for terrorism and financial intelligence. OFAC governs and applies economic and trade sanctions ordered against foreign nations, organizations and individuals as part of US foreign and security policy.

#### **Politically Exposed Persons**

Natural persons resident in member states or in non-member states that hold or have held important public offices and their direct family members or people with whom they maintain close ties as defined by the standards set out in the technical note to Legislative Decree 231/2007.

#### **Sectoral supervisory authorities**

Pursuant to Legislative Decree 231/2007, Article 1(2)(c), these are the authorities charged under current legislation with the supervision or control of persons specified in Articles 10(2)(a), 10(2)(b), 10(2)(c), 10(2)(d) – respectively central securities depositories, companies operating regulated markets in financial instruments and persons that operate structures for trading in financial instruments and interbank funds, companies operating settlement services for transactions in financial instruments, and companies operating clearing and guarantee services for transactions in financial instruments – Article 11 (banks, other financial intermediaries and other persons engaged in financial activities) and Article 13(1)(a) –

persons entered in the register of auditors and auditing firms charged with auditing entities of public interest.

### **Self-laundering**

Pursuant to Article 648-ter.1 of the Penal Code, ‘whoever, having committed or attempted to commit a crime with criminal intent, uses, replaces or transfers money, assets or other utilities deriving from the commission of such a crime to economic, financial, entrepreneurial or speculative activities, in such a way as to actively hinder detection of their criminal origin’ can be punished for the crime of self-laundering. The rule was introduced by Article 3(3) of Law 186/2014.

### **Single Electronic Archive (*Archivio unico informatico - AUI*)**

Pursuant to Legislative Decree 231/2007, Article 1(2)(b), the Single Electronic Archive is a database created and run using IT systems that provide for the centralized storage of all the information acquired in fulfilling the identification and regulation obligations in accordance with the principles laid down in the Decree and the measures issued by the Bank of Italy.

### **Special Foreign Exchange Unit (*Nucleo Speciale di Polizia Valutaria - NSPV*)**

Formed within the Finance Police, the unit combats money laundering, both as an investigative police body and as the administrative body responsible, together with the Bank of Italy and the Anti-Mafia Investigation Department, for controls on the financial intermediation sector. The law confers special powers relating to foreign exchange regulations on the Unit’s members, as well as those concerning fiscal powers.

### **Tax havens and/or non-cooperative countries and territories**

The blacklist of jurisdictions named in the decree of the Minister of Finance of 4 May 1999 (most recently amended by the ministerial decree of 12 February 2014), the decree of the Minister for the Economy and Finance of 21 November 2001 (most recently amended by the ministerial decree of 30 March 2015) and the decree of the Minister for the Economy and Finance of 23 January 2002 (most recently amended by the ministerial decree of 27 July 2010). The blacklist comprises the following jurisdictions: Abu Dhabi, Ajman, Andorra, Angola, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Barbados, Belize, Bermuda, British Virgin Islands, Brunei, Cayman Islands, Cook Islands, Costa Rica, Djibouti (formerly the Afars and Issas), Dominica, Dubai, Dutch Antilles (Sint Maarten – Dutch part, Bonaire, Sint Eustatius, Saba and Curaçao), Ecuador, French Polynesia, Fujairah, Gibraltar, Grenada, Guatemala, Guernsey, Hong Kong, Isle of Man, Marshall Islands, Jamaica, Jersey, Kenya, Kiribati, Lebanon, Liberia, Liechtenstein, Macao, Maldives, Malaysia, Mauritius, Monaco, Montserrat, Nauru, New Caledonia, Niue, Oman, Panama, the Philippines, Puerto Rico, Ras El Khaimah, St. Helena, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Seychelles, Sharjah, Singapore, Solomon Islands, Switzerland, Taiwan, Tonga, Turks and Caicos Islands, Tuvalu, Umm Al Quwain, Uruguay, US Virgin Islands and Vanuatu. In addition, the blacklist includes the countries that are not compliant with the rules against money laundering and terrorist financing, according to the FATF’s ‘Public Statement February 2015’ and ‘Improving Global AML/CFT compliance: On-going process February 2015’: Afghanistan, Algeria, Angola, Ecuador, Guyana, Indonesia, Iran, Iraq, Kenya, Laos, Myanmar, North Korea, Papua New Guinea, Sudan, Syria, Uganda, and Yemen.

### **Terrorist financing**

Under Legislative Decree 109/2007, Article 1, terrorist financing is any activity directed, by whatever means, to the supply, intermediation, deposit, custody or disbursement of funds or economic resources, however effected, that are destined, in whole or in part, to the commission of one or more crimes for purposes of terrorism or, in any case, to favour the commission of one or more crimes for purposes of terrorism specified in the Penal Code, regardless of the actual utilization of the funds or economic resources for the commission of such crimes.

## ACRONYMS AND ABBREVIATIONS

ABI	Italian Banking Association ( <i>Associazione Bancaria Italiana</i> )
ANAC	National Anti-Corruption Authority ( <i>Autorità Nazionale Anticorruzione</i> )
AUI	Single Electronic Archive ( <i>Archivio Unico Informatico</i> )
CDP	Cassa Depositi e Prestiti SpA
CNN	National Council of Notaries ( <i>Consiglio Nazionale del Notariato</i> )
CONSOB	Companies and Stock Exchange Commission ( <i>Commissione Nazionale per le Società e la Borsa</i> )
CSF	Financial Security Committee ( <i>Comitato di Sicurezza Finanziaria</i> )
DIA	Anti-Mafia Investigation Department ( <i>Direzione Investigativa Antimafia</i> )
DNA	National Anti-Mafia Directorate ( <i>Direzione Nazionale Antimafia e Antiterrorismo</i> )
ECOFIN	Economic and Financial Affairs Council
FATF	Financial Action Task Force
IMEL	Electronic Money Institutions
IVASS	Insurance Supervisory Authority ( <i>Istituto per la Vigilanza sulle Assicurazioni</i> )
MEF	Ministry of Economy and Finance
NRA	National Risk Assessment
NSPV	Special Foreign Exchange Unit of the Finance Police ( <i>Nucleo Speciale di Polizia Valutaria</i> )
OECD	Organisation for Economic Co-operation and Development
STR	Suspicious Transaction Report
UIF	Italy's Financial Intelligence Unit ( <i>Unità di Informazione Finanziaria</i> )