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Unità di Informazione Finanziaria per l'Italia

Annual Report 2021 Italy's Financial Intelligence Unit

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The Unità di Informazione Finanziaria per l'Italia (UIF) is Italy's Financial Intelligence Unit, the national body charged with combating money laundering and the financing of terrorism. It was formed at the Bank of Italy pursuant to Legislative Decree 231/2007, in compliance with international rules and standards requiring all countries to institute their own financial intelligence units, independently run and operating autonomously.

The Unit collects information on potential cases of money laundering and financing of terrorism, mainly in the form of reports of suspicious transactions filed by financial intermediaries, professionals and other operators. It conducts a financial analysis of the reports, using the sources at its disposal and the powers assigned to it, and assesses the results with a view to transmission to the competent investigative and judicial authorities for further action.

The regulations provide for exchanges of information between the UIF and supervisory authorities, government departments and professional bodies. The Unit cooperates closely with the investigative and judicial authorities to identify and analyse anomalous financial flows. It is a member of the global network of the financial intelligence units that share the information needed to combat cross-border money laundering and financing of terrorism.

Bank of Italy, 2022

Unità di Informazione Finanziaria per l'Italia

Director

Claudio Clemente

Address

Largo Bastia, 35 00181 Rome -Italy

Telephone

+39 0647921

Website

<http://uif.bancaditalia.it>

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Index

THE FIRST 15 YEARS OF THE UIF	5
1. ACTIVE COOPERATION.....	13
1.1. Reporting flows.....	13
1.2. Suspicious transactions	18
1.3. The quality of active cooperation.....	22
1.4. Threshold-based communications	25
2. OPERATIONAL ANALYSIS	35
2.1. The data	35
2.2. The analysis process	35
2.3. Risk assessment.....	38
2.4. Methodology	39
2.5. Suspension orders.....	40
2.6. Information flows of investigative interest.....	42
3. RISK AREAS AND TYPOLOGIES	43
3.1. The impact of the pandemic	43
3.2. Tax evasion.....	45
3.3. Corruption and misappropriation of public funds	48
3.4. Organized crime.....	49
3.5. Further case studies	51
4. COMBATING THE FINANCING OF TERRORISM.....	57
4.1. Suspicious transaction reports	57
4.2. Types of transactions suspected of financing terrorism	60
4.3. The UIF's analyses	60
4.4. International activities.....	62
5. CONTROLS.....	63
5.1. Inspections and documentation audits.....	63
5.2. Sanction procedures	66
6. STRATEGIC ANALYSIS.....	69
6.1. Aggregate data.....	69
6.2. Analyses of aggregated data and research activity	75
6.3. Gold declarations.....	78
7. COOPERATION WITH OTHER AUTHORITIES	83
7.1. Cooperation with the judicial authorities	83
7.2. Cooperation with the Ministry of Economy and Finance (MEF) and the Italian Financial Security Committee (FSC)	86
7.3. Cooperation with supervisory authorities and other institutions	89
8. INTERNATIONAL COOPERATION	93
8.1. Exchange of information with foreign FIUs.....	93
8.2. Cooperation between FIUs.....	97
8.3. The EU FIUs Platform.....	98
8.4. Developments in the FIU.NET	99
8.5. Relations with foreign counterparties and technical assistance	100
8.6. Participation in the FATF	100

8.7. Participation in other international organizations.....	102
9. THE LEGISLATIVE FRAMEWORK.....	105
9.1. The global and European context.....	105
9.1.1. European regulatory developments.....	105
9.1.2. Further European and international initiatives.....	111
9.2. The Italian legislative framework.....	111
9.2.1. Legislative measures.....	111
9.3. Secondary legislation.....	116
10. RESOURCES AND ORGANIZATION.....	119
10.1. Organization.....	119
10.2. Performance indicators and Strategic Plan.....	120
10.3. Human resources.....	122
10.4. IT resources.....	123
10.5. External communication.....	125
GLOSSARY.....	127
ACRONYMS AND ABBREVIATIONS.....	133

List of boxes

General government entities and their contribution to reporting	17
Monitoring of reporting parties that have received requests for information	24
Methodologies for analysing threshold-based communications	31
Anomalous transfer of tax credits	45
The analysis of STRs relating to the minimum income scheme	49
Terrorist financing and migrant smuggling: logistical and financial connections	61
Inspections in the securitization sector: results and critical issues	64
The technical coordination panel on controls and sanctions	66
The relationship between the use of cash and the shadow economy	76
Memorandums of Understanding for the improvement of institutional cooperation	84
Developments in international cooperation on countering cyber fraud	96
FIU.NET: outlook	99
Limitations on the use of cash	106
The FIU: characteristics and tasks in the AML Package	107
The AMLA's tasks and powers as a Support and Coordination Mechanism for FIUs	109
Prospects for effective rules for joint analyses	110
The implementation of EU Regulation 2018/1672 and the updating of the national gold regulations	115
UIF initiatives after the COVID-19 emergency: first indications for the prevention of risks connected to the NRRP	116
International and national initiatives concerning virtual assets	117
The renewal of IT infrastructure	123

THE FIRST 15 YEARS OF THE UIF

This year marks the fifteenth year of activity of Italy's Financial Intelligence Unit (UIF). It is an opportunity to assess the journey thus far, the progress made and the challenges that await us in the near future. Legislative Decree 231/2007, which established the UIF, was an important step in the initiatives taken to prevent and combat money laundering and terrorist financing in our country. Money laundering and criminal infiltration of the national economic system are particularly harmful because they have devastating effects on society; they promote economic and social injustice and mistrust in the state system of collection and distribution of resources. Terrorist financing threatens our very security and values.

The prevention system is now generally recognized as a point of strength and of reference for combating not only money laundering but also related criminal phenomena such as, first and foremost, organized crime, corruption and tax evasion. Improvement in the system is evidenced by the continued expansion of the countermeasures against other criminal activities, ranging from the financing of terrorism to the financing of weapons of mass destruction proliferation programmes and, since 2022, to operations relating to the activities of companies producing anti-personnel mines and cluster munitions.

The dramatic conflict in Ukraine has now opened up a discussion on the possible use, also in Italy, of anti-money laundering safeguards to ensure a more effective implementation of financial sanctions, and in particular on the use of FIU financial analyses to identify and trace assets linked to designated entities and persons and to counter any circumvention of restrictive measures.

The number of obliged entities has also progressively risen with the involvement of new categories of non-financial entities and innovative activities with operational peculiarities and structures with varying degrees of complexity, such as virtual currency operators.

Within this framework, FIUs are assigned a wide range of sensitive functions, and international principles impose the need for operational and management independence, country-level specificity, specialization in financial analysis functions and the ability to exchange information directly and independently. The institutional role of the UIF within the Bank of Italy and the rules governing its functioning have ensured its independence and autonomy and strengthened the significant links between anti-money laundering action and financial supervision.

From the outset, the UIF has promoted the public-private partnership model that characterizes the prevention system, focusing on cooperation with reporting parties as an essential aspect in order to promote active participation, based on the sharing of objectives and not on the mere formal fulfilment of obligations.

Improving the quality, timeliness and completeness of suspicious transaction reports has therefore been a primary objective of the UIF, which has made available to the reporting parties numerous models and patterns representative of anomalous behaviour from 2009, with those relating to usury, until 2020, with those relating to tax offences. The UIF has also developed anomaly indicators as an aid to the detection of suspicious transactions by reporting parties, with a focus on those detectable by intermediaries (2010), professionals and auditors (2010 and 2013), non-financial operators (2011 and 2012) and public administrations (2018). Through focused communications, the Unit has alerted the operators to the new risks that were also emerging in innovative areas, such as the use of virtual currencies (2014 and 2019), international terrorism linked to ISIL (2016 and 2017), the COVID-19 pandemic (2020 and 2021) and the resulting government support measures (2022).

To encourage self-assessment, the Unit has ensured that obliged entities received not only feedback on less significant reports, but also information on the overall contribution made; it has also ensured constant direct assistance for issues concerning active cooperation.

These forms of support for reporting parties have also been supplemented by the publication of case studies, newsletters, manuals, statistics and studies, as well as the development of reporting patterns tailored to specific categories. Continuous participation in and promotion of training initiatives has also been provided.

Dialogue between authorities and obliged entities triggers a virtuous circle that enhances the ability to identify specific areas exposed to money laundering risks and promotes effective and comprehensive exploitation of the wealth of information that operators possess thanks to their customer relationships. This has contributed to a considerable improvement in active cooperation; however, qualitative and quantitative discrepancies persist among large operators as well. In the non-financial sectors, contributions to preventive action remains an untapped goldmine. Art dealers, real estate agents and certain categories of professionals, although in key positions to intercept anomalies, report a relatively small number of suspicious transactions. An effective contribution from public administrations, which is still particularly low, could also highlight operational contexts that cannot be fully detected by other reporting categories.

Over time, the number of reports has increased substantially: from the 12,544 STRs received in 2007, the number rose to 139,524 in 2021, a tenfold increase. The increase in these information assets was the driving force behind significant growth in other institutional activities: monitoring, cooperation with the judicial authorities, investigative bodies and supervisory authorities, as well as the exchange of information with foreign FIUs.

Over the past 15 years, the UIF has had to cope with constantly increasing workloads by continually updating its processes, combining them with technological, methodological and organizational innovations. The introduction of the RADAR platform for the collection and management of STRs in 2011 and the completion in 2015 of the data warehouse, which collates database information used to enhance the reports, have facilitated a fundamental change of pace in STR analysis. Finally, the last five years have seen the application of risk assessment and analysis methodologies referring to networks of connected entities, clusters of money laundering phenomena and types of transactions, as well as STR classification techniques that facilitate faster and more uniform treatment of similar frameworks.

Thanks also to the support of the Bank of Italy's IT Department and the increasing use of specialized personnel, these processes have advanced in step with the development of advanced data management functions and numerous organizational interventions. The Unit initially set up six Divisions under Giovanni Castaldi's administration, followed by two Directorates in 2014 (the Analysis and Institutional Relations Directorate and the Suspicious Transactions Directorate); in 2020, the latter were organized into a total of ten Divisions to introduce thematic STR areas of competence, as well as specific IT and data analysis expertise.

Technological and organizational leverage has made it possible, at least in part, to compensate for a rather modest increase in human resources, from 99 at the end of 2008 to 158, decidedly low compared with the exceptionally large increase in the workload. Today, the need to strengthen the team and revise the organizational structure appears increasingly more evident. In light of the evolution of technology and the reference framework, this will ensure the best use of the different skills available and the development of further skills, promoting the growth of human capital that is increasingly capable of grasping and analysing changes in methods, contexts and markets.

Protocols aimed at defining specific synergies throughout the institutions and the scope for exchanging information have also played their part in laying solid foundations at national level for cooperation with all relevant investigative, judicial and supervisory authorities. There has always been intense cooperation between the Unit and the investigative bodies, and it has developed, changing in shape and means, benefiting from innovative technological interventions such as the creation of an information exchange portal in 2013. A further advance was achieved in 2017 with the creation of a new system that extended the

management of information flows to the judicial authority and foreign FIUs too. When the Fourth Directive was transposed in 2018, the possibilities for cooperation with the National Anti-Mafia and Anti-Terrorism Directorate were extended to enable the exchange of specific information flows aimed at combating crime and terrorism more effectively.

The UIF has developed relationships with its European and non-European counterparts, especially with strategically important partners to independently, and jointly, examine complex international money laundering or possible terrorist financing cases, as well as supporting them in important investigations. The full potential for cooperation has been exploited, from multilateral exchanges to the anonymous cross-referencing of entire databases, to facilitate the detection of possible cross-border links between criminal activities.

Together with the other administrative, investigative and judicial authorities involved in the fight against money laundering and terrorist financing, the UIF actively participated in the planning and drafting phases of the 2014 and 2019 National Risk Assessments, providing the information and in-house expertise for the definition and validation of data and methodologies. An important evaluation contribution was made in 2017, 2019 and 2022, for the European Commission's Supranational Risk Assessment, provided for in the fourth directive, to which the Unit contributed, thanks to the experience gained in analysing cases of transnational importance and risks originating in other Member States.

The effectiveness of the UIF's work was also confirmed in the Mutual Evaluation conducted by the FATF in 2015. The Unit's operational and strategic analysis was highly appreciated and considered valuable for initiating examinations of money laundering, predicate offences and terrorist financing. The Unit's institutional framework was also favourably rated, as it was deemed capable of performing its functions independently and autonomously, and of carrying out all decision-making processes without any external interference. The 2019 follow-up on regulatory compliance with the FATF standards also yielded a positive outcome.

Over the years, the UIF has played a proactive role in identifying the critical areas of a European anti-money laundering framework based on minimum harmonization standards. Within the framework of the EU FIU Platform, the Unit promoted a Mapping Exercise aimed at identifying critical issues in the system, in part resulting from the institutional and operational differences among European FIUs. Methodological and operational convergence was initially pursued by supporting the development of joint analysis exercises on important cross-border cases with a view to establishing a common FIU coordination system.

The Support and Coordination Mechanism at the new European Anti-Money Laundering Authority was established as the institutional response to these critical issues; it is intended to play a central role in strengthening relations between FIUs, in promoting operational convergence and in enhancing the IT tools available for analysis and cooperation.

In recent years, the UIF and the entire anti-money laundering system have been challenged by new and significant risks.

Since 2020, the pandemic has exposed economic and social systems to a severe and unexpected adverse shock, which has made operators more fragile and exposed them to the infiltration of aggressive and pervasive criminal organizations. We must now actively counter the risk that criminals may intercept the funds and public guarantees provided to handle the crisis. The UIF's preventive action must become even more vigilant and decisive. Even in the most acute phases of the pandemic, marked by widespread recourse to remote working, UIF activity did not slow down. On the contrary, the organizational change caused by the health emergency served as an opportunity to accelerate processes and working methods that the Unit had already commenced, which further boosted productivity and improved work-life balance for staff.

The conflict in Ukraine, underway since February 2022, has required greater efforts from the UIF, which has been involved in implementing actions and measures against proponents of the Russian government. The Unit is cooperating with other competent authorities to help effectively apply financial sanctions and to identify and freeze assets traceable back to the designated entities. The UIF has also contributed to the practical application of the restrictive measures decided by the international community, providing guidance to the private sector. In addition, the Unit has made extensive use of available databases to monitor the existence of funds traceable to designated entities represented by Italian intermediaries, including via the screening of domestic and foreign companies and vehicles. The UIF is participating in an international working group aimed at defining the possible contribution of FIUs in identifying assets that can be traced back to designated entities by using the tools of financial analysis and cooperation. However, there is a clear call for a harmonized extension of the FIUs' mandate due to the significant differences across countries.

Throughout its 15 years of activity, the UIF has matured into a solid and effective institution that also contributes to the implementation of economic policies by combating the misuse of public resources. The UIF is a dynamic organization, keen to grasp the emergence of new risks and changes of context and to quickly implement all its practical interventions to maintain and increase the effectiveness of its actions.

The establishment of the Support Mechanism is set to trigger an intense European planning phase to strengthen operational and methodological convergence among the FIUs; in this context, the Unit intends to play a driving role in line with the guidelines followed so far.

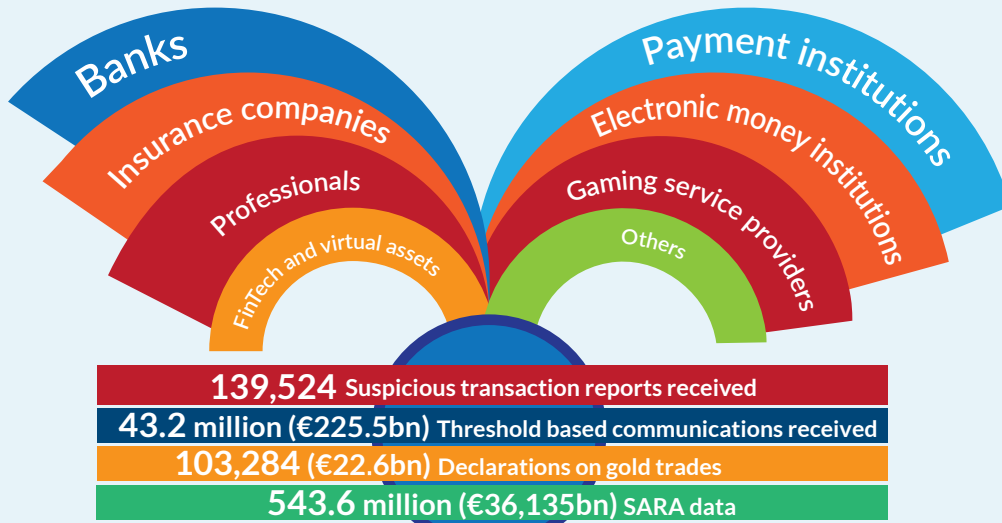
Major commitments and great challenges await us. To be up to the task, we must continue to stay ahead of the game and constantly adapt our actions by making the most of all our resources - experience, know-how and a sense of civic duty - in the knowledge that we must tackle complex challenges in the national interest and deliver tangible results.

The Director

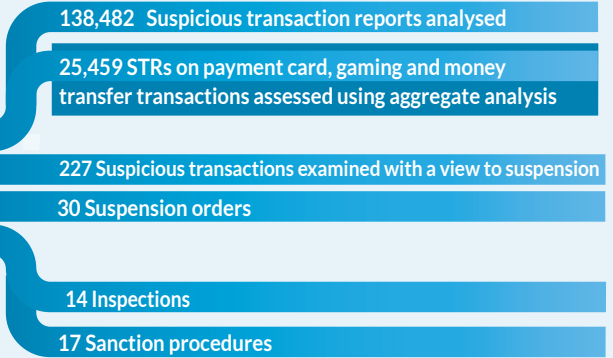
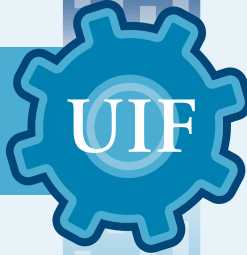
Claudio Clemente

ACTIVITY AT A GLANCE

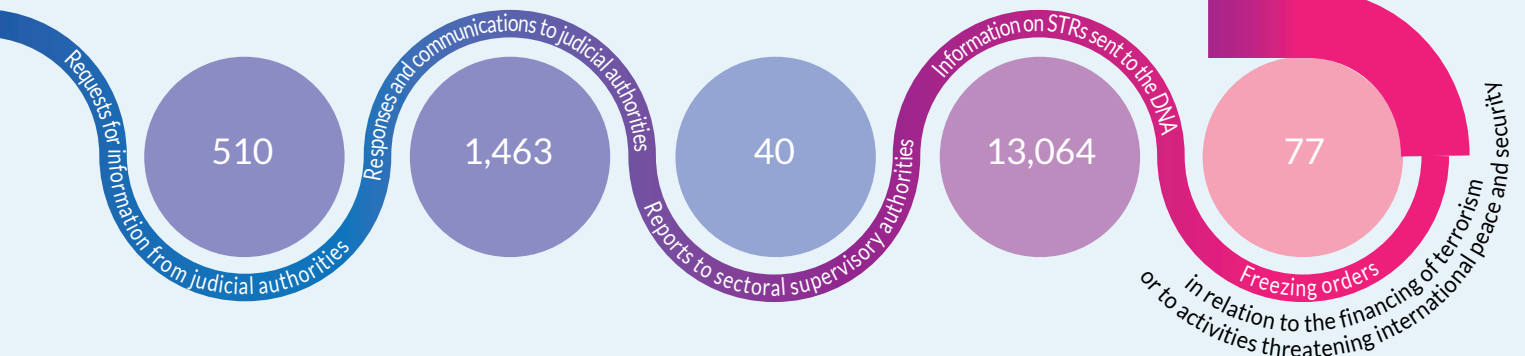
Financial analysis



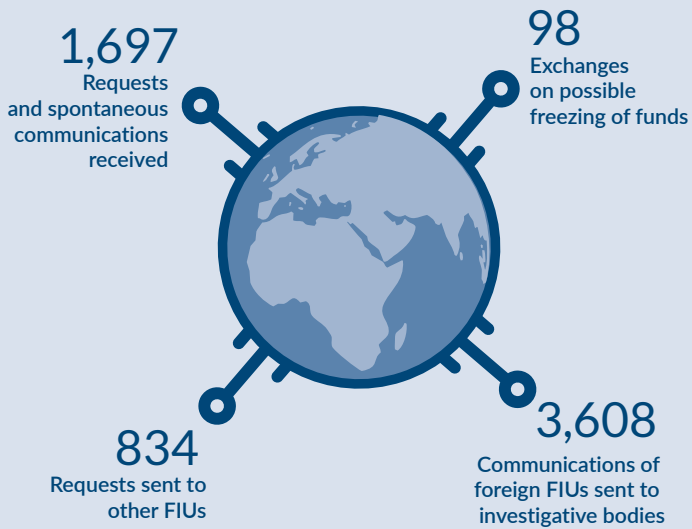
Intelligence, dissemination and controls



Cooperation with investigative bodies and national authorities



FOREIGN FIUs

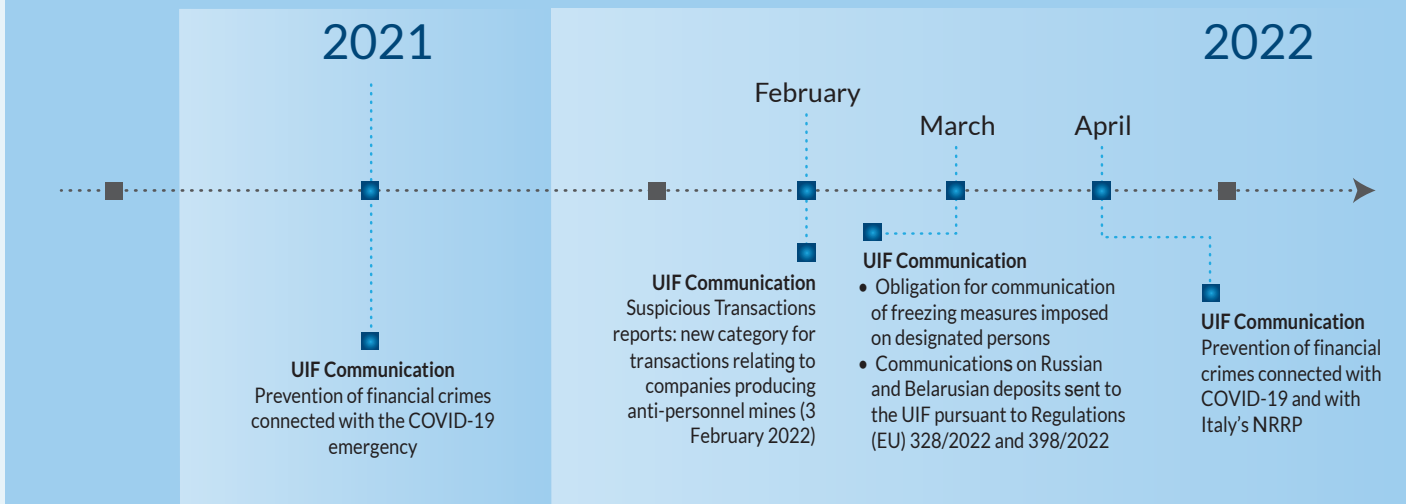


DISSEMINATION

of knowledge about money laundering



Secondary legislation and UIF communications



IT Infrastructure

Revision of the graphic interface of the IT system for UIF analyses (RADAR)

Improving data quality by refining STR procedures

Data exchanges with CDP

Blockchain forensic analysis

Study on the evolution of IT systems and analysis processes

1. ACTIVE COOPERATION

The Unit is institutionally entrusted with receiving suspicious transaction reports (STRs) of money laundering or terrorist financing and proliferation of weapons of mass destruction, which financial intermediaries, professionals and other qualified operators must identify, assess and report in a timely manner (what is referred to as the active cooperation obligation).

By centralising reports, the UIF can conduct uniform, comprehensive evaluations, capable of revealing subjective and objective connections and networking dynamics, tracing financial flows even beyond national borders through the contribution of information exchanged with foreign FIUs, and identifying innovative money laundering techniques and operations characterized by greater risk.

The Unit forwards the results of the analysis to the Special Foreign Exchange Unit of the Finance Police (NSPV) and the Anti-Mafia Investigation Department (DIA), for further investigation. At their request or when crimes are reported, reports and analyses are also submitted to the Judicial Authorities. The results of the analyses may be referred to the supervisory authorities if significant profiles are identified. The UIF forwards data and information to the National Anti-Mafia Directorate (DNA), in order to ascertain possible criminal connections in STRs and help begin judicial action where applicable.

The wealth of acquired information is also used to develop indicators of anomalies and patterns for sharing with reporting parties to guide and refine their ability to identify suspicious transactions.

The UIF also receives threshold-based communications of monthly cash transactions, whether split or otherwise, equal to or exceeding €10,000. This is an additional information tool to strengthen the analysis of STRs.

1.1. Reporting flows

In 2021, the Unit received 139,524 suspicious transaction reports (STRs), 26,337 more than in 2020 (up 23.3%; Table 1.1).¹

Table 1.1

	Reports received				
	2017	2018	2019	2020	2021
Number of reports	93,820	98,030	105,789	113,187	139,524
<i>Percentage change on previous year.</i>	-7.2	4.5	7.9	7.0	23.3

¹ Detailed information on suspicious transaction reports is contained in the *Quaderni dell'antiriciclaggio, Dati statistici*, published on the UIF's website.

This is the highest growth rate recorded since 2012 and exceeds the 20.6% overall growth rate for the previous three years by a wide margin. This marked expansion of the reporting flow is mainly connected to the significant increase in the number of reports from the non-banking financial sector, which, at almost 20,000 (up 74.4%) overall, explains much of the increase compared to the overall 2020 figure. Substantial quantitative growth has not always been accompanied by an improvement in the quality of the reports themselves, which continue to show recurring automatisms in their assessment rationale.

Reports submitted by the banks and Poste Italiane SpA category,² which continued to be the main component of the aggregate (55.2%; Table 1.2) with an increase of 1.6% over the year, reduced their relative share (67.0% in 2020). In fact, the growth of reports submitted by gaming service providers (up 32.7%, up 1,887 compared to 2020), by non-financial operators (up 160.0%, 1,786 units) and by professionals (up 40.4%, 1,473 units), accounting, respectively, for 5.5%, 2.1% and 3.7% of the total.

Notifications by Public Administration bodies,³ although still minor overall, recorded a significant increase (up 172.3%), albeit submitted by two publicly owned companies (114 reports).

Table 1.2

STRs by type of reporting entity					
	2020		2021		(% change on 2020)
	(number of reports)	(share %)	(number of reports)	(share %)	
Total	113,187	100	139,524	100	23.3
Banks and Poste Italiane SpA	75,852	67.0	77,086	55.2	1.6
Non-bank financial intermediaries	26,735	23.6	46,618	33.4	74.4
Companies managing markets and financial instruments	17	0.0	10	0.0	-41.2
Professionals	3,648	3.2	5,121	3.7	40.4
Non-financial operators	1,116	1.0	2,902	2.1	160.0
Gaming service providers	5,772	5.1	7,659	5.5	32.7
General Government Entities	47	0.0	128	0.1	172.3

Financial intermediaries other than banks

The non-banking financial sector sustained its growth of reports from national payment institutions and the points of contact of EU payment institutions⁴ (up 99.4%, from 10,427 to 20,788 STRs; Table 1.3) and from Italian electronic money institutions and related points of contact (up 80.9%, from 10,840 to 19,611 STRs). Although to a lesser extent, the sector benefited from the contribution of insurance companies (up 17.0%, from 3,397 to 3,976

² Hereinafter referred to as 'banks'.

³ As of 4 July 2017, Public Administration Bodies no longer fall within the obliged entities category because they are not included in Article 3 of Legislative Decree 231/2007 as amended by Legislative Decree 90/2017. The new regulation, referred to in art. 10, paragraph 4 of the aforementioned decree, states that 'In order to allow financial analyses aimed at bringing out phenomena of money laundering and terrorist financing to be carried out, the Public Administrations communicate to the UIF data and information concerning suspicious transactions of which they become aware in exercising their institutional activity'.

⁴ The data concerning payment institutions is highly concentrated, as it includes a significant increase in the contribution of a single operator.

STRs), asset management companies, fixed capital investment companies (SICAVs) and variable capital investment company (SICAFs) (up 10.1%, from 368 to 405 STRs) and securities investment firms (up 35.3%, from 34 to 46 STRs). Following the increase recorded in 2020, the category of financial intermediaries under Article 106 of the Consolidated Law on Banking showed a slight decrease (down 2.9%, from 1,167 to 1,133 STRs), while the negative trend of reports from trust companies under Article 106 of the Consolidated Law on Banking continued – in 2021, they submitted 255 STRs (down 7.3% compared to 2020; down 75.8% compared to 2017).

Table 1.3

STRs by category of banking and financial intermediary					
	2020		2021		
	<i>(number of reports)</i>	<i>(share %)</i>	<i>(number of reports)</i>	<i>(share %)</i>	<i>(% change on 2020)</i>
Banks, intermediaries and other financial operators	102,587	100	123,704	100	20.6
Banks and Poste Italiane SpA	75,852	73.9	77,086	62.3	1.6
Non-bank financial intermediaries	26,735	26.1	46,618	37.7	74.4
Payment institutions and points of contact of EU payment institutions	10,427	10.2	20,788	16.8	99.4
Electronic money institutions and points of contact of EU electronic money institutions	10,840	10.6	19,611	15.9	80.9
Insurance companies	3,397	3.3	3,976	3.2	17.0
Financial intermediaries – Article 106 of the Consolidated Law on Banking	1,167	1.1	1,133	0.9	-2.9
Asset management companies, SICAVs and SICAFs	368	0.4	405	0.3	10.1
Trust companies - Article 106 of the Consolidated Law on Banking	275	0.3	255	0.2	-7.3
Investment firms	34	0.0	46	0.0	35.3
Intermediaries and other financial operators not specified above (1)	227	0.2	404	0.3	78.0

(1) The category includes the other subjects referred to in Article 3(2) and (3) of Legislative Decree 231/2007, not included in the specified categories.

After last year's decline, reports from professionals registered an increase of 40.4%, thanks to the contribution provided mainly by notaries (more than 90% of STRs from the category) and the relatively minor contribution from accountants, auditing firms, and partner firms of professionals and lawyers. **Professionals**

In keeping with previous years, the reports submitted by notaries are channelled almost exclusively (98.5%) through the National Council of Notaries while reporting through the National Council of the Order of Accountants and Bookkeeper, although still prevalent (70.2%), shows room for expansion.

The number of reports submitted by non-financial operators also increased (up 160.0%, from 1,116 to 2,902 units, Table 1.4); this includes the figure for cash/valuables-in-transit companies (up 412.6%, from 318 to 1,630 units). The contribution of virtual asset service

providers, although still limited overall, is gradually increasing (326 STRs, up from 168 in 2020 and 20 in 2019).

With reference to gaming service providers, after the drop in 2020 (down 10.8%), the flow of reports recorded an increase of 32.7% (from 5,772 to 7,659 STRs), connected to reports from online gaming operators (up 66.7%, from 3.466 to 5,778), while the reduction in reports from physical network operators (down 18.1%, from 2,278 to 1,865) and casinos (down 42.9%, from 28 to 16) continued, although to a more moderate extent. For the latter categories of obliged entities, the decrease is most likely linked to the application of the restrictive measures due to the pandemic.

Table 1.4

STRs received from professionals and non-financial operators					
	2020		2021		
	<i>(number of reports)</i>	<i>(share %)</i>	<i>(number of reports)</i>	<i>(share %)</i>	<i>(% change on 2020)</i>
Non-financial obliged entities	10,536	100	15,682	100	48.8
Professionals	3,648	34.6	5,121	32.7	40.4
Notaries and the National Council	3,329	31.6	4,688	29.9	40.8
Law firms, law and accounting firms and law practices	10	0.1	41	0.3	310.0
Accountants, bookkeepers and employment consultants	223	2.1	242	1.5	8.5
Lawyers	29	0.3	33	0.2	13.8
Auditing firms and auditors	35	0.3	77	0.5	120.0
Other professional services providers (1)	22	0.2	40	0.3	81.8
Non-financial operators	1,116	10.6	2,902	18.5	160.0
Gold traders and manufacturers and traders of precious stones and metals	533	5.1	737	4.7	38.3
Cash/valuables-in-transit	318	3.0	1,630	10.4	412.6
Virtual asset service providers (2)	168	1.6	326	2.1	94.0
Other non-financial operators (3)	97	0.9	209	1.3	115.5
Gaming service providers	5,772	54.8	7,659	48.8	32.7

(1) The category comprises the entities listed in Article 3(4) letter (b) of Legislative Decree 231/2007. - (2) The category comprises the entities listed in Article 3(5) letters (i) and (i) bis. - (3) The category comprises the other entities referred to in Article 3(5) of Legislative Decree 231/2007 not included in the previous categories.

Reports submitted during the first four months of 2022

In the first four months of 2022, the number of STRs received (48,027) was substantially stable compared to the same period in 2021, with an increase of 2.5% compared to the same period in 2021. The STRs submitted to the Investigative Bodies increased by 3.4%.

In 2021, 353 new reporting entities were registered in the Infostat-UIF portal (down from 459 in 2020). Starting in late 2021, the UIF received its first registration applications from EU companies active in the insurance sector and operating in Italy under the free provision of services, without a branch or a point of contact, in compliance with the requirements referenced in IVASS provision 111/2021.

From a geographical perspective, Lombardy is the region with the largest number of new reporting parties (124), followed by Lazio (44), Veneto (27) and Emilia-Romagna (26).

The largest number of new registrations finalized in the year under review (169) were professionals, mainly accountants and bookkeepers (92), followed by lawyers (27). The remainder is distributed more or less equally between the financial and non-financial sectors, with higher concentrations for investment companies, asset management companies, SICAVs and SICAFs (36) and gold traders and manufacturers and traders of precious stones and metals (28).

There were 12 registrations by gaming service providers, six of which are based in Malta, while in the area of virtual asset service providers, among the eight new registrations, seven were identified as virtual currency exchangers and one as a digital wallet service provider.

The figure for new registrations by general government entities (23)⁵ was significant, although stable compared to 2020.

General government entities and their contribution to reporting

Even though general government entities have been included among the parties subject to anti-money laundering legislation since its introduction, their contribution to active cooperation has remained limited over time. This leaves ample room for improvement in the interception of phenomena and activities not addressed by private obliged entities and the further enhancement of safeguards capable of protecting the economy from criminal infiltration.

At the end of 2021, only 152 general government entities were registered in the Infostat-UIF platform. Thirty-five public offices have submitted at least one report to the UIF (approximately 23% of the total), of which 13 are located in Central Italy, nine in the North East, nine in the North West and four in the South. Rome is the city with the largest number of active offices, namely ten units.

From 2007 until 2016, general government entities contributed very little to the reporting flow, averaging 11 reports per year. In the following years, in conjunction with the regulatory interventions of 2017 (Legislative Decree 90/2017) and 2018 (instructions and indicators issued by the UIF, [only in Italian](#)) reporting continued to increase, reaching its peak in 2021 with 128 communications, of which 95.3% were submitted by national bodies or partially publicly owned companies, 3.9% by municipalities and 0.8% by chambers of commerce.

In general, the reports are not of particularly high quality. As a result of the regular contact between the UIF and numerous entities (see Chapter 7, 'Cooperation with other authorities'), adjustments have begun to be made to the guidelines, which will make the representation of the various stages of administrative procedures clearer and more fluid through the introduction of new domain values (see Section 10.4, 'IT Resources'), meeting the specific needs of the public sector.

In terms of relevance, notwithstanding those submitted following news of criminal investigations against the reported subjects ('reactive reports'), an appreciable number (approximately 26% over the last three years) were worthy of investigation. With regard to the timeliness of suspect case processing and notification, the average processing time was 103 days, much higher than other reporting party categories, although recent years have seen considerable improvement.

As the operational phase of the National Recovery and Resilience Plan (NRRP) gets

⁵ See ['Le comunicazioni di operazioni sospette della Pubblica amministrazione'](#) ([only in Italian](#)), published by the UIF in 2022.

underway, it is now imperative that public administrations increase their awareness to prevent public resources from being diverted from their intended purpose and thus turning them into a further opportunity to strengthen mafia organizations and the criminal infiltration of the economy.

New reporting entities

Overall, 28.3% of newly registered operators have submitted at least one report, an increase compared to 2020 (up 14.8%). Their contribution to the reporting flow stands at 373 STRs (down from 864 STRs in 2020), of which 122 were submitted by cash-for-gold traders or gold traders and 117 by gaming service providers.

1.2. Suspicious transactions

Suspicious transaction reports received in 2021 remain almost exclusively connected to suspect money laundering operations (99.6% of the total). This contrasts with the limited number of suspect terrorist financing reports, although the latter have increased by 13.1% compared to 2020 (see Chapter 4, ‘Combating the financing of terrorism’).

The number of reports in the financing of proliferation of WMD category stands at 8 in 2021, down from 23 in 2020 (Table 1.5 and Figure 1.1). As of February 2022, the latter category also includes reports on transactions related to the activity of companies producing anti-personnel mines, cluster munitions and cluster submunitions.⁶

Table 1.5

Distribution of STRs by category					
	2017	2018	2019	2020	2021
	<i>(number of reports)</i>				
Total	93,820	98,030	105,789	113,187	139,524
Money laundering	92,824	96,946	104,933	112,651	138,936
Financing of terrorism	981	1,066	770	513	580
Financing of proliferation of WMD	15	18	86	23	8

The territorial distribution of reports largely coincides with that of 2020. In line with previous years, Lombardy continues to lead overall as the region reporting the highest number of suspicious transactions, accounting for 18.2% of the total; followed by Lazio (12.4%) and Campania (11.3%; Table 1.6). However, on a per capita basis considering the resident population, the greatest incidence in terms of active cooperation is found in Lazio, followed in decreasing order by Campania and Lombardy.

⁶ See UIF communication of 3 February 2022 ([only in Italian](#)).

Figure 1.1

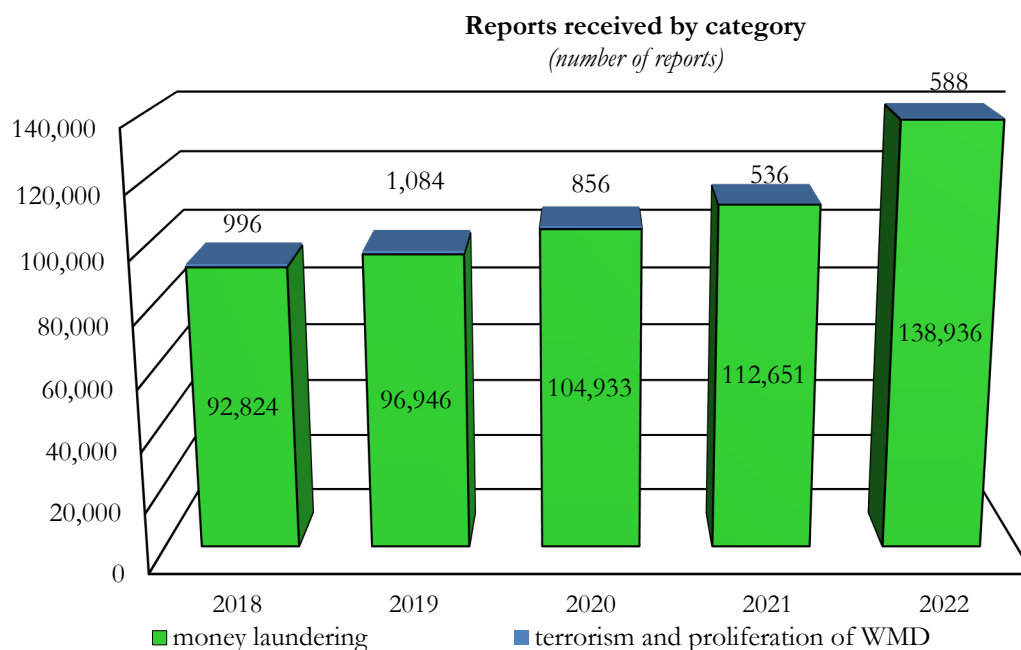


Table 1.6

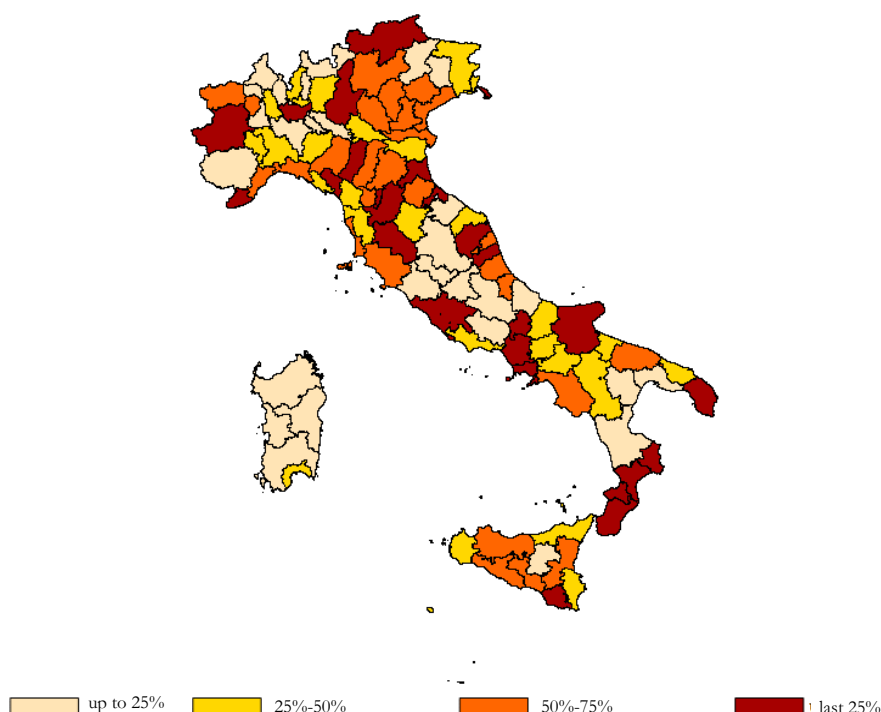
Distribution of STRs received by region of transaction					
	2020		2021		(% change on 2020)
	<i>(number of reports)</i>	<i>(share %)</i>	<i>(number of reports)</i>	<i>(share %)</i>	
Lombardy	19,632	17.3	25,447	18.2	29.6
Lazio	14,329	12.7	17,236	12.4	20.3
Campania	14,715	13.0	15,728	11.3	6.9
Veneto	8,374	7.4	10,253	7.3	22.4
Emilia-Romagna	7,810	6.9	9,570	6.9	22.5
Sicily	8,005	7.1	9,283	6.7	16.0
Piedmont	6,398	5.7	8,295	5.9	29.6
Tuscany	6,695	5.9	8,206	5.9	22.6
Puglia	6,861	6.1	7,702	5.5	12.3
Calabria	3,369	3.0	3,826	2.7	13.6
Liguria	2,574	2.3	3,198	2.3	24.2
Marche	2,419	2.1	2,897	2.1	19.8
Trentino-Alto Adige	1,869	1.7	2,378	1.7	27.2
Friuli Venezia Giulia	1,862	1.6	2,264	1.6	21.6
Abruzzo	1,348	1.4	1,990	1.4	28.6
Sardinia	1,757	1.6	1,880	1.3	7.0
Umbria	1,032	0.9	1,283	0.9	24.3
Basilicata	786	0.7	867	0.6	10,3
Molise	468	0.4	559	0.4	19,4
Valle d'Aosta	229	0.2	245	0.2	7.0
Abroad	1,521	1.3	1,412	1.0	-7.2
Online	934	0.8	5,005	3,6	435.9
Total	113,187	100	139,524	100	23.3

Among the leading regions in terms of STR count, those that reported the largest increases were Lombardy (up 29.6%), followed by Lazio (up 20.3%), Piedmont (up 29.6%), Veneto (up 22.4%), Emilia-Romagna (up 22.5%) and Tuscany (up 22.6%). Regions with lower overall but still noteworthy numbers for their growth trends are Abruzzo (up 28.6%), Trentino-Alto Adige (up 27.2%) and Umbria (up 24.3%). Milan, Prato, Rome and Naples are confirmed as the main provinces in terms of reports per 100,000 inhabitants (Figure 1.2), while the low end of the scale remains stable, represented by South Sardinia, Nuoro and Oristano, with reporting flows of between 50 and 90 units per 100,000 inhabitants.

The number of reports concerning transactions carried out via the Internet, classified as ‘Online’, amounted to 5,005, a significant increase compared to the 934 of 2020. The main reporting categories were the online and physical network gaming operators (65.5%, with 3,276 STRs) and EMIs (26.8%, with 1,339 STRs).

Figure 1.2

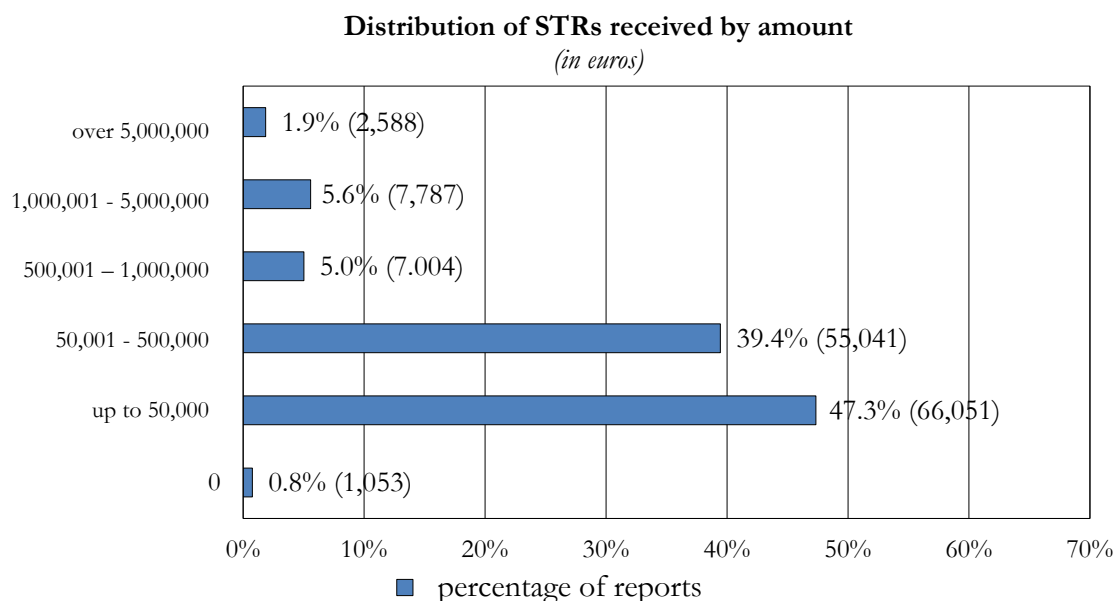
Distribution in quartiles of STRs received per 100,000 inhabitants by province of transaction



The reports received in 2021 concerned transactions for a total amount of €83.7 billion, compared to €85.0 billion in the previous year. By also considering the aggregate of suspicious transactions that were only attempted but not executed, the total value of the flow amounted to €91.4 billion in 2021 compared to €97.8 billion in 2020, with reported but unexecuted transactions decreasing from €12.8 billion in 2020 to €17.8 billion in 2021.

The distribution of reports by amount classes, unlike previous years, shows a concentration in the band up to €50,000, which accounts for 47.3% of the STRs (40.6% in 2020; Figure 1.3). This is followed by the €50,001–€500,000 band, which accounts for 39.4% of the total (43.6% in 2020).

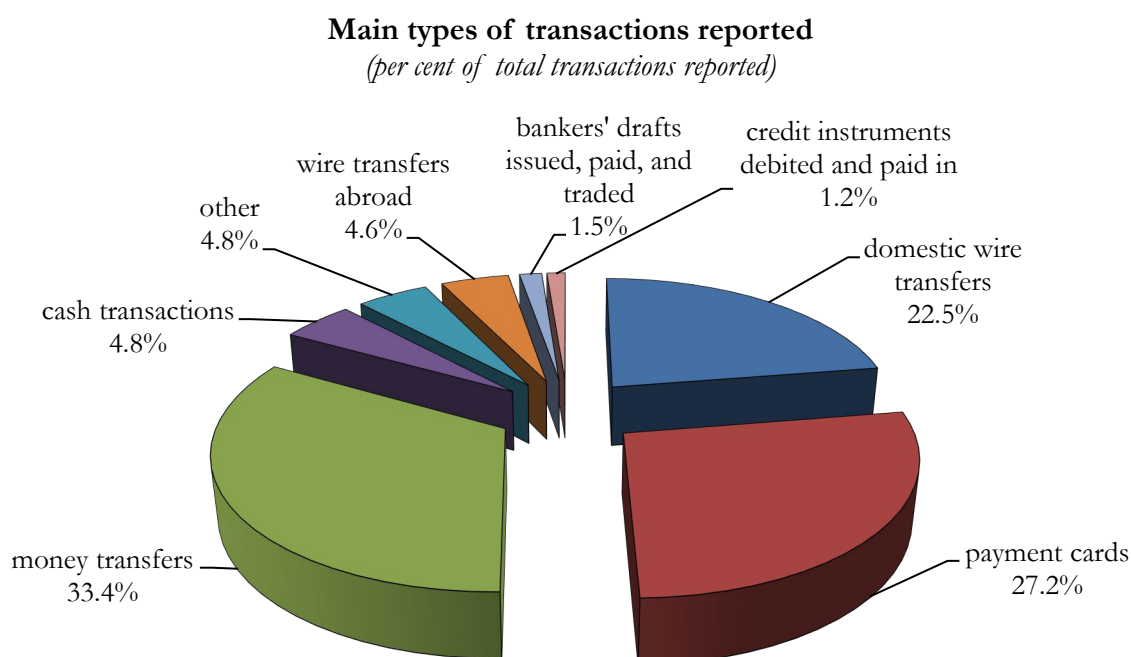
Figure 1.3



The breakdown by type of transactions reported in 2021, showed a strong increase in the category of remittances, comprising 33.4% of the aggregate. As in 2020, a decline in transfers was observed, both in the domestic (from 27.7% to 22.5%) and international (from 5.6% to 4.6%) segments. As a technical category, cash transactions saw the most marked relative decrease (from 11.0% to 4.8%; Figure 1.4).

Types of transactions reported

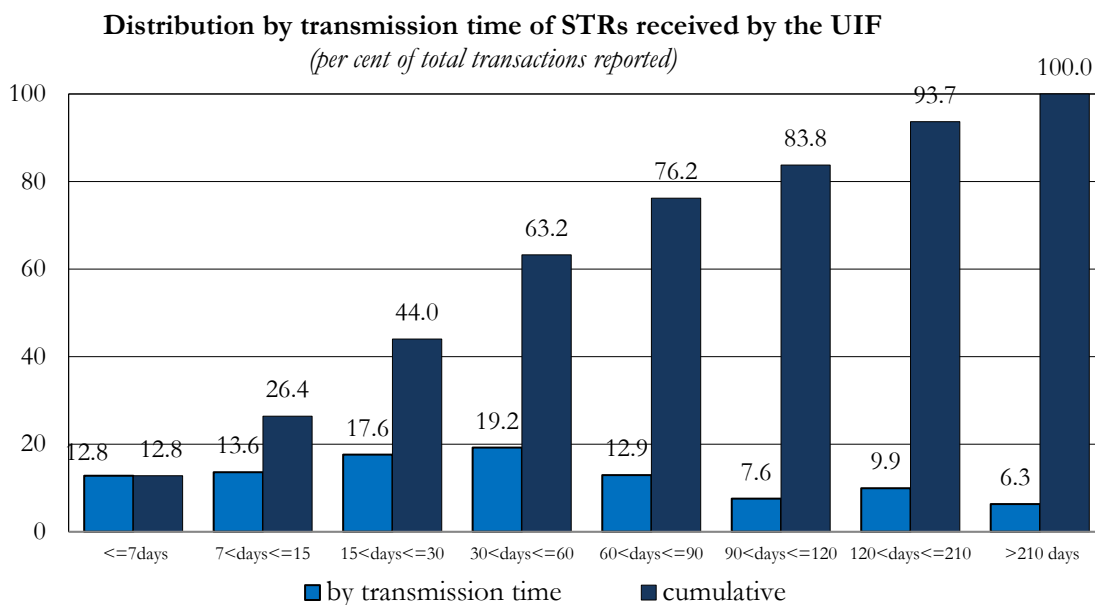
Figure 1.4



Also in 2021, reporting time delays increased slightly compared to the previous year: reports received within one month of the execution of transactions accounted for 44.0% of the total figure (47.6% in 2020), those received within two and three months were 63.2% (66.8% in 2020) and 76.2% (from 77.1%; Figure 1.5).

Transmission time for STRs

Figure 1.5



The increase in reporting delays, probably caused by the restrictive measures imposed to manage the health emergency, mainly affected the categories of intermediaries and other financial and non-financial operators. On the other hand, the delays in submitting reports from banks and professionals remained substantially stable, while the time taken by gaming service providers decreased.

1.3. The quality of active cooperation

The Unit is constantly engaged in dialogue with reporting parties to improve cooperation effectiveness.

Payment cards

Considerable attention was paid to payment cards, with reference to the data available and the appropriate representation of the transactions patterns, considering the broad spectrum of operators (issuers, franchisees, acquirers, accounting intermediaries for payer and payee accounts, circuit operators) and uses (top-ups, payments at merchants, bank transfers, money transfers). This improved the quality of reporting flows and provided a more complete picture of the transactions.

For some time now, the evolution of remittance services has revealed, on the one hand, increased access via online channels (websites and smartphone apps) and, on the other, transaction settlement by non-cash means. Therefore, a survey was initiated with the main Italian and foreign operators in the sector aimed both at learning about the emerging characteristics of money transfer services and at ascertaining that the operations can be correctly represented in the reports submitted to the UIF, including in terms of the AML model adopted and the corporate structures deployed for the provision of online services. This survey highlighted the advisability of adjusting the reporting procedures to more accurately represent the operational aspects of reports submitted to the UIF. The intervention was immediately carried out and the new procedure was released in March 2022.⁷

⁷ On the same occasion, new transaction types were introduced to better represent the cases found in certain sectors (insurance, trust, gaming and virtual currencies).

Other discussions concerned reports relating to the transfer of tax credits regulated by Legislative Decree 34/2020 (the so-called ‘Relaunch Decree’), converted with amendments by Law 77/2020.

Among the usual evaluation tools, feedback forms are now regularly exchanged with the primary banking and money transfer operators. The forms contain summary feedback for active cooperation practice, and in the form of appropriate indicators, offer suggestions on how to further improve the quality of reports.⁸

In 2021, the UIF focused on further aspects of cooperation, mainly related to diagnostic potential, understood as the ability to detect anomalies in multiple areas given the quality of reports by extending the analysis to the entire spectrum of obliged entities.

Diagnostic potential

The first relevant aspect is efficacy in identifying new contexts. In general, the overall efficacy of the reports submitted by obliged entities to reveal new risk scenarios does not appear to be high and could be improved by properly diversifying the tools for identifying suspicious phenomena.

On average, one in three STRs received by the Unit during 2021 did not identify new anomalies, as they reported generic suspicious elements; such STRs often consist of automatically generated messages, reference previously reported circumstances or ones that originated from requests by the authorities for further investigations. The results are distinguished by reporting category: for banks, the share of reports attributable to known situations or with generic anomalies rises to one in two STRs; for professionals and other non-financial operators, to two in three. On the other hand, certain reporting categories, such as other financial intermediaries and gaming service providers, show a prevalence of new cases that are, however, neither particularly relevant for the financial analysis outcome nor relevant for the Investigative Bodies.

A second factor observed is that of the quality of the reported cases, which can be identified through indicators that capture the relevance of the reports considering the level of risk, the financial analysis outcome and possible interest on the part of the Investigative Bodies.

The relevance of reporting contexts

The quality analysis was also carried out across all reporting categories by comparing the operators who submitted at least 200 reports during 2021 with the other obliged entities. The 69 top reporting parties accounted for more than 85% of the reports received during the year, thus impacting the average of the entire sample. However, the analysis showed that those who submitted fewer than 200 reports performed better, both from a financial interest perspective and in analytical feedback performance, and also submitted a lower fraction of reports that were considered less relevant to anti-money laundering purposes. Among the banks and professionals, as well as all other non-financial operators, the major reporting parties were also characterized by the large number of less relevant reports.

Among the noteworthy main innovations in the exchange of information with obliged entities is the submission of requests for information and documents via the Infostat-UIF portal, commenced in 2020, which is instrumental to analysing suspicious transaction reports. The handling of the requests (hereafter referred to as ‘investigations’) is first and foremost subject to criteria of security, but it also provides data on the type of information requested, the timing of the replies by the reporting parties and the adequacy of the information already in the reports for the completion of the financial analysis. In 2021, 6,651 investigations were launched.

Information exchange

Investigations related to STRs received in 2021 and completed by January 2022 totalled 5,260 and mainly concerned requests for information on subjects, followed by accounts and transactions (3,634, 3,094 and 1,239, respectively). Of all the investigations, 57.9% concerned

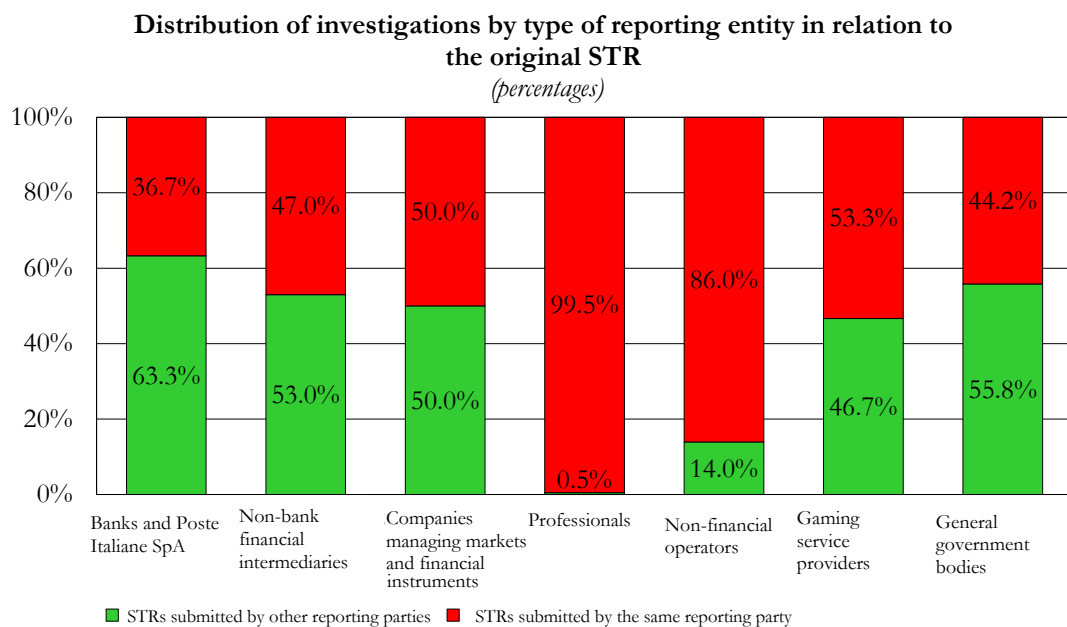
⁸ See UIF *Annual Report for 2020*, pp. 20-22.

only one request. There were 949 cases of requests for supplementary investigations and 340 reminders.

More than half of the investigations were completed within 15 days; however, 28.1% exceeded 30 days. In this respect, there are differences by category of reporting party, generally with a faster response by intermediaries and financial operators compared to the rest of the reporting population. For professionals and non-financial operators, 41.7% and 37.2% of investigations required more than 30 days to complete, a percentage that exceeded 50% for general government bodies.

In just over 40% of the investigations, the request was addressed to the same reporting party that had submitted the STR; for professionals and non-financial operators, the percentage rises to 99.5% and 86.0%, respectively (Figure 1.6). The UIF's request for further information from the same reporting party that submitted the STR may be considered an indication of the inadequacy of the information already available, which in fact proved insufficient to properly assess the reported circumstances.

Figure 1.6



Overall, 2,494 STRs requested exchanges of information with reporting parties. More than half of those examined by Investigative Bodies were found to be relevant.

The outcomes of information exchanges between the UIF and the reporting parties were used to deploy certain indicators specifically tailored to highlight specific critical issues in the cooperation with obliged entities. This was followed by monitoring all subjects of investigations, which made it possible to classify the reporting parties into three main categories (see the box: 'Monitoring of reporting parties that have received requests for information').

Monitoring of reporting parties that have received requests for information

In order to optimize the impact of anti-money laundering and counter-terrorist financing actions, the system's responsiveness in addressing requests for data is crucial; equally significant is its ability to provide, all the elements to effectively describe the anomalous circumstances during the suspicious transaction reports submission stage. In both aspects, the exchanges of information with reporting parties provide valuable insights into the quality of cooperation between the UIF and the obliged entities.

In 2021, a total of 485 reporting parties were recipients of investigations stemming from STRs; the leading 30 received more than 70% of the investigations and included reporting parties in the categories of banks, non-banks intermediaries and other financial and professional operators.

Internal monitoring made it possible to distinguish between:

- those who were mainly called upon to supplement the information provided in their own reports (approximately 57% of the respondents to the surveys); of these, only one third replied relatively quickly;
- others that collaborated more proactively regarding suspicious circumstances identified by various reporting parties (around 26% of the total) and that on the whole reacted with very long response times, in certain cases needing reminders from UIF analysts;
- those that responded promptly to requests for information on subjects and accounts known to them, even if originating from STRs submitted by other obliged entities (around 17%).

The Unit will continue to pursue these lines of action also by implementing new benchmarks to encourage the active participation of the entire anti-money laundering system in ongoing, constructive cooperation.

1.4. Threshold-based communications

Amendments to anti-money laundering legislation set forth in Legislative Decree 90/2017 introduced the obligation to periodically submit to the UIF data and information identified on the basis of objective criteria concerning transactions at risk of money laundering or terrorist financing (known as threshold-based communications).

These data are used to enhance the UIF's body of information for the examination of suspicious transactions and to initiate specific analyses of potentially anomalous financial flows.

The communication requirement, governed by the UIF Measure (*only in Italian*) applies to banks, payment institutions and electronic money institutions (including branches and EU points of contact) and concerns all cash transactions of an amount equal to or greater than €10,000 carried out during the calendar month on accounts or through occasional transactions, even via single transactions of at least €1,000. These communications must be submitted to the UIF on a monthly basis through the Infostat-UIF portal, by the 15th day of the second month following the reference month.

The UIF's choice to focus on cash transactions reflects the particular risks within the instrument. The ease of use and the non-traceability of cash operations can facilitate the laundering of illicit resources. Italy is one of the countries in the euro area with a particularly high use of cash. With the introduction of threshold-based communications, Italy joins the group of countries that monitor cash transactions for the purpose of preventing money laundering.

As stated in the UIF 2020 Annual Report, since the commencement of threshold-based communications, the Unit has noted a series of widespread critical issues concerning the ability of obliged entities to detect and correctly present the required data. Although the major anomalies found have been largely remedied, some still remain that require corrective action by reporting parties, concerning, in particular, misrepresentation of the place where transactions are executed, and missing or incorrect information on the parties involved in

Quality of
threshold-based
communications

reported transactions. In light of these findings, during the course of the year, the UIF introduced further checks to identify any symptoms of shortcomings on the part of intermediaries and will also verify during inspections the effectiveness of the efforts made by operators to remedy these critical issues.

The most critical issues concerned the geographical location of payment transactions, especially the information on local units where withdrawals and deposits took place. In this regard, the Unit is working to provide reporting parties with detailed information on the main cases that presented considerable difficulty in their representation.⁹

In addition, in order to improve the quality of the data represented and to enable the obliged entities to correctly report the transactions carried out by cash-handling subjects, new specific transaction types were added as of January 2021 and the formal checks carried out on the transactions were adjusted.

**The flow of
threshold-based
communications**

The communications for 2021 showed a monthly average of 3.6 million transactions (approximately 218,000 withdrawals and 3.4 million deposits) and amounts of approximately €18.8 billion per month (Figure 1.7).¹⁰

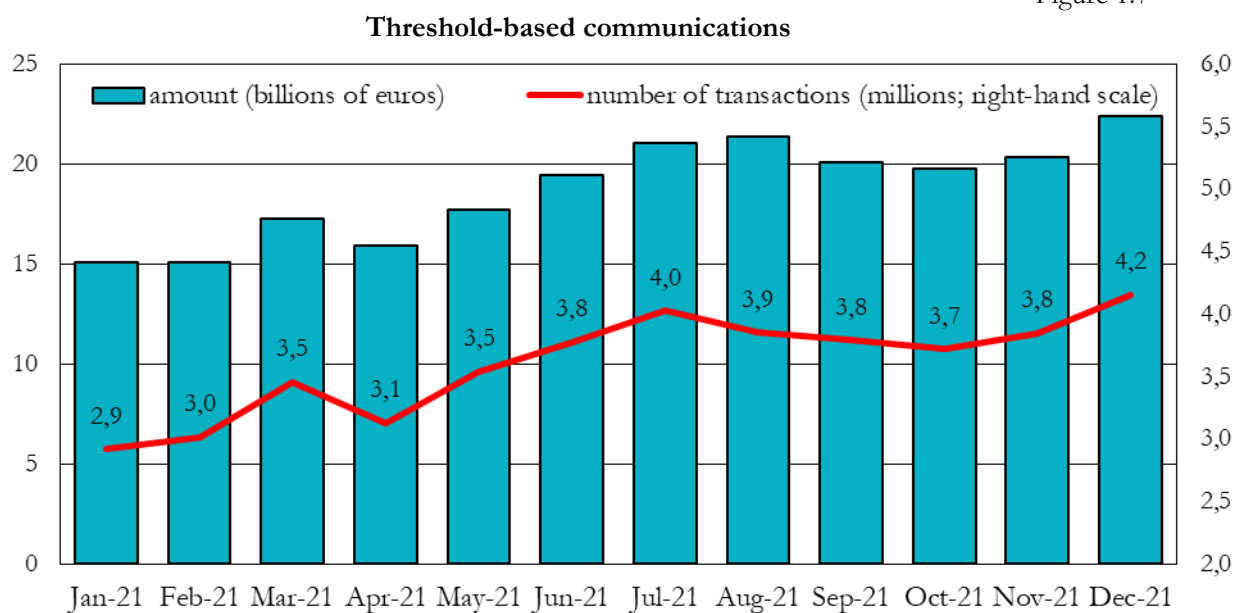
Average transaction amounts were more or less stable over the period, standing at around €5,300 for deposits and around €3,750 for withdrawals, while the median amounts were around €3,200 and €2,000, respectively. From January to December 2021, transactions showed an upward trend (up 48.1% in terms of amounts and 42.3% in terms of transactions), with peaks in the summer months and at the end of the year, reflecting a seasonal trend in the use of cash. This growth was briefly interrupted in the spring of 2021 and immediately after the summer months, probably also curbed in part by the resurgence of the pandemic.

Compared to the previous year, after a downward start in January (down 32.6% in terms of amounts and 32.3% in terms of transactions with respect to January 2020), by the end of the year, transactions had settled back to pre-pandemic values, recording amounts totalling €22.4 billion in December 2021, similar to those recorded in January 2020 and an increase of 19.0% compared to December 2020.

⁹ By way of example, we refer to transactions at: i) remote ATMs, not located at the reporting entity's physical premises – but at shopping centres, fairs, etc. – managed by external parties through a service contract or by centralized functions of the reporting party; ii) at ATMs of other banks or Euronet and Travelex stations; iii) by customers of a virtual bank.

¹⁰ The data is subject to corrections by the reporting parties; the statistics shown are based on data updated to 1 March 2022.

Figure 1.7

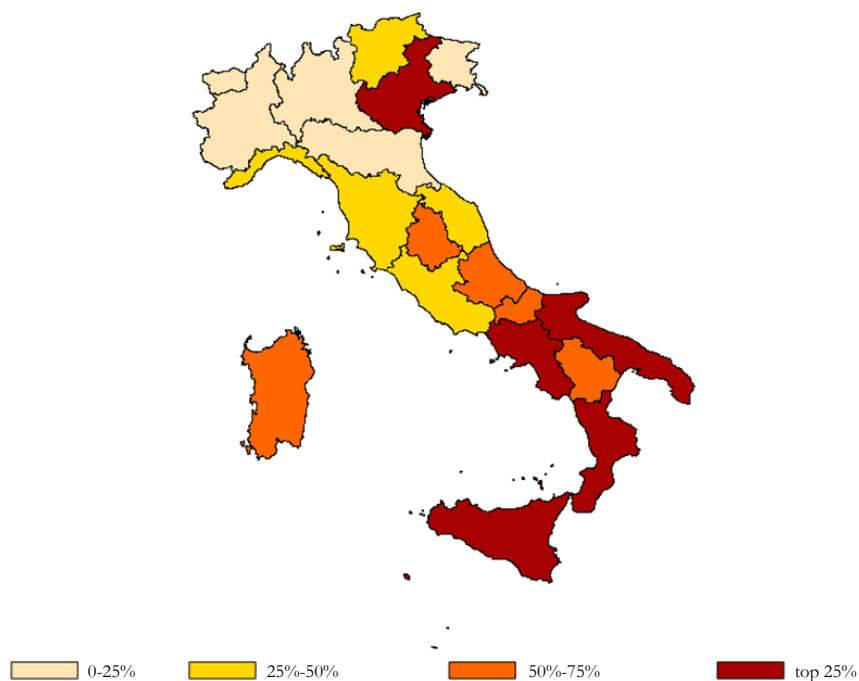


The total value of the transactions was higher in Lombardy, Veneto, Lazio, Campania and Sicily, which together make up 57.5% of the totals. Relating this value to the nominal GDP of 2020, the regions that recorded the largest amounts are Veneto, Puglia, Campania, Calabria and Sicily (Figure 1.8).

Regional distribution

Figure 1.8

Threshold-based communications in 2020: amount by region (as a percentage of nominal GDP in 2019; quartiles)

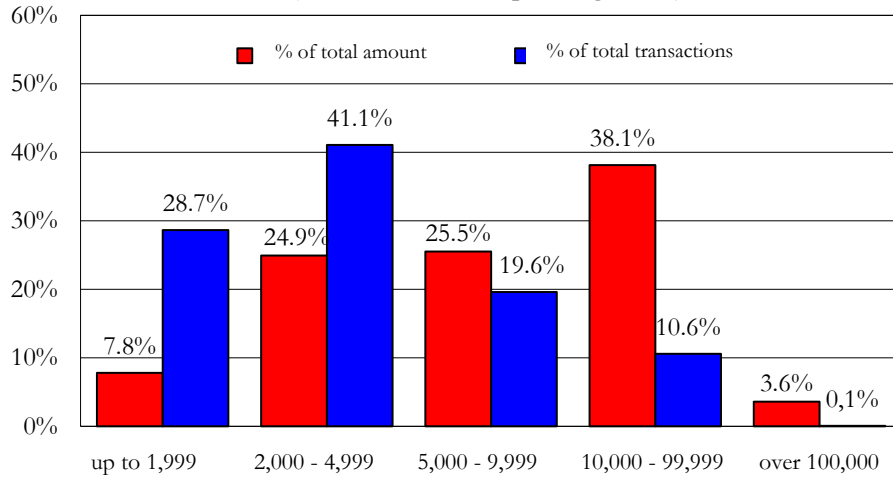


**Distribution
by amount**

The data show a concentration of the number of transactions in the €2,000-€4,999 range and of the amounts in the €10,000-€99,999 range, with percentages not very different from those recorded for 2020 (Figure 1.9). Transactions for more than €100,000 totalled 30,979 in the period, for a total amount of about €8.1 billion.

Figure 1.9

Threshold-based communications – transactions classed by amount
(amounts in euros and percentage shares)



**Transaction
typologies**

Deposits clearly exceed withdrawals and respectively represent 93.9% of the number and 95.6% of the value of total transactions. The different size of the two flows reflects, for withdrawals, the limited holdings of cash in households and businesses and, for deposits, the numerous small-value payments received by traders, particularly the large retail and distribution sector. A total of 38.2% of the amounts paid out related to cash deposits via ATMs or night safes, mainly linked to retail traders. Among the remaining reasons for the amounts paid in, deposits are in the majority, followed by payments to cash handling entities. For withdrawals, 81.0% of the amounts are withdrawals with teller forms or from cash handling entities or on savings passbooks (Figure 1.11).

Figure 1.10

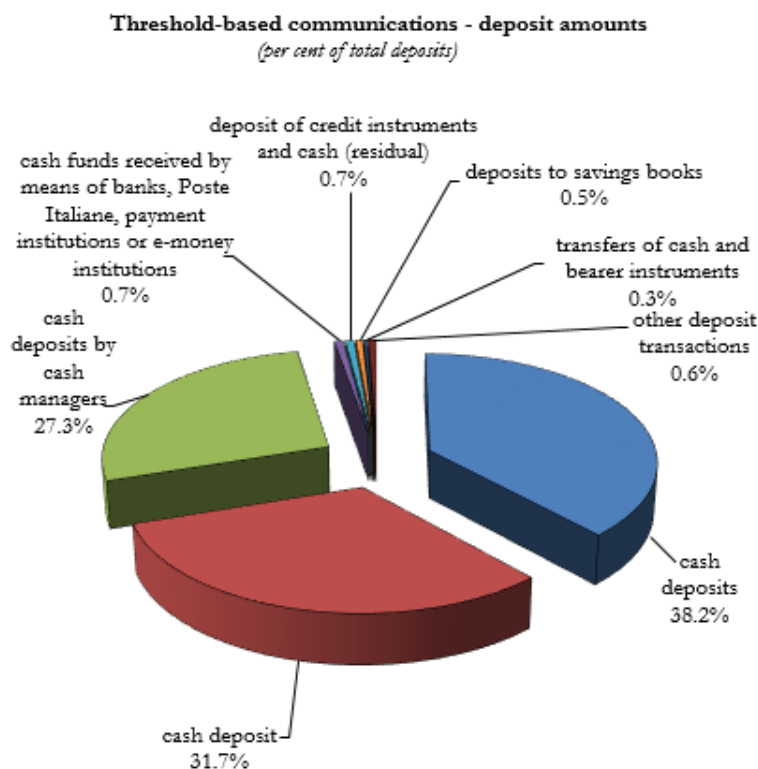
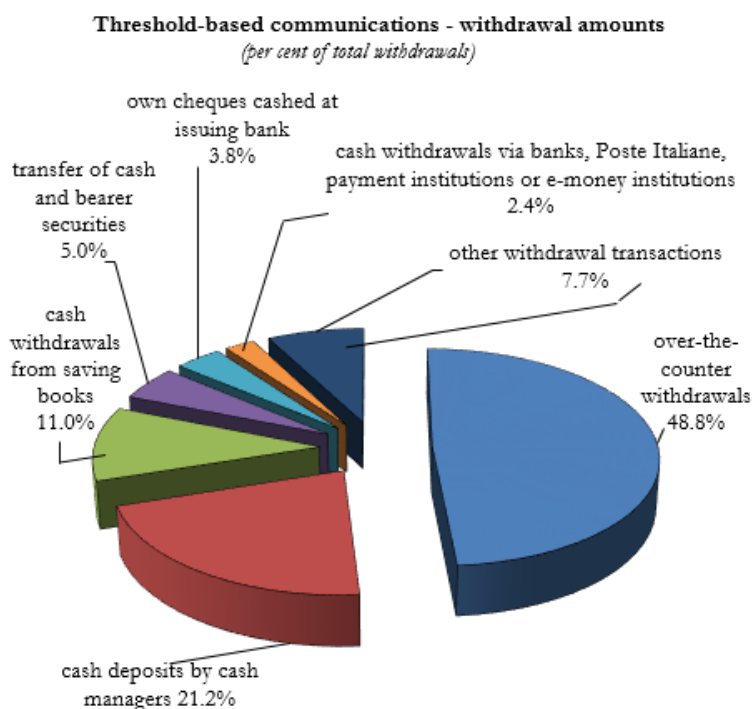


Figure 1.11



A total of 552 reporting entities were registered at the end of 2021. Operators in the banking category accounted for the vast majority of the active reporting parties (378 out of a total of 397); 99.2% of the amounts reported in the threshold-based communications came from them (Table 1.7).

Reporting entities

The top five reporting entities in this category reported 60.6% of the total amount reported. Less than 1% of the amounts for the year came from payment institutions and

electronic money institutions, partly due to the operational constraints faced by these reporting parties, whose transactions are generally below the established reporting thresholds.¹¹

Table 1.7

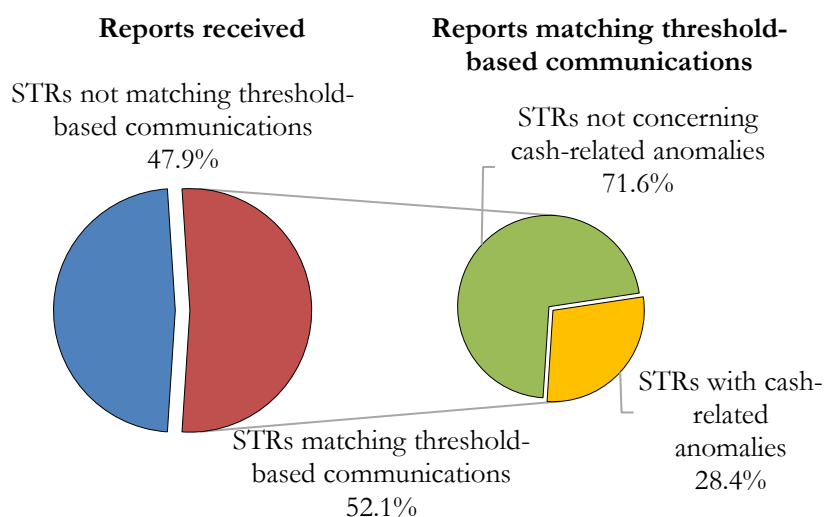
Transactions by category of reporting entity				
	Amount		Number of transactions (thousands)	Average amount (euros)
	(millions of euros)	(% share)		
Total	225,476	100.0	43,214	5,218
Banks and Poste Italiane SpA	223,717	99.2	42,812	5,226
Top 5 reporting entities	136,631	60.6	25,903	5,275
Other obliged entities	87,085	38.6	16,909	5,150
Payment institutions and contact points of EU payment institutions	1,375	0.6	282	4,877
Electronic money institutions and contact points of EU electronic money institutions	385	0.2	121	3,189

STRs cross referencing

52.1% of suspicious transaction reports received in 2021 cross reference threshold-based communications. For one out of two STRs, UIF analysts thus had access to information on the cash use patterns of the subjects listed in the threshold-based communications, which helped to enhance the investigative tools and help in identifying anomalies. Of these, 28.4% were traced back to mere anomalous use of cash, while the remaining 71.6% brought to light suspicions of various irregularities (Figure 1.12). Of the reports that did not have any connection with threshold-based communications (47.9% of the total), those concerning the anomalous use of cash stood at 21.5%.

Figure 1.12

Suspicious transaction reports and threshold-based communications
(per cent)



¹¹ A large number of payment institutions and electronic money institutions have requested exemption from the submission of such communications due to the lack of transactions to be reported (68 out of 87 total operators belonging to these categories).

As expected, reporting parties obliged to submit threshold-based communications are also responsible for the largest share of STRs linked to such reports (56.8% of the relevant STRs); however, the incidence is also high (over 29%) for other reporting categories that are not obliged to submit them, such as insurance companies, gaming service providers and certain categories of professionals.

Methodologies for analysing threshold-based communications

Threshold-based communications form part of the UIF's information assets and are therefore used for the financial analysis and in-depth investigation of suspicious transactions and to carry out the analysis of money laundering or terrorist financing phenomena or typologies, pursuant to Article 47(2) of Legislative Decree 231/2007.

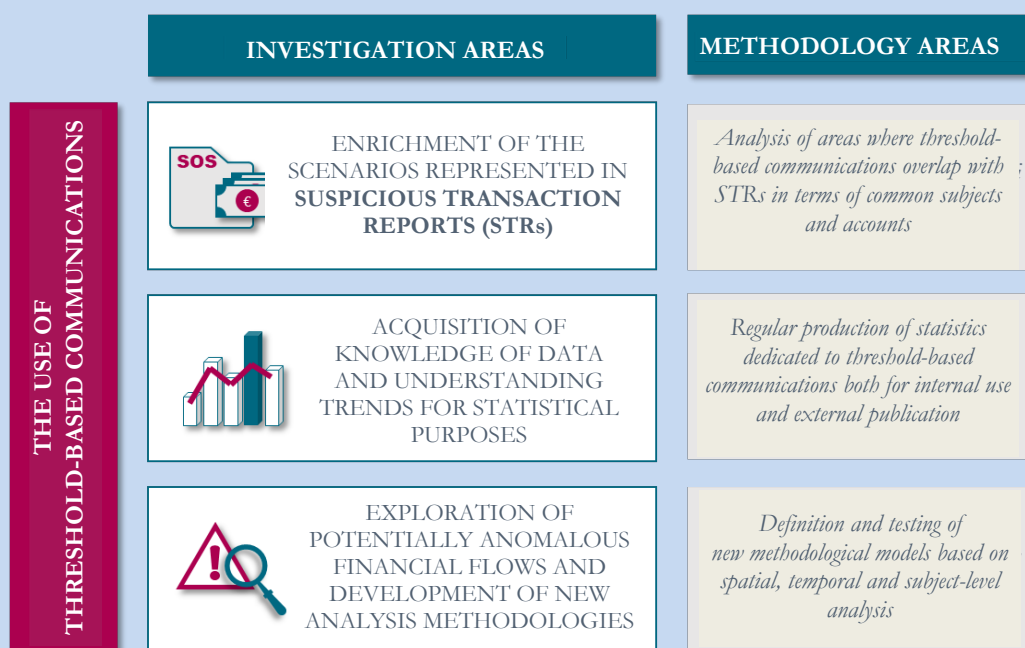
These data enable us to broaden our observation scenarios on little-known paths precisely because cash is difficult to trace in comparison with other financial instruments.

The analysis of the data contained in the threshold-based communications is based on three approaches: cross-referencing with suspicious transaction reports, the production of statistics, and the development of survey methodologies to explore potentially anomalous and as yet undetected financial flows (Figure A).

STRs and threshold-based communications have a degree of overlap determined by the involvement of common actors, specifically participants in suspicious transactions who move significant amounts of cash, and the accounts on which these cash flows converge.

Figure A

Making use of threshold-based communications



The increased information available has proved crucial, for example, when examining cash trends over time to verify the inconsistency between the business of subjects involved in the anomalies and the reported transactions or to broaden the scenario presented by the STRs through the emergence of subjective corporate and personal links resulting from the co-presence of diversely vested individuals who move cash.

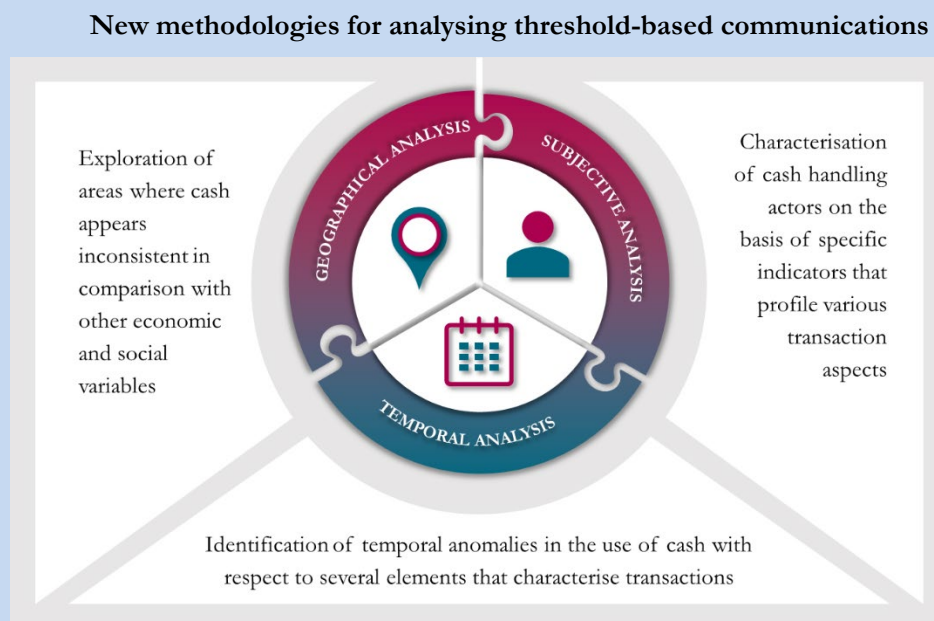
The periodic production of statistics is essential for the understanding of data and trends. As part of the 'Statistics' series of *Quaderni dell'antiriciclaggio*, the Unit publishes a special section devoted to threshold-based communications. Observation of the data is invaluable for implementing actions aimed at improving the representation of the data itself (such as, for instance, the inclusion of specific underlying motivation for the activity of

armour vehicles transporting cash to better characterize relevant sizeable cash flows), and at introducing new controls. To better fulfil this latter purpose, in particular, there is ongoing communication with intermediaries to identify the exact location of cash transactions.

Statistics provide the starting point in the search for anomalous behaviour from a cross-sectional perspective with respect to reporting parties; they drive studies on specific aspects and prompt the development of structured analytical methods. The analysis of threshold-based communications improved during 2021 with the definition of methodological models capable of identifying potentially anomalous flows. Three research approaches were tested: geographical, temporal and the analysis of subjects (Figure B).

Geographical analysis explores territories where cash exchanges appear inconsistent with other economic and social variables. Interesting results emerged from a territorial study based on the comparison between provinces regarding the total amounts of cash recorded in threshold-based communications in relation to the population and number of active companies. Ideally, amounts should be distributed very similarly between areas with comparable economic and social profiles, but this is not always the case and this led to an in-depth study of the scenarios and actors of cash movements in two specific Italian provinces.

Figure B



Temporal analysis identifies anomalies in the use of cash based on several elements that characterize its use over time. By grouping transactions into sufficiently large time periods (the study considered weeks), unexpected trends in the norm caused by anomalous behaviour can be detected, e.g. transactions generally characterized by recurring amounts. An in-depth study showed that pandemic events had different impacts in municipalities, even within the same province, in terms of trends or in the use of certain transaction typologies. Such results can be used to focus attention on possibly abnormal behaviour.

The analysis of subjects identifies cash movement actors on the basis of specific indicators created by profiling various operational aspects. Among these, with the aim of highlighting scenarios at potentially higher risk, the following were considered: the dimensional representation of transactions (defined by observing the volumes and number of transactions carried out, as well as the accounts and individuals involved) the subjective profile (identified by specifying the roles played by subjects and the location of their

operations) and the business sector (created by examining the types of transactions and the relevant business parameters). For example, this analytical model has led to the investigation of frequent cash transaction operators with amounts close to the reporting threshold. The latter may point to possible splits in cash movements, especially if the operators move cash both on accounts in the name of companies that are traceable to them and on strictly personal accounts.

Each analytical method enables us to focus on potentially problematic cases, detecting those at greatest risk when common to several approaches. The examination scenarios under development are manifold and range from analysing specific business sectors to identifying cross-territorial networks impacting various operators to detecting specific behaviour scenarios for well-defined anomalies.

2. OPERATIONAL ANALYSIS

The UIF's financial analysis is aimed at identifying transactions and situations that can be traced back to money laundering or terrorist financing. The information contained in the report is supplemented by information contained in the various databases available to the Unit in order to redefine and expand the reported context, identify subjects and relationships, and reconstruct the financial flows underlying the operations described.

Analyses are preceded by a phase where the data provided by the reporting parties are automatically enhanced and are then conducted by exploiting Unit's knowledge base to classify reports in terms of risk and related phenomena. The most important situations are then selected, dealt with in the most effective manner, and allocated for subsequent investigation. The process adopts the risk-based approach defined by international standards and enables the Unit to adapt its actions, considering the threats and vulnerabilities identified in the risk assessment exercises and strategic analysis outcomes.

2.1. The data

In 2021, 138,482 suspicious transactions reports were analysed and forwarded to the Investigative Bodies, with a more than threefold increase compared to that recorded in 2020 (up 21.9% compared to the 6.9% of the previous year; Table 2.1).

Table 2.1

	Reports analysed by the UIF				
	2017	2018	2019	2020	2021
Number of reports	94,018	98,117	106,318	113,643	138,482
<i>Percentage changes on previous year</i>	<i>-9.6</i>	<i>4.4</i>	<i>8.4</i>	<i>6.9</i>	<i>21.9</i>

Despite the significant increase in reports received in 2021, the Unit has managed to maintain an essentially stable throughput ratio between the number of reports processed and submitted, which is just below 1.

2.2. The analysis process

Report collection and handling are supported by the computerized RADAR system hosted on the Infostat-UIF platform. Originally conceived as a channel for the acquisition of reporting flows and initial data enhancement, over time, RADAR has been expanded with further functions and applications to become a complex and well-structured ecosystem that also encompasses the exchange of supplementary STR documentation analysis.

One of RADAR's basic functions is to initially classify reports by assigning them a system rating, which, together with the risk attributed by the reporting party, constitutes an initial flow selection and prioritisation tool.

In order to optimize the report analysis process, the Unit has always endeavoured to reduce the reporting times, balancing the need for prompt forwarding to the Investigative

Processing
times

Bodies with the need for thorough analysis. For particularly complex operations, this implies longer processing times, which is also due to exchanges with the reporting parties ('investigations') that are aimed at acquiring further documents and information (see Section 1.3, 'The quality of active cooperation').

In 2021, the average number of days taken to process reports decreased further from 16 to 14, and the percentage of reports forwarded to the Investigative Bodies within 30 days of receipt increased slightly (from 86.2% to 88.3%). A total of 59.2% of reports with the highest risks were analysed and forwarded within the first 7 days and 94.4% within the first 30 days following receipt.

Actions imposed by the pandemic

The advent of COVID-19 triggered the need to speed up the processing of reports of pandemic-related risks. In 2021, reports were forwarded on average within 11 days of receipt. In order to facilitate this, the way in which reports of this kind are recorded has been refined. The internal STR classification system was calibrated in line with the evolution of anomalous operational cases that emerged or intensified during the pandemic, providing for appropriate interception and tracking mechanisms. The latter, initially focused on anomalous cash transactions and on those related to the procurement of masks and personal protective equipment (PPE), were aimed, in a second phase, at discerning the various anomalous cases detected for State-guaranteed financing and other economic support measures foreseen by the emergency regulations (see Section 3.1, 'The effects of the pandemic').

A similar need arose concerning reports of suspected fraudulent conduct in connection with the transfer of tax credits under the aforementioned legislation, which showed immediate evidence of economic impact and potentially negative systemic repercussions (see Section 3.2, 'Tax evasion'). Here, discussions with the Investigative Bodies and the Revenue Agency led to the identification of common classification criteria and critical money laundering profiles linked to the various tax bonuses and, in a broader perspective, to the facilitation measures foreseen under the National Recovery and Resilience Plan (NRRP).

Online trading and betting

Outside the emergency, the recurrence of anomalous operations related to specific cases has led the Unit to further expand its classification system, also in order to facilitate cooperation with other competent authorities. Cases in point are transactions for foreign online trading platforms, which offer their services without the required authorisations with potential fraud against investors and the diverse anomalous behaviour found in the gaming and betting sector (see Section 3.5, 'Further case studies').

In general, the Unit has persevered in a line of action aimed at creating or strengthening operational cooperation with other authorities through information exchanges aimed at facilitating the exercise of their respective institutional functions, albeit within the strict limits set by the regulations.

Cooperation with the DNA

With the signing of a new memorandum of understanding in 2021, the UIF and the National Anti-Mafia Directorate (DNA) expanded the forms of cooperation between the two authorities, further strengthening joint efforts established through the Unit's participation in the inter-agency STR examination working group set up under the National Anti-Mafia Directorate. For the most prominent cases, the DNA requested the cooperation of the UIF to conduct in-depth investigations aimed at reconstructing financial flows to assist subsequent impulse and coordination activities.

Memorandum of understanding with the ADM

Reciprocal information exchanges were also planned by the memorandum of understanding signed in 2021 with the Customs and Monopolies Agency (ADM), which provided for, among other things, direct and timely access to the ADM's databases, including the list of all public gaming operators, authorised remote gaming licensees, betting outlets and bingo halls, as well as the information available on Top-up Sales Points and the gaming account registry governed by SOGEI (see Chapter 7, 'Cooperation with other authorities').

During 2021, work continued on the identification of guidelines for an overall revision of the set of IT tools to support analysis activities, with the aim of adapting the RADAR platform to the increasingly complex operational cases faced by the UIF in carrying out its functions.

**Interventions
on the RADAR
system**

Work continued on equipping the Unit with ID data matching and graph analysis systems (see Section 10.4, 'IT resources'), which will offer, on the one hand, a more advanced and flexible information aggregation between entities themselves, and, on the other hand, the possibility of performing analyses on entire cases, using specific patterns and metrics.

With reference to trading in virtual currencies, a study was conducted in 2021 to review the technological solutions available on the market that could be used to support financial analyses in this area, with the aim of having an appropriate system in place by 2022 (see Section 10.4, 'IT resources').

The Unit's analytical tools will also benefit from the outcome of a further initiative being tested since 2021 and aimed at introducing an automatic report classification system. Starting from the identification of certain types of operational cases that recur frequently in the reporting flows and whose content has repeating objective elements, a number of algorithms have been developed, on the basis of consolidated assessment experience, which are capable of translating less complex decision-making processes into choices based on specific rules (rule-based approach): when a sequence of conditions occur which are linked to the structured data of the reports and to the relevant descriptive notes, these algorithms automatically propose a possible classification of the reports themselves, grouping them under a given phenomenon. The classification proposal is supplemented by a set of indicators measuring generic risk parameters (such as the involvement of PEPs in the reported transaction) or specifically for the case under consideration (such as relevant matching outcomes with the information flow from the DNA or the content of threshold-based communications) that determine the treatment of reports according to existing operational practices.

**Automatic STRs
classification**

The results of the first trial of the classification system proved very encouraging in its ability to replicate human assessment performance, proposing classifications that were comparable or consistent with the latter. Such a system is promising for the substantial efficiency gains that can significantly contribute to processing an increasing number of STRs, allowing for a greater concentration of human resources on higher value-added activities and, in particular, on financial investigations.

With a view to enriching the information sources available to the Unit, 2021 saw the start of work on the analysis and exploitation of the AnaCredit archive, which contains detailed data on loans and related guarantees disbursed by banks authorised in Italy to legal entities, both resident and non-resident. Direct access to the statistical databases of the Securities Registry and DASF (Analytical Database on Financial Instruments) proved to be highly useful in reconstructing financial cases involving the issuance and trading of securities (for investment purposes, fundraising or corporate capital contributions).

**Additional
analytical
tools**

Cooperation with European FIUs intensified during 2021, thanks also to the anonymized information exchange mechanism based on the Ma3tch feature available on the FIU.NET platform. The UIF has consolidated and enforced the systematic use of this tool by subjecting to the matching process all data pertaining to the subjects and accounts featured in the received STRs that, in turn, were updated on a monthly basis (see Section 8.1, 'The exchange of information with foreign FIUs'). The information returned by FIU.NET makes it possible to assess the possibility of extending the STR scope by issuing a targeted request to the relevant FIU.

Ma3tch

2.3. Risk assessment

The effective risk assessment of STRs is instrumental to both the financial analyses and the subsequent investigation phases.

An initial check is carried out by the reporting parties themselves, on the basis of the elements in their possession, by means of a rating expressed on a five-tier scale.

As soon as the UIF receives the report, it is automatically rated, again on a five-tier scale on the basis of an algorithm mainly structured on quantitative variables, which takes into account additional background factors pertaining to the reported entities and information available in the UIF's databases. This assessment also considers the assessment previously given by the reporting party but may deviate from it in relation to the broader range of information used. Its accuracy also depends on the reporting template being correctly, fully drawn up by the obliged entities.

However advanced it may be, an automatic rating system is obviously not always capable of satisfactorily capturing the typical qualitative risks that may possibly occur during the financial analysis process. The rating automatically assigned during the UIF's various internal examination stages may therefore be confirmed or modified until a final rating is assigned upon completion of the analysis phase; the latter is then attached to the report and forwarded to the investigating bodies.

In 2021, the distribution of final ratings associated with the analysed reports shows a slight shift towards lower levels of risk. Indeed, there was a decrease compared to the previous year in reports assessed as medium-high or high risk, amounting to 49.3% in 2021 (51.2% in 2020). In contrast to this reduction, there is an increase in the number of STRs whose risk level was assessed as medium, amounting to 30.7% of the total (29.7% in 2020), and of those at lower risk, about 20% of the total (19.1% in 2020; Figure 2.1).

There was a higher incidence of risk reclassifications carried out as a result of the analysis activity for those reports that had received a low or medium-low risk rating from reporting parties: 37.3% of these STRs were rated with a final rating of medium and 33% with a medium-high or high rating. The transition in the opposite direction was more moderate: medium-high or high STRs rated with a medium or medium-low and low final rating were 20.1% and 7.6%, respectively.

The risk level of the reports submitted by the reporting parties is highly consistent with the rating attributed by the UIF, although slightly lower than in 2020. A total of 39.1% of the reports (about 40.7% in 2020) received a final rating in line with the risk level assigned by the reporting party (of these, almost one third is low or medium-low risk; Table 2.2).

Figure 2.1

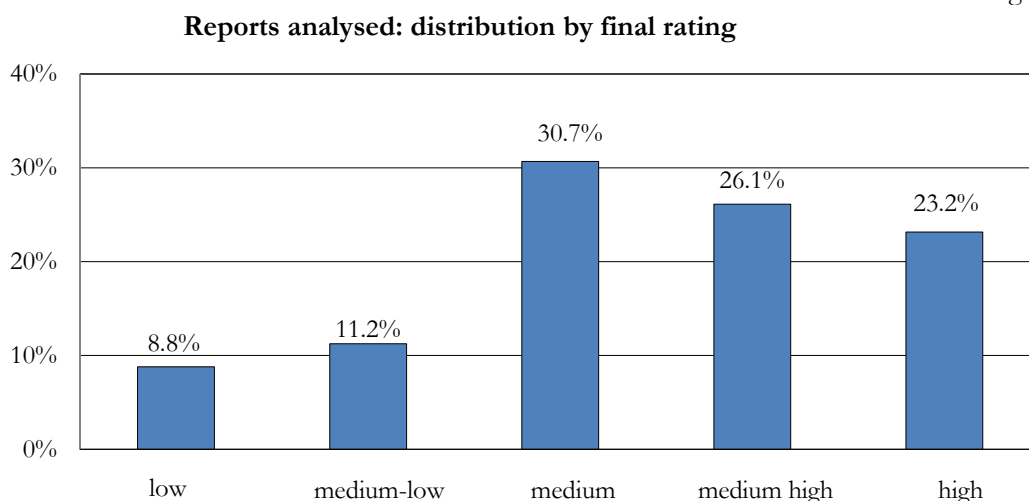


Table 2.2

Comparison of STR risk ratings by reporting entities and the UIF's final ratings
(percentage composition)

		Risk indicated by the reporting entity			
		Low and medium-low	Medium	Medium-high and high	Total
UIF rating	Low and medium-low	13.2	5.1	1.7	20.0
	Medium	16.6	9.6	4.5	30.7
	Medium-high and high	14.7	18.3	16.3	49.3
Total		44.5	33.0	22.5	100

The rating system has been updated to make this crucially important tool more sophisticated in the analysis and control processes. At the beginning of 2022, an improvement was made to the algorithm for calculating the automatic rating assigned when the report is entered into the RADAR system: the new criterion supports more accurate risk assessments, especially for those cases, which are increasingly recurring, that present multiple subjective connections with previous reports. In addition to the increased predictive power of the final rating, the effect is a more balanced distribution of risk ratings, with a noticeable containment of reports classified in high risk bands, as well as downstream of the analysis process.

2.4. Methodology

All suspicious transaction reports received by the UIF shall be subject to a first-level analysis to assess the actual degree of risk and to define the most appropriate processing approach. Based on the information acquired both in the course of automatic enhancement and from other sources, an assessment is made as to whether the suspicion of money laundering or terrorist financing is justified and whether further investigation is necessary.

If certain conditions are met (the transaction and the reason for the suspicion are described thoroughly, the case can be traced to a known type of phenomenon, further

investigation is proven to be impossible, rapid information exchange with the investigative bodies is desired), the report can be accompanied by a simplified report, optimising the processing time.

When it is appropriate to proceed with further investigations to reconstruct the financial path of suspicious funds, the report is subjected to a second-level analysis. The latter shall conclude with the assignment of the final risk level and the drafting of a report document for the benefit of the Investigation Bodies which illustrates the results of the financial checks conducted. At this stage, the analysts can count on a variety of options and tools. They can contact the reporting party or other obliged entities to acquire further information, consult the data in the Revenue Agency's archives, query the international FIU network and use all the information that can be extracted from the UIF database.

Certain suspicious transaction reports may be subjected to a third level of evaluation, on an aggregate basis (currently, this applies to money transfer reports). This stage is aimed at collating large sets of reports characterized by the multiplicity of transactions of small amounts, the number of subjects involved and the geographical distribution, with the aim of revealing significant connections and scenarios even where the transactions, taken individually, appear insignificant.

Aggregate analysis During 2021, aggregated ('third-level') analyses were continued with the aim of identifying relevant cases for further investigation, such as those related to criminal networks. In addition to indicator analysis, social network analysis (SNA) is now included in the analysts' toolkit. Among the improvements in the use of this tool, methodologically the selection process of the most relevant networks has been perfected according to a risk-based approach. Some twenty networks were selected as worthy of further investigation and subjected to examination using quantitative indicators related to their complexity (using dedicated metrics such as density and closeness) and financial and/or investigative relevance. The relevant analyses, which are currently underway, will be completed by the end of 2022.

Payment cards The payment card sector proves to be the most suitable one to be analysed by means of network analysis, as it is characterized by a high fragmentation of transactions, as well as the operational limits of use that favour splitting mechanisms on several cards and subjects. The reports describing these flows are typically presented with a large number (hundreds) of subjects and accounts, which are almost always linked, through equally numerous connections, to other reports. In such a case, network analyses make it possible to detect the most interesting subjects and their roles within the network, a result that is difficult to achieve through the analysis of individual reports, which are operationally too fragmented.

During 2021, an aggregated analysis was also carried out of the suspicious transaction reports transmitted by Electronic Money Institutions concerning cards credited with the minimum income scheme. The analyses have made it possible to identify organizations composed of more than one person who are likely to wrongly receive the subsidy and monetize the sums by circumventing the relevant legal limits (see Section 3.3, 'Corruption and misappropriation of public funds').

2.5. Suspension orders

The UIF - also at the request of the NSPV, the DIA, the judicial authority and foreign FIUs - may suspend transactions suspected of involving money laundering or terrorist financing for a maximum of five working days, provided that this does not prejudice the investigations. The assessment process for the purpose of issuing a suspension order is generally initiated autonomously on the basis of received reports that

reveal relevant suspicious profiles referring to transactions not yet performed or on the basis of preliminary spontaneous notifications from intermediaries who anticipate the content of suspicious transaction reports.

This power is particularly effective in delaying, for a limited period of time, the execution of suspicious transactions until precautionary measures may be taken by the judicial authority.

In 2021, 227 evaluations with a view to the issue of suspension orders were initiated for an amount of transactions examined that was nearly €99 million (down 26.3% and 43.6%, respectively). Daily monitoring of high-risk reports concerning unexecuted transactions led the Unit to 67 evaluations on its own accord, a figure substantially in line with the previous year, which confirms the efforts to consolidate a proactive approach to suspensions by the Unit.

Out of the 227 notifications examined for the purpose of suspension, in 30 cases, the Unit issued a suspension order, for a total amount of approximately €18 million (€13 million in 2020), with an increase in the incidence of suspension orders adopted in terms of number (from 12.1% in 2020 to 13.2% in 2021) and especially in terms of value (from 7.6% to 18.2%; Table 2.3). Approximately one-third of the orders resulted from investigations by the UIF, with a higher rate of positive outcomes compared to those initiated by the reporting parties (14.9% versus 12.5%).

Table 2.3

Suspensions					
	2017	2018	2019	2020	2021
Number of orders	38	47	43	37	30
Total value of suspended transactions (<i>millions of euros</i>)	66.4	38.8	11.4	13.0	18.0

In line with previous years, insurance companies accounted for the largest share of suspension evaluations examined by the Unit in 2021 (178, or about 78% of the total). With 38 reports examined, those on banking transactions accounted for 17% of the total. As in previous years, the composition of the reporting parties was reflected in the types of transactions investigated, most of the cases examined being policy surrenders or payouts at maturity connected to persons under investigation, including those associated with organized crime.

A number of the cases examined were characterized by a high degree of operational and financial complexity.

During 2021, as part of two suspension evaluations, the UIF issued two orders concerning bank accounts traceable to two Italian individuals related to each other who were attempting to transfer sums to a foreign virtual currency exchange. The suspension orders were followed by an emergency seizure decree issued by the judicial authority, which effectively underscored the financial reconstruction conducted during the preliminary evaluation with the investigative evidence on the subjects, who were found to be already involved in an investigation for fraudulent bankruptcy.

As part of evaluations with a view to the issue of suspension orders for COVID-19 scenarios, the UIF received a notification concerning the execution of certain transfers made to a bank account in the name of a company that had benefited, a few days earlier, from a large loan guaranteed by the Central Guarantee Fund for SMEs. The company had been the

subject of a cooperation request submitted to the UIF pursuant to Article 12 of Legislative Decree 231/2007 and therefore the report was also brought to the attention of the judicial authority, which expressed interest in adopting a suspension order, which was then followed by a preventive seizure order.

2.6. Information flows of investigative interest

The UIF receives a flow of feedback from the Investigative Bodies regarding their level of interest in the suspicious transaction reports forwarded to them. Such communications concern the overall outcome of the investigations carried out on the basis of the reports and financial analyses forwarded by the Unit.

Suspicious transaction reports and related analyses are forwarded to the investigative bodies, which regularly provide the UIF with feedback on the investigative interest related to the reports submitted. This feedback is particularly useful for the Unit because it provides an assessment of the effectiveness of the analysis activity and supports decisions on the processing of subsequent reports with similar operations or with subjective links to past reporting flows.

As of the beginning of March 2022, the NSPV had sent about 45,000 positive feedback notes on the STRs forwarded to the Investigative Bodies in the 2020-21 two-year period. A total of 86.8% of the interest was focused on high and medium-high risk classified reports, while only 2.0% concerned reports assessed as low and medium-low risk. Approximately 4,500 STRs received positive feedback from the DIA, with 92.6% focused on high or medium-high rating reports.

3. RISK AREAS AND TYPOLOGIES

The operational analyses conducted by the UIF on STRs identify recurring elements relevant to the assessment of money laundering or terrorist financing risks. The Unit can thus classify the reports and disseminate updated guidance to facilitate the identification of suspicious transactions by obliged entities.

3.1. The impact of the pandemic

The continuation of the COVID-19 health emergency had a significant impact on active cooperation in 2021, which resulted in Unit being forwarded numerous reports of suspicious transactions for pandemic risk scenarios. A total of 5,365 such reports were analysed and forwarded to the investigative bodies, compared with 2,197 the previous year. This considerable increase (over 140%) reflects the fact that the effects of the pandemic were not felt in the first months of 2020. It is also indicative of a growing awareness among the obliged parties of the risks that the unlawful conduct associated with the emergency were posing to the integrity of the economic system and of the consequent need to effectively counter and prevent them. A reminder to this effect is contained in the UIF's Communication ([only in Italian](#)) of 16 April 2020.

In the first two years since the advent of the pandemic, reported transactions connected with it totalled €13.4 billion (€8 billion in 2020 and €5.4 billion in 2021), and those actually completed came close to €7 billion. Almost the entire reporting flow, which involved all Italian regions, originated in the banking sector (95.3%).

In terms of specific cases, 2021 witnessed a decline in certain anomalous scenarios and growth in others as the epidemic evolved and the relevant health restrictions and economic support measures were adopted. This resulted in a substantial redistribution of the events already noted in 2020: a progressive decrease in abnormal cash transactions often caused by the uncertainty of the lockdown and, more generally, by fears linked to the economic situation, was matched by an increase in cases relating to the abuse of state-guaranteed loans and other forms of financial facilitation for companies planned by the emergency regulations. A gradual reduction was also seen in the anomalies relating to the procurement of healthcare supplies and PPE, in contrast with the sharp rise and recurring cases in fraudulent conduct in transactions relating to the assignment of tax credits under the aforementioned legislation (see Section 3.2, 'Tax evasion').

State-guaranteed
loans

When expanding anomaly categories, irregular transactions relating to state-guaranteed loans and other measures in support of business liquidity displayed a substantial polarization of suspicions towards two main cases, distinguished on the basis of the different stage of the fund disbursement process, the opportunistic or fraudulent behaviour detected at the application stage, mostly due to the lack of the requisites established by law for access to subsidies, and the various examples of the latter being used inappropriately, especially with regard to the destination constraints (where envisaged) or to the employment purposes declared by the beneficiaries. Moreover, this dichotomy in the cases meant developing a specific internal classification criterion, in addition to those already prepared in the aftermath of the pandemic, in order to ensure a more effective analysis of the respective cases (see Section 2.2, 'The analysis process').

In the first case, the doubts of the reporting parties concerning the subjective profile of the applicants, the information provided by the latter on the possession of the aforesaid requisites, the declared destination of the funds and/or the concrete feasibility of the plans for their use, in many cases led to the rejection of the application or the revocation of the facilitation initially granted.

Among the cases uncovered, one in particular was noteworthy for the complex nature of its transactions; it concerned a company that was the beneficiary of several state-guaranteed loans worth a sizeable total amount. By exploiting a series of company share disposals that were finalized thanks to the mediation of a trust company, this company managed to circumvent the regulatory constraints planned for access to such financing; these constraints consisted in the commitment not to approve the distribution of dividends or the repurchase of shares by the applicant company or any other entity belonging to the same group or subject to its management and coordination. The relevant investigations revealed that a transfer price had apparently been set too high in relation to the principles of the transferred company, and that the beneficial owners of the transferee was also those of the transferring company. The resulting distribution of financial resources between the companies involved managed to disguise dividend allocations and share buybacks in breach of the aforementioned legislation.

The funds were not used differently in the suspicious cases in the aftermath of the introduction of the measures (cash withdrawals, variously justified transfers in favour of natural and legal persons, out-of-pocket expenses, movable property and real estate investments and so on). Moreover, for these types of operations, the extension of monitoring actions has enabled reporting parties to identify more robust elements to supported suspected misuse of credited funds, such as the occurrence of arrears and the disappearance of beneficiaries, with it consequently being designated as non-performing and activating the state guarantee. In the latter circumstance, given the actual disbursement of public resources, the reconstruction of how the funds were used becomes even more important for subsequent investigations, where the borrowers' default was not attributable to the ordinary management of the company but to misappropriation.

A number of reports concerned fictitious paid-in capital increase transactions implemented purely for the purpose of benefiting from the state purchase of bonds or other debt securities issued by the requesting companies to support their capitalization. The highly attractive nature of the instrument, for which a capital increase is a mandatory requirement, has led certain companies to use it through numerous stratagems.

In one typical case, reconstructing the financial flows revealed how the capital increase had been subscribed on a fiduciary basis by a natural person but actually paid by a third company. Here, the liquidity came from the same company benefiting from the facilitation via the settlement of commercial invoices (considered anomalous in terms of amounts, timing and content) and therefore did not constitute a real inflow of financial resources for the release of new capital. In another case, the analysis conducted revealed that all the funds received from the subscribers had been promptly returned to the latter by means of multiple provisions (accomplished by taking advantage of the loose operational limits of the intermediary's internet banking procedures); the funds only, remained in the company's accounts for the time strictly necessary to confer apparent legitimacy to the capital increase, thereby guaranteeing access to the benefit of the state co-investment.

On the basis of the evidence of the analysis, a special edition of the *Quaderni dell'Antiriciclaggio* was published in March 2022, aimed at summarizing some of the main cases found since the beginning of the pandemic regarding the suspicious transactions associated with it.

**The
NRRP**

The year 2021 saw the approval of the NRRP, an instrument designed to boost economic recovery within the framework of the Next Generation EU (NGEU) programme and a broader framework of EU funding sources. The plan, which plans a series of investments and reforms over several years to be carried out in strict compliance with pre-established parameters (in terms of timing, objectives and implementation methods), could also provide an opportunity for exploitation by criminal organizations. Generally speaking, it appears vulnerable to the potential misuse of the considerable funds allocated, especially in the

absence of an appropriate balance between the need for speed and streamlining of implementation procedures and the strengthening of preventive measures.

In its Communication ([only in Italian](#)) of 11 April 2022, the Unit raised the awareness of public administration bodies first and foremost, and of other obliged entities variously involved in the activation of the measures and actions set out in the NRRP, in order to encourage their contribution in terms of active AML cooperation (see Chapter 9, ‘The regulatory framework’)

The transactions reported for this risk area mostly involved requests for low-interest loans (many of which were pending approval) to cover the burden of expenses relating to programmes financed by the recovery fund under the various NRRP missions. The encountered grounds for suspicion most frequently were, in objective terms, certain anomalous circumstances that occurred shortly before the funding application (such as a change in ownership/administration and/or a significant increase in turnover), as well as the apparent inadequacy of the applicant entities’ financial and asset structure. With regard to the subjective aspect, on the other hand, adverse reports and the criminal records of the exponents of the same entities are worthy of note, the absence of proven managerial/entrepreneurial experience on their part and, in general, the impossibility of finding, even from qualified open sources, further information for the fulfilment of the due diligence obligations.

3.2. Tax evasion

Reports classifiable in the risk area of possible tax offences continue to play a major role on the active cooperation front. Overall, the increase in numbers (+1,655 cases) was accompanied by a minor percentage decrease due to the marked growth in the overall reporting flow, which led to a relatively lower incidence on the total (16.8% compared with 19.1% in 2020). At operational level too, the findings reflect a certain persistence of case types, with a hard core represented by invoicing frauds (which alone account for more than 25%), but there are also many cases of unprecedented conduct or excessively complex mechanisms that nest within consolidated models, which the UIF has classified over the years using specific anomaly indicators and systems.

The advent of the pandemic, moreover, further confirmed how tax violations can be perpetrated in a variety of technical guises in a case where the measures taken to sustain the economic fabric have made the preventive action of the financial administration even more complex.

Anomalous transfer of tax credits

In May 2020, the entry into force of legislation governing the transfer of tax credits to third parties instead of the direct use of deductions (see Section 9.2.1, ‘Legislative interventions’), immediately made it necessary to focus attention on the potentially distorted uses of this instrument, causing the UIF to alert obliged entities to the possible future recurrence of the phenomenon, with a view to preventing new risks, and thus to facilitate its timely recognition for reporting purposes (see the UIF Communication of 11 February 2021 – [only in Italian](#)).

The reflections and studies carried out on the aforementioned legislation, the many financial investigations of the cases reported, and the exchanges with the financial administration and investigative bodies have highlighted the variety of significant risk profiles augmented by the sudden growth of the market in the sector. One example is the circulation of fictitious tax credits originating from the use of false invoices, as they are merely instrumental to obtaining undue disbursements through their relative monetization. This critical issues have potentially systemic relevance when the false credits

are used in securitization transactions that are placed on the market through the issuance of notes and subsequently traded on the secondary market.

The scale of the phenomenon, while considering the particular level of responsibility envisaged by the Relaunch Decree (which does not affect the transferee's right to use a tax credit if the purchase is made in good faith), is in practice favoured by the various methods with which financial intermediaries have fine-tuned their safeguards in this area, with particular reference to the acquisition of information and documentation to support the request for tax credit transfers. In this regard, the potential legal repercussions deriving from the use of fictitious tax credits by offsetting them against other tax payables also deserve attention, nor should we neglect the possible prudential repercussions for the transferee intermediaries, given the value of assets generated by the purchase of such receivables, the non-existence of which could impact balance sheet figures. The situation also lends itself to the infiltration of criminal organizations when they purchase tax credits, through affiliated or related entities, exploiting the need for liquidity of companies affected by the pandemic and offering them the option to conclude such transactions with more advantageous terms than those typically offered on average by the market. The latter risk could in theory also apply to companies that are not in financial difficulty, as a mere form of territorial control.

In 2021, a total of 459 abnormal tax credit transfer transactions were reported, 62.3% of which were received in the last quarter of the year. Most of them were submitted by banking intermediaries, with a distribution strongly concentrated on a single institution in the category (63.0%), while the total value of suspicious transactions associated with this specific case is well over €1 billion. In 21.4% of cases, the reported activity was conducted in cases potentially attributable to organized crime. Investigation feedback was positive in 66.2% of cases.

A close examination of the distinctive features of the cases reported has enabled us to identify three main cases in which anomalous transactions usually occur in the cases under review, depending on the party acting as transferee of the tax credits. In the first case, it is the credit institutions and other financial intermediaries that play the role of assignee in the sale; in the second case, a commercial entity is involved that is specifically set up to carry out, on its own account, the business of buying and selling tax credits (acting as a direct counterparty in the exchange) or as an intermediary in this business; finally, the third case involves private operators of national importance (also with partial public participation). In the latter two cases, these entities are not subject to the regulatory and supervisory obligations envisaged for financial intermediaries.

The most recurrent anomalies concern the inconsistency of the subjective and/or economic-financial profile of the transferor with respect to the amount of the transferred credit, as well as the origin and destination of the transferred funds. In general, the cases present the following: the stipulation of multiple assignment contracts by the same entities, sometimes set up close to the transaction date; the anomalous use of the transfer proceeds through typical misappropriation transactions, also via cross-border transactions (cash withdrawals, transfers in favour of shareholders or reloading prepaid cards aimed at subsequently monetizing them, purchases of investment in gold and virtual currencies); multiple assignments occurred within a very short period and with prices of the intermediate assignments being significantly lower than both the nominal value of the credit and the price of the final transfer to the financial intermediary;¹² the interposition, within the chain of transfers, of persons connected to the same transferring entities; the presence of networks of persons presumably set up to circumvent the amount thresholds established by the internal procedures of the reporting entities, often through the involvement of presumed business brokers; a number of companies that establish multiple

¹² For regulatory references on the subject, see Chapter 9, 'The regulatory framework'.

relationships in succession at the same operating point, also with the support of third parties that are defined as co-borrowers (probably acting as fronts); transferor/transferee companies whose shareholders or directors have dubious reputational profiles due to criminal records of various kinds (mostly relating to tax or organized crime offences) or intersect pursuant to Article 8 of Legislative Decree 231/2007.

In light of the reported cases and the results of the related investigations, the Unit published a specific ‘Communication’ in April 2022 (*only in Italian*), aimed at drawing the attention of obliged entities to the risks associated with the possible illicit uses of the transfer of pandemic-related tax credits.

During 2021, a number of reports were investigated concerning attempts to monetize tax credits created by exploiting the rules envisaged for contributions to bilateral bodies.

**Bilateral
bodies**

Such cases are characterized by the presence of companies that, by means of tax forms, pay sums of money to the aforementioned entities by offsetting the resulting debt against tax credits claimed and then requesting the reimbursement of such payments shown to have been disbursed by mistake. The amounts involved are generally higher than normal and are concentrated in a short period. Moreover, in most cases, the type and/or origin of the compensation credits did not appear to be consistent with the characteristics of the companies (in terms of economic standing, assets, subjective profiles of the corporate officers and so on) thus rendering their existence doubtful. Such circumstances are corroborated by the fact that the firms use the same professionals to manage their tax and/or accounting obligations (including awarding them the required stamp of approval).

Several anomalies have been reported in connection with IRPEF (Italian income tax) refunds disbursed by the Revenue Agency following the submission of tax return forms with no withholding agents, the examination of which has revealed an operational draft characterized by common objective and subjective elements. Those formally entitled to reimbursement are almost always low-income taxpayers whose tax credit arises from the indication in their income tax return of withholdings that were allegedly applied by the employer *pro tempore* to a greater extent than the net tax due, with the consequent request, through the same tax return, to recover the amounts withheld in excess. The credits intercepted, however, were usually lower than the threshold above which the Revenue Agency automatically carries out preventive checks on the refunds to be disbursed; they were also disbursed to accounts in the name of persons other than the actual holders of the credits and with no apparent connection to them, with subsequent use of the funds by means of transfers to other third parties.

**IRPEF
refunds**

Finally, a number of in-depth analyses attracted interest from investigators and were subsequently acquired during criminal proceedings with reference to potential tax avoidance cases.

**Tax
avoidance**

This is the case of a real estate company in liquidation authorized to participate in a pre-existing European Economic Interest Grouping (EEIG). Having done this, the company transferred its real estate assets – which were listed in the balance sheet as a large amount – to the EEIG and immediately afterwards transferred the newly acquired share to the other participants for a fee. As a result of these transactions, the transferred real estate was definitively incorporated into the EEIG’s assets, while its initial structure remained unchanged, producing the final effect of transferring the assets to the EEIG for a fee formally set up as the transfer price of the shareholding. This *modus operandi* made it possible to exploit the tax advantage scheme through the EEIG pursuant to Presidential Decree 131/1986 for the purposes of indirect taxes (established as a fixed amount and not as a percentage of the value of transferred assets), thus achieving considerable tax savings.

3.3. Corruption and misappropriation of public funds

The COVID-19 health emergency has shown how resource allocation procedures, in the absence of adequate prevention measures, are more likely to be manipulated by the illegal conduct of individuals and organizations, lured by the prospect of substantial profits. Significant examples, also in light of recent investigative and judicial evidence, are the diversion of funds for the supply or provision of essential public goods and services or for the implementation of measures to support the economy, as well as corruption at various levels, which all reveal a high vulnerability of the public sector to the threats caused by the pandemic.

In this regard, 2021 was a potential turning point: for the first year, the general government reports pursuant to Article 10 of Legislative Decree 231/2007 actually exceeded the threshold of 100 submissions, reaching 128. Although these numbers are small in comparison to the overall flow of STRs, the relative percentage of change compared with 2020 (+172.3%), which is very high, hopefully points to a more effective activation of dedicated procedures within public offices (see Section 1.1, 'Reporting flows').

Moreover, the emphasis that the health emergency has inevitably placed on corruption and the abuse of public financial resources obliges us to consider these phenomena net of those directly attributable to the pandemic, an exercise in which the underlying component that has characterized the flow of signals in recent years in any case remains strong.

Local Public Entities

As such, precise evidence can be found in the corrupt conduct at local level of politicians or persons involved in various ways in the administration pertaining to the granting of authorizations and permits, the financial implications of which, where present, are not readily ascertainable. The core of this lack of operational transparency lies in the customary recourse to the intermediation of third entities - natural and legal persons - in the relations between corrupting and corrupted individuals, despite frequent mutual payments between the latter in a direct and traceable manner.

A particular example of such a case concerned an expropriation in the public interest by a local authority, following which anomalous financial links were detected between the expropriated person, the beneficiary of a large indemnity, and a *pro tempore* member of the executive body of the aforementioned entity.

An examination revealed that part of the funds obtained in the form of compensation were used by the expropriated person to make transfers in favour of a foundation chaired by the abovementioned local politician as a mere donation, as well as for the benefit of a family member of the latter for an alleged real estate sale for which there was no evidence. Additional and vaguely justified donations of money were made by the same expropriated person in favour of the professional with whom the preliminary purchase and private sale agreement had been drawn up. These findings confirmed the suspicions which had already emerged from a preliminary examination of the case, i.e. that the donations in question constituted, on the one hand, a return of part of the compensation received as a result of the expropriation measure, which the politician had facilitated, and on the other hand, compensation for the creation of a fictitious entitlement to justify the transfers made.

Widespread corrupt practices also emerged in the implementation of the 'Piani Esecutivi Convenzionati' (PEC), the well-known approved urban planning agreements that enable citizens to use portions of municipal land in accordance with the Zoning Codes and their respective technical implementation rules. Here, the real estate sales instrumental for implementing the interventions were finalized through intermediary companies owned by persons who, in their capacity as holders of political or elective offices within the municipal administrations concerned, authorized the plans, in a clear conflict of interest. This circumstance, together with the fact that ownership of part of the areas involved in the urbanization works was traceable to the same individuals, led to multiple transfers of

ownership at prices contrived to generate apparent capital gains to the benefit of the same parties who had proposed the PECs – through ad hoc companies set up shortly before the operation – thus achieving a mutually beneficial exchange.

The analysis of STRs relating to the minimum income scheme

In 2021, an aggregate analysis examined suspicious transaction reports submitted by EMIs involving recipients of the minimum income pursuant to Legislative Decree 4/2019.¹³ The aim was to identify possible anomalies relating to eligibility for the subsidy and to verify if systems had been set up to detect undue monetization, with particular focus on procedures implemented in an organized manner by several parties.

The analysis, conducted on reports received by the Unit between 2019 and 2021, revealed two possible operational profiles, at times overlapping, which not infrequently involved individuals of the same nationality who probably coordinated with each other in the definition and subsequent implementation of the fraudulent conduct.

With regard to the first type of case, the reports described an operation where an individual received transfers from numerous recipients of the minimum income, sometimes of the same nationality, justified as being for the payment of rent. Notwithstanding the fact that the latter is one of the permitted uses of the minimum income scheme, the reported transactions appeared designed to give a lawful guise to the possible misappropriation of the payments thanks a) certain recipients possibly receiving the subsidy wrongfully when their subjective profile was examined; b) the lack of circumstances corroborating the effective existence of rental contracts between the parties involved; c) cash withdrawals made by the alleged landlords within a few days of the incoming transfers; and d) the concentration of the residence of many recipients of the subsidy at the same addresses.

In a second group of reports, several minimum income recipients used the sums received by making POS card payments for amounts apparently disproportionate to the market value of the goods and services generally sold by certain merchants (e.g. tobacconists and internet points). Not infrequently, it was evident that certain individuals habitually made their purchases at the same retail premises. These circumstances, together with the possible wrongful collection of the subsidy, suggested that the transactions may have been aimed at monetizing the financial benefit with the acquiescence of the shopkeepers themselves, thus circumventing the cash withdrawal limits imposed on the minimum income card or using it for unauthorized expenses such as money transfer services and/or games involving cash winnings or other benefits.

Both types of cases, supported by investigative and judicial findings, reveal a scenario in which the various actors involved were abusing procedures that were theoretically in line with the welfare measure, circumventing the legal restrictions imposed by its rules.

3.4. Organized crime

In 2021, data from suspicious transaction reports potentially relating to organized crime did not change substantially compared with the previous year. The share of the overall reporting flow of just over 16% confirms the UIF's analytical ability to link the reported transactions to the risk area under investigation. The improvement was achieved thanks also to the systematic exchange of information with the DNA pursuant to Article 8 of Legislative Decree 231/2007 and to the numerous internal surveys aimed at increasing the Unit's

¹³ Converted with amendments by Law 26/2019.

information assets, such as the recent experimental mapping of companies operating in Italy potentially linked to organized crime.¹⁴

Whilst the number of second-level analyses dropped slightly, representing 7.4% of reports in this category, the relative overall positive feedback from the investigative bodies actually increased by 26.5%. Geographically, the spread of active cooperation contributions by region was almost identical to that of the previous year.

Transactions

From a financial perspective, the transactions reported are characterized by numerous overlapping aspects – clear in some cases, less so in others - involving tax issues, bribery and misappropriation, leading to multiple money laundering schemes, confirming the cross-sectional nature of the activities undertaken by mafia organizations. Likewise, the transactions reported and the UIF's analyses are in line with the findings of previous years in relation to the recourse by mafia-type organizations to the technical forms, business structures and legal institutions common to all kinds of criminal cases, highlighting the basic impossibility of associating the money laundering carried by the clans with a set of their own, specific and recognizable operational methods. Indeed, criminal infiltration of the economic fabric entails operational methods that are commonly associated with the relevant sectors, and that appear lawful in themselves and, therefore, unlikely to reveal anomalies or generate suspicion: within what is known as the grey area, the unlawful profits of criminal activities and those of lawful businesses are thus closely interwoven and difficult to discriminate.

In terms of classification, a significant share (28.8%) of organized crime risk reports continue to address tax evasion schemes, which are instrumental in both the laundering of illicit earnings and the creation of funds intended for corruption. The flows analysed in this area often originate from or are destined for foreign countries, especially from and to countries where the presence of domestic mafia groups is more widespread, in line with the DIA and DNA findings.

The impact of COVID-19 ...

With the advent of COVID-19, criminal organizations have redefined their strategies to benefit from the new earning opportunities, an aspect on which the Unit has focused for the purposes of active cooperation in its Communications of 16 April 2020 and 11 February 2021. Of the STRs potentially attributable to organized crime, 5.2% were classified as referring to pandemic-related risk areas, with positive feedback from the Investigative Bodies in 59.7% of cases.

The results of the investigations conducted have shown how the interest of mafia organizations has shifted from the production and marketing of healthcare products and PPE to the setting up or control of companies, with the aim of benefiting from the funding provided by the emergency measures. Certain indicative reports concern the acquisition of branches of businesses and enterprises operating in the fuel retail sector and the management of related catering activities by persons suspected of close mafia connections. Likewise, the Unit also received reports concerning purchases of real estate following the withdrawal of interested third-party buyers, completed by companies whose beneficial owners were found to have close links with persons under investigation for mafia association.

Potential connections with organized crime were also found with reference to the analyses conducted on the financial flows relating to the sale of tax credits pursuant to Legislative Decree 34/2020, a circumstance that led the Unit to classify 21.4% of such reports under this specific risk category.

... and the NRRP

A number of reports received in 2021, although in principle attributable to known case types that could be analysed in the usual manner, took on a particular significance in terms of their possible connection with anomalous cases relating to the NRRP, highlighting the real risk of interference by persons close to organized crime in the management of EU funds in

¹⁴ See *Annual Report for 2020*, p. 45.

order to embezzle improper grant contributions or to launder illicit proceeds through the financing of investment projects.

One significant case concerns a finance company responsible for managing resources from EU funds. To effectively fulfil this role, it implemented statutory changes and organizational adjustments that included the inclusion of external managerial figures tasked with directing all related activities. Here, among the numerous individuals who claimed to be possible managers of the company's portfolio, a professional emerged who presented himself as the main contact person for a series of alleged brokers, managers of consultancy companies and entrepreneurs, who proposed large investment projects to the company (for significant amounts), also requesting the disbursement of loans on behalf of corporate groups active in the energy sector. The proposed investments were declined as they were deemed to lack transparency, including the insistence and uncooperative attitude of the professional, who provided evasive feedback to requests for details on the declared statements of commitment. Further examination of the professional's subjective profile revealed links with organized crime circles, as well as the presence of numerous corporate interests and connections with persons investigated for aggravated fraud against the State and corruption in the allocation of European funds. The entrepreneurs introduced by the professional were also found to have criminal records for fraud against financial intermediaries.

3.5. Further case studies

In 2021, a number of suspicious transaction reports were received concerning transfers of significant amounts of funds made by Italian companies to China, often with the involvement of Central and Eastern European companies operating in disparate sectors that were not consistent with the scope of activity of the originators.

This phenomenon, which had already emerged in the past in relation to the possible under-invoicing of textile goods imported from China,¹⁵ appeared in a somewhat unexpected way, extending to different commercial sectors, mainly including construction and the trade/recycling of metal structures. Generally speaking, the specific features of the Italian companies involved (often newly established and with a minimal operational and organizational structure) and the particular nature of the related financial movements – also identified with the help of the corresponding foreign authorities – enabled the schemes reported to be correlated with suspect operational patterns. Although the latter appeared to be a legitimate business, it is designed for the simple transfer of sums between subjects, in this case, Italian and Chinese, for the settlement of various kinds of unlawful business.

Financial
flows
to China

With reference to the construction sector, funds instrumental to the execution of foreign provisions come from the sale of fictitious tax credits to domestic banking intermediaries, accrued as a result of the alleged construction and/or energy efficiency work within the framework of the measures to support the economy launched during the pandemic. With regard to the metals sector, however, the presence of shell companies and other entities in various capacities enmeshed in the national supply chain has led to a progressive lengthening of the transfer chain, making it more difficult to reconstruct financial flows. The results of the analyses conducted and the relative implications, mostly of a fiscal nature, have been endorsed by the results of the investigations, in some cases with ample media coverage.

The financial intermediaries tasked with the aforementioned transfers frequently include EMIs based in North European countries, and other foreign banking institutions, some of which hold correspondent accounts with Italian banks. On the other hand, the individuals involved are relatively well-known as they are under criminal investigation or have repeatedly been reported to the UIF in relation to possible transnational tax fraud.

¹⁵See *Annual Report for 2018*, p. 40, and *Annual Report for 2020*, p. 103.

**Credits
securitization**

The Unit continues to focus heavily on structured finance operations and complex financial architectures that, although in the minority compared with other reported cases, require scrupulous examination due to the usual import of the total amounts handled, multiple interests involved and the consequent high-risk profile.

Investigations carried out in 2021, also with the help of international cooperation, highlighted fraudulent conduct in transactions relating to the securitization of credits, with serious damage to final investors. The suspicions were justified by the detection of multiple anomalies in the use of funds by Italian institutional investors as the main subscribers/buyers of asset-backed securities. The amounts received from the Special Purpose Vehicle were actually used for purchasing packages of receivables accruing to foreign legal persons (originators) from various companies, also those with overseas registered offices (assigned debtors), all characterized by a close connection with the arranger due to the presence of common corporate representatives with proprietary and managerial roles.

Here, the collection process for receivables was handled by a sub-servicer who was also personally connected to the arranger in unusual ways, not appropriate for guaranteeing the effective recovery of the securitized receivables; the transferred debtors did not settle, even in part, their exposures to the SPV. Conversely, the failure to collect the receivables resulted in a no more than partial repayment of the bonds issued by the vehicle, generating a considerable loss for the institutional investors who had subscribed/purchased them and corroborating the case with a sole controller of the securitization operations as a whole. Ultimately, the beneficiaries of the funds invested in the notes were the same foreign companies that had formally generated the (presumably fictitious) transferred receivables, which could be traced back to a common centre of interest with the arranger that had conceived and organized the securitizations, the sub-servicer that was supposed to correctly collect the receivables, and the transferred debtors that did not discharge their obligations.

**Public
procurement**

Reports of alleged irregularities regarding compliance with public procurement obligations, especially in the presence of flagrant non-compliance with the legal provisions on the traceability of payments, have been continuously encountered. Here, the cross-connections between the natural and legal persons involved and the configuration of the financial flows between them paved the way for multiple suspected offence - often including bribery and embezzlement - to the benefit of subsequent investigations.

A case in point is that of an individual business whose bank account recorded numerous and unusual cash withdrawals for a large total amount, as well as variously justified credit transfers to several natural persons, all of whom were employed by a large joint-stock company with partial public participation and active in a strategic sector. The investigations undertaken to ascertain the origin of the funds prior to these outflows identified several incoming commercial transfers ordered by a small number of companies, which in turn were beneficiaries of provisions coming from the aforementioned joint-stock company and containing, in the transaction reasons, the information for traceability purposes pursuant to Law 136/2010 (CIG and CUP). Suspicions were heightened by the indirect traceability of the sole proprietorship to the same person holding important managerial positions at the same joint-stock company.

**Creation of
fictitious
share capital**

Several fraudulent activities concerned transfers made when the company was formed and extraordinary share capital increases executed in ways that appeared usual and straightforward at first sight, but which turned out to be anomalous and potentially unlawful upon investigation. One example are the bank drafts paid when the company was officially formed, which turned out to be fake or credited back to the accounts of the alleged subscribers shortly after completing the deed. In the area of contributions in kind, the cases reported are characterized by the recording of assets at values significantly higher than their actual ones on the basis of untrue appraisals carried out by colluding professionals. The latter, who in some cases lack the regulatory requisites for carrying out this activity, benefit in various

forms from the return of part of the sums wrongfully appropriated from creditors and investors as compensation for the unlawful service rendered.

The range of cases reflects various levels of capital dilution, up to and including extreme situations in which the company's assets appear entirely fictitious and used to obtain unlawful gains by the perpetrators of the criminal scheme. A case in point concerned the issue of share certificates by an unlisted company, for the completion of which a series of anomalous transactions were conducted in close chronological succession; they were all reported to the UIF.

The company was set up with very little capital and soon afterwards was subject to a change in legal form; it then recorded a significant receivable transferred by the foreign parent company with an entry on the balance sheet assets, offset among the liabilities with a sum payable to the latter, due to the failure of the spot settlement of the disposal. The subsequent write-off of the receivable by the parent company and the related transfer of the item to net equity enabled the company to approve a free capital increase and the placement of shares on the market through a financial advisor authorized to conduct external security sales. Further examination revealed that the documentation for the sale of the securities was anomalous on several fronts (guaranteed return percentages, which were also high, loss exclusion clauses, which violated the 'leonine' clause and so on) and the credit initially transferred by the foreign parent company, which had triggered the chain of transactions for the capital increase, was allegedly fictitious due to the company's total lack of equity. From a financial standpoint too, there were unusual uses of the credits from the sale of shares (mainly to natural persons), consisting of immediate transfers abroad for the same parent company with the subsequent monetization of the funds in Italy or purchases of luxury goods.

High levels of financial sophistication were also found with regard to potential misappropriation practices to the detriment of distressed companies. Analyses in this area started from a number of suspicious transaction reports that revealed massive financial interventions carried out by leading international players for the benefit of Italian companies close to insolvency, with the purpose of investment for the former and corporate recovery for the latter.

Diversion of funds from companies in financial difficulty...

Foreign operators acted differently (purchases of real estate, subscription of notes issued following the securitization of debts owed by the banking system, direct loans, purchases of equity financial instruments as part of debt restructuring agreements, settlement agreements on previous creditor claims and so on). In all cases, however, a significant portion of the funds received by the Italian companies was used to arrange transfers - not justified by the results of the analyses - to the beneficial owners of the companies themselves and of persons connected to them by business relationships of various kinds, in some cases already involved in legal disputes on several fronts, who therefore acted in their own interests and to the detriment of the distressed companies.

Misappropriation was also evident in the liquidation phase of some minor credit guarantee consortiums pursuant to Article 112 of the Consolidated Law on Banking, with potential negative repercussions on the integrity of the economic and financial environment of the territories in which they were established. What helped in identifying the case was the simultaneous transmission of STRs by different categories of obliged entities, each representing varying degrees of involvement in the complex overall operations, fully embodying the spirit of active cooperation and underscoring the added value of the Unit in pooling formally unrelated suspicious transactions.

... or in liquidation

The key player in the entire fraudulent enterprise turned out to be a professional who held the office of liquidator and for whom there was clearly a conflict of interest in the performance of his duties. In fact, as part of the liquidation procedure, business assets were sold to third-party companies, indirectly owned by this same professional, at a price that was low compared with the book value of the assets sold, established on the basis of an appraisal

that was strongly contested by the governing board of the credit guarantee consortiums and improperly justified by a considerable mismatch between the value of the assets and the value of the financial commitments undertaken as a result of the guarantees provided. Examination of the transactions also revealed further anomalous elements that confirmed the suspected misappropriation, such as the massive transfers abroad of the liquidity acquired, how the professional was reticent to provide adequate justifications and omitted information for the financial transactions undertaken, the dubious truthfulness of the documentation presented for this purpose, and the transfer of the risks connected to the management of the guarantees issued to individuals with a subjective profile that is not up to managing it.

The year 2021 also saw the continuation of reports of scams perpetrated against unsuspecting investors by foreign online trading companies; such reports led to an increase in the exchanges of information with CONSOB concerning unauthorized platforms revealed by the investigations and that had not been shut down. These investigations sometimes enabled the consolidation of apparently unconnected operations, thanks to the identification of connections between the aforementioned platforms, even if they were not overt (same IBAN for different names of management companies, same professionals providing legal/tax advisory services and so on).

Our analyses also revealed additional and diverse modes of financial malpractice with respect to those previously identified. A fitting example is that of unauthorized robo-advisory software companies that perform security trading directly on behalf of customers, setting up the trades by means of specific automated algorithms and offering their customers ad hoc investment portfolios and a mix of financial services. The latter may include payment facilitation, digital asset banking, trusteeship, cryptocurrency custody and so on, which are also confidential in nature. It may also mean call centre and training activities, which although advertised as being a supplement to the core functions performed by regularly authorized online trading companies, such support includes content specifically for investment services.

Salary-backed loans

In-depth examination of a number of reports revealed fraudulent, potentially corrupt schemes to the detriment of financial intermediaries for granting personal salary-backed loans, the ‘cessione del quinto’ format commonly practised in Italy.

The case intercepted was centred on a financial services agent and a network of individuals that he used to recruit clients, leading to the finalization of numerous salary-back loans, including the required insurance to cover employment and life risks. What aroused suspicion were the numerous life insurance claims deemed by the insurance company to be statistically anomalous and, as such, non-reimbursable, which led to substantial losses for the lending institutions due to uncollected residual receivables. The investigations conducted revealed widespread anomalies in the contractual documentation (with forged signatures of unsuspecting individuals), in the subjective and economic-financial profiles of the loan beneficiaries (encumbered by different types of damages and multiple bank defaults), as well as in the way the financed funds were used, with widespread cash withdrawals. The latter, in particular, also affected the considerable commissions paid to the agent by the lending institutions, sums monetized downstream in a stratified manner on several bank accounts attributable to the network subjects, including natural persons, newly-established companies and companies operating in sectors unrelated to the financial one, previously owned by the agent himself.

Prepaid cards

As regards prepaid cards, a number of in-depth analyses conducted in 2021 revealed an irregular operation consisting of repeated POS payments at large retailers. The individual payments were always large and for round figures, backed by funds obtained through computer fraud. There emerged a network of individuals, allegedly operating as money mules or fronts on behalf of the same centre of interests, which used the ill-gotten funds to purchase branded gift cards or shopping vouchers that were anonymous and transferable, since they could be used by anyone who held them.

An important methodological experiment was completed that was devised in 2020 to address the gaming and betting sector. Its aim was to identify the more anomalous Video Lottery Terminal halls based on evidence filed in the UIF archives. The relative investigations revealed the presence of certain individuals who were not identified as directors or supervisors, with anomalous roles that were not strictly part of the gaming operational chain. Among these, the 'VLT agent' figures were particularly prominent; they acted as intermediaries between the licensees and the individual hall operators, and their positions were not formally declared either in the Chamber of Commerce records or the registers of the Customs and Monopolies Agencies. It emerged that a single agent could act in the interests of various hall operators, creating invisible links that could increase the risk of organized crime infiltration in the VLT device sector and the use of such machines for money laundering purposes.

The investigation also exposed the potential money laundering risks associated with the installation of Independent ATM Deployers (IADs) in gaming rooms, as these devices can be misused by taking advantage of the possible absence of specific withdrawal/deposit limits or limits on the number of transactions decided solely by the issuers of the payment cards used to finalize transactions.

The financial transactions of some betting shops operated mainly by sole proprietorships were especially irregular; they were characterized by the drawing of bank cheques for considerable amounts in favour of individuals for the declared payment of gambling winnings. These cheques were subsequently cancelled or not cashed by the beneficiary, thus allowing them to be used as IOUs for the sums owed to patrons and improperly deposited by the latter at the betting centre to secure further bets. Likewise, it cannot be ruled out that the drawing of bank cheques for the alleged payment of winning bets may imply the laundering of illicit cash through colluding establishments, especially where there are unusually frequent winnings and/or patrons of dubious reputation.

In other frequently reported cases, the gambling centre failed to carry out proper patron identification procedures since, in almost all the operations carried out using automatic ticket-changing machines, the procedure required for this activity (ticket validation, identification and payment) was not carried out. The patrons thus obtained payment for winning tickets by inserting them in the ticket-changing machines and only afterwards, following the 'offloading' operations (which often occurred days later), would the gaming employees proceed to validate the tickets and complete customer due diligence. The omission of this fulfilment with the physical presence of the patrons and the frequent occurrence of forged signatures on their identification forms suggest that the winning tickets could be in the name of persons other than the actual rightful claimants on the basis of the positive betting outcomes.

4. COMBATING THE FINANCING OF TERRORISM

Analysis of suspicious transaction reports relating to terrorist financing proceeds through the same operational phases as analysis of money laundering reports. Given the very nature of the suspicion (relating to organizations or subjects that could plan and implement terrorist attacks), first-level analysis of the reports is crucial and is undertaken as quickly as possible to ensure information content is promptly shared with the Investigative Bodies.

The in-depth analysis of such reports, in which the subjective element of the actors involved plays a fundamental role, is aimed at reconstructing the network of subjective and financial connections using methods adapted to the operational peculiarities of such contexts: network analysis techniques are adopted to identify the names and operations characterized by higher levels of risk, on the basis of the recurrence of operational patterns already associated with the financing of terrorism in previous analysis or financial investigation experiences. The results of the analysis are shared with the investigative bodies in the usual form of technical analysis.

In 2021, the terrorist threat was ever-present in Europe, predominantly linked to the risk of violent actions by isolated individuals (‘lone wolves’) or loosely structured small groups. Impromptu attacks with recourse to offensive means linked to normal daily use, not requiring an actual organizational phase, are more unpredictable, as are the possible sources of financing, which is typically very limited and difficult to characterize in advance.

Here, the only new element in the global scenario is the situation in Afghanistan, with the return to power of the Taliban in Kabul as of August 2021: the risks of possible links with groups still linked to Al-Qaeda or ISIL have been stressed by the international community at various levels, including the possible misuse of humanitarian NGOs for the purpose of terrorist financing¹⁶ and the knock-on effects of migratory waves towards other Middle Eastern and European countries.

4.1. Suspicious transaction reports

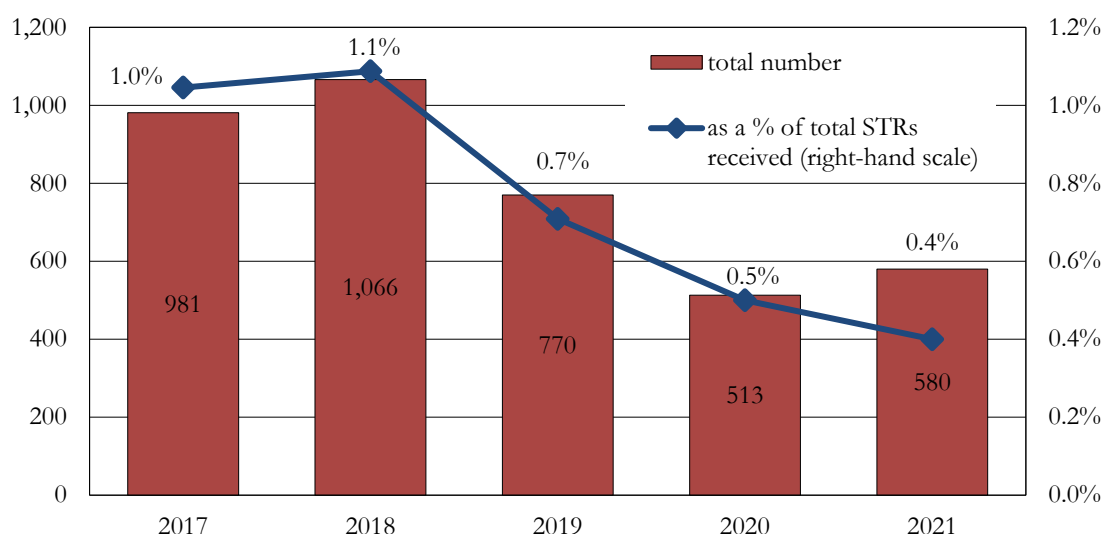
During 2021, a total of 580 reports regarding terrorist financing were submitted to the UIF, an increase of 13.1% compared to 2020 (Figure 4.1). The share of the total remains minor, at 0.4% (it was 0.5% the previous year). There was a significant increase in reports forwarded by money transfer agents (up 34.2%), which continued as the leading reporting class (46.7%), followed by banks (33.8%). Conversely, the contribution of EMIs trended in the opposite direction, with their share falling to 16.6%. The contribution of non-financial intermediaries remained minor (Table 4.1).

Alongside the increased number of reports there was a rise in the number of underlying operations, which reached almost 60,000 (compared to 56,000 in 2020), in the operational network depicted by the reporting parties.

¹⁶ See *FATF Public Statement on the Situation in Afghanistan*, 2021.

Figure 4.1

Terrorist financing reports received
(number of reports and share of total STRs)



On the other hand, the distribution of the execution modalities remained essentially unchanged, with money transfer (41.0%) and payment card (33.6%) transactions stable at about 75% of the total (Figure 4.2).

Table 4.1

Terrorist financing reports by type of reporting entity

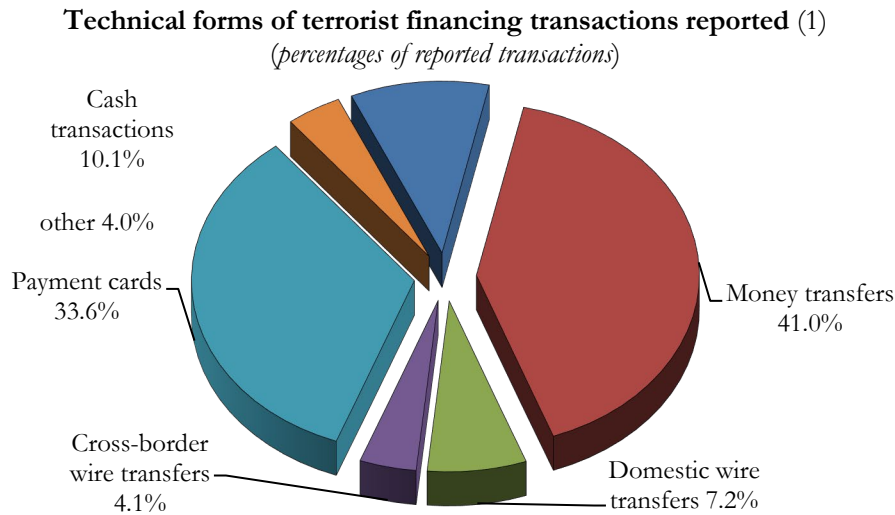
	2020		2021	
	(number of reports)	(% share)	(number of reports)	(% share)
Banking and financial intermediaries	507	98.8	569	98.1
Payment institutions and contact points	202	39.4	271	46.7
Banks and Poste Italiane SpA	174	33.9	196	33.8
EMIs and contact points	123	24.0	96	16.6
Other (1)	8	1.6	6	1.0
Non-financial obliged entities	6	1.2	11	1.9
Notaries and Nat. Council of Notaries	5	1.0	9	1.6
Other (2)	1	0.2	2	0.3
Total	513	100	580	100

(1) Financial intermediaries and entities not included in the preceding categories. - (2) Non-financial entities not included in the preceding category.

Transactions on prepaid cards remained almost unchanged overall, despite an approximate drop of 22% in reports submitted by the issuing EMIs. This result is the effect of a greater propensity of these obliged entities to collate all information concerning an entire operational case using the mass reporting method provided by the UIF.

The territorial distribution of the reports appears in line with that of the two-year period 2019-2020 (Figure 4.3).

Figure 4.2



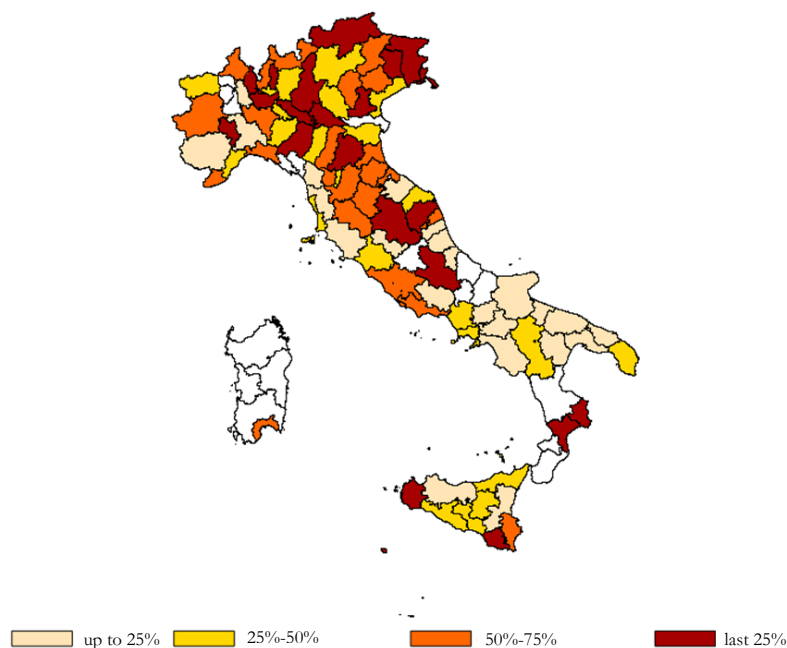
(1) The data are calculated taking into account the actual number of transactions, including those reported in aggregate.

The overall prevalence of the central-northern Italian regions and the concentration in the four reference areas identified last year is confirmed, with some variation in the breakdown by province: (a) the northern border areas (Bolzano, the whole of Friuli Venezia Giulia) and the Alpine and pre-alpine belt of Lombardy (Sondrio, Brescia, Lecco, Como, Varese); (b) the Po Valley area of Lombardy and Emilia (Milan, Cremona, Mantua, Parma, Bologna); (c) central Italy in the Apennines (from the southern provinces of Romagna to L’Aquila); (d) the coastal provinces of eastern Calabria (Crotone, Catanzaro) and southern Sicily (Trapani, to the west; Ragusa and Syracuse, to the east). This geographical distribution is consistent with an interpretation that ascribes greater relevance to areas that are more attractive for the settlement of immigrants due to the economic opportunities offered or the previous presence of compatriots from countries considered at risk of jihadist activity – areas (b) and (c) – or to places of migration transit, such as areas (a) and (d).

Geographical distribution

Figure 4.3

Terrorist financing reports received by province
(number of reports per 100,000 inhabitants)



4.2. Types of transactions suspected of financing terrorism

A review of the reported cases confirms a breakdown into two main macro-categories.

In the first of these, reports generally derive from identifying transactions ordered by customers whose personal details match those of individuals recognized for their terrorist affiliations by national or international authorities. These are persons on public lists (UN, EU and OFAC) or identified following the receipt of requests for documentation by Investigative Bodies during investigation activities. The breakdown of reports by class of reporting party distinguishes between two types of subjective ‘trigger sources’: reports on possible listed subjects continue to be largely submitted by banking institutions, while those on individuals under investigation by money transfer establishments. In fact, the inherently global projection of money transfer circuits enables operators to collect information requests from the authorities of several countries and to share the monitoring results related to transfers carried out by the actors involved and their counterparties with the relevant FIUs.

In the second macro-category, on the other hand, the detection of purely financial anomalies relating to possible terrorist financing schemes requires the knowledge of highly differentiated information concerning the economic sectors involved, the payment instruments used, the motivations for transactions and the respective execution methods. It is not surprising, therefore, that the main contribution to this second group comes from EMIs and banks: in fact, compared to money transfer establishments, both of the former reporting categories broker a wider range of transactions and have greater information elements, also deriving from the continuous analysis of their financial relationships and the documentation produced by customers.

Finally, it is confirmed that reports concerning suspicions on non-profit organizations are almost exclusively submitted by banks and remain unchanged compared to 2020 (stable with a share of 6–7% that has consistently represented this report class over the last four years - see Table 4.2).

The stationarity of this data reflects the stability of the risk scenario outlined in the introduction, without being impacted by the only potentially relevant event (the changes in Afghanistan’s internal situation since August 2021), the reporting flow having remained unchanged over the two half-year periods.

Table 4.2

Reports on non-profit religious entities (1)					
	2017	2018	2019	2020	2021
Number of reports	81	71	54	38	38
As a percentage of the total reports classified as financing of terrorism	7.3	6.0	6.5	6.9	6.1

(1) The number and the share are recorded also taking into account the reports originally received in the suspected money laundering category.

4.3. The UIF’s analyses

Faced with the substantive stability of the types of reports of suspected terrorist financing, the quantitative increase in the cases under investigation (Italian or foreign) notified by money transfer establishments and the greater informative scope of the financial operations represented by EMIs have prompted the Unit to direct its analytical activity towards an increasingly extensive application of network analysis techniques to the area of terrorist financing and potentially associated events. The high number of subjects included in

this type of reports, which are then implemented with the results from automatic data matching with the Unit's dataset, made it necessary to select the guidelines for in-depth financial analysis, identifying the 'hot spots' of the network on the basis of the transaction characteristics and the possible role played as part of anomalous schemes already observed, or due to their relevance within the network itself.

A further incentive to proceed in this direction comes from the investigative feedback received in 2021 on certain network analyses conducted by the Unit in past years on cases linked to terrorist financing. The original suspicions of the reporting parties and the assumptions made during the financial investigation were confirmed by the types of offences alleged, in addition to the possible terrorist financing profiles. The latter included the falsification of identity documents, the unlawful conduct of financial activities in the form of hawala systems and migrant smuggling, confirming the strategy adopted by the Unit in focusing on offences that are both financially identifiable and potentially instrumental to the financing of terrorism. In this same perspective, in 2021, international attention once again focused on migrant smuggling, which was also possibly a consequence of the aforementioned Afghanistan situation, as documented by a working group within the FATF to which the UIF contributed its results five years ago (see the box 'Terrorist financing and migrant smuggling: logistical and financial connections').

More generally, quantitatively, the Investigative Bodies returned a feedback of interest in about 47% of the 625 suspected terrorist financing STRs submitted in 2021 by the UIF, of which approximately 18% presented at least one match with DNA databases.

Terrorist financing and migrant smuggling: logistical and financial connections

In June 2021, the FATF launched a working group¹⁷ to review the scenario of global money laundering and terrorist financing risk associated with migrant smuggling, updating the last survey on this phenomenon dating back about ten years.¹⁸ The UIF's participation in this working group provided the opportunity to formulate some observations on the connections between migrant smuggling and terrorist financing, based on the Unit's most recent operational results, especially the experience gained in the last five years with the application developed in 2016 for the profiling of the financial behaviour of migrant smugglers.¹⁹

Indeed, migrant smuggling can be exploited for terrorist purposes both in terms of logistics (to facilitate the entry or return to Europe of foreign fighters) and finance (in the form of a share of trafficking proceeds, e.g. as a 'tribute' paid to terrorist organizations that have control over certain migrant routes and thus hold the power of consent over the trafficking itself). At present, the connection between migrant smuggling and terrorist financing in Europe is, therefore, essentially instrumental in nature and is generally devoid of ideological connotations on the part of traffickers, who typically limit themselves to striking 'business deals' with members of terrorist organizations. Therefore, the relative coexistence of the two phenomena is contingent and does not reflect an intrinsic or systematic merging of the two types of organizations.

These observations were echoed by the FATF, which, in the working group's final report,²⁰ identified the financing of terrorism as one of the drivers that have marked the evolution of the risk scenario associated with migrant smuggling with respect to the situation outlined in 2012. Furthermore, the report references as case studies two examples of

¹⁷ *Risks Arising from Migrant Smuggling*, by the Risks, Trends and Methods Group (RTMG).

¹⁸ See *Money Laundering Risks Arising from Trafficking of Human Beings and Smuggling of Migrants*, July 2011.

¹⁹ See the box 'The analysis of the phenomenon of 'migrant smuggling'', in UIF *Annual Report for 2016*, p. 53.

²⁰ See *Report on ML/TF Risks Arising from Migrant Smuggling*, 2022, pp. 27–29.

financial analyses published by the UIF,²¹ which are representative of the integration between pattern recognition and network analysis techniques for the in-depth analysis of the network cases that characterize many of the phenomena linked to the financing of terrorism.

4.4. International activities

As part of the priorities identified by the new presidency, in June 2021, the FATF published a report entitled *Ethnically or Racially Motivated Terrorism Financing*. The report argues that the most significant part of the financing of this class of terrorist groups comes from legal sources (such as donations, crowdfunding and business activities). There are increasing transnational links between groups and an increase in the complexity of how funds are transferred and used.

Analyses continued on ISIL's ability to generate revenue, which has been severely reduced following the loss of control over its territory. The main sources of funding continue to derive from illegal activities, which focus on kidnapping for ransom, migrant smuggling and the trafficking of cultural heritage looted from archaeological sites. Al-Qaeda and its affiliates are funded from the contributions and donations of supporters, as well as from proceeds generated by criminal activities, such as drug trafficking, extortion and kidnapping. In certain cases, these terrorist groups have raised and transferred funds by simulating charitable activities in conflict zones.

In Europe, initiatives to combat terrorist financing continued in line with the Action Plan adopted by the Commission in 2016. The many lines of action identified include strengthening cooperation, especially between FIUs, and eliminating forms of anonymity in financial transactions.

During 2021, the UIF received 101 requests and communications from foreign FIUs relating to terrorist financing. Among these, 65 spontaneous communications referred to remittance networks operated by possible facilitators of terrorists, especially through the Internet. In some isolated cases, the disclosures received from abroad also concerned subjects linked to subversive domestic terrorism. A significant share of the exchanges concerned cross-border reports submitted by two European FIUs. The Unit's requests on terrorism financing were mainly addressed to European FIUs.

²¹ See *Quaderni dell'antiriciclaggio, Analisi e Studi* – no. 11, 2018, *Casistiche di Riciclaggio e di Finanziamento del terrorismo*, p. 59, 'Anomala operatività di carte prepagate connessa al traffico di migranti con possibili collegamenti soggettivi con organizzazioni terroristiche' (Anomalous operation of prepaid cards related to migrant trafficking with possible subjective links with terrorist organizations), [only in Italian](#); no. 16, 2021, *Casistiche di Riciclaggio e di Finanziamento del terrorismo*, p. 62, 'Trasferimenti finanziari riconducibili al commercio di autoveicoli usati, eseguiti tra soggetti dediti al traffico di migranti, con possibili connessioni con il finanziamento del terrorismo internazionale' (Financial transfers referable to the trade in used vehicles, carried out between subjects engaged in migrant trafficking, with possible connections with the financing of international terrorism), [only in Italian](#).

5. CONTROLS

5.1. Inspections and documentation audits

The UIF also contributes to the prevention and countering of money laundering and terrorist financing through inspections and audits of obliged entities. Inspections are aimed at verifying compliance with reporting and disclosure obligations as well as at acquiring data and information on specific transactions or financial phenomena considered significant in terms of size and risk.

This work is undertaken according to a schedule that accounts for the degree of exposure to money laundering and terrorist financing risks of the various obliged entity categories and the control initiatives taken by the other authorities responsible for verifying compliance with AML/CFT provisions. Generic inspections are aimed at assessing the effectiveness of active cooperation and also analysing the procedures aimed at reporting suspicious transactions. Targeted inspections are aimed at tracing specific financial dynamics and thus supplementing information acquired during the examination of STRs or reports from foreign FIUs; they may also be conducted to further examine aspects that may emerge from cooperation with Judicial Authorities, Investigative Bodies and sectoral supervisory authorities. By directly engaging with obliged entities, the UIF also pursues the goals of increasing awareness about active cooperation, enhancing suspicious transaction detection capabilities and increasing the quality of reporting flows.

The ongoing health emergency led the Unit to adopt methods of conducting inspections in a manner compatible with the interpersonal distancing measures imposed by the pandemic. In line with initiatives taken by other authorities, in 2021, the UIF also resorted to inspections involving a limited on-site presence of inspectors and mixed methods of interaction with the audited entities. With a view to exploring alternative control procedures adapted to the pandemic situation, the UIF also initiated documentation audits conducted exclusively remotely, reserved for the in-depth examination of certain operational areas or specific topics.

The Covid-19
health
emergency

The Unit's inspection work, although up from the previous year, has not yet returned to pre-pandemic levels, due to the emergency (Table 5.1). In 2021, the UIF carried out ten inspections, seven of which were general and three targeted, as well as four documentation audits.

The investigations addressed various types of entities. For the first time, inspections were conducted on outsourced debt collection companies pursuant to Article 115 of the Italian Consolidated Law on Public Security, auction houses, and intermediaries operating on-line peer-to-peer lending platforms.

When planning the inspection activities, due consideration was also given to sectors particularly exposed to the risk of unlawful conduct linked to the COVID-19 pandemic, such as public guarantee facilitated loans under what is known as the Liquidity Decree (COVID-19 loans). In particular, the controls concerned intermediaries handling anomalous concentrations of these types of loans granted to companies presenting subjective traits worth inspecting.

Table 5.1

Inspections and documentation audits						
	2017	2018	2019	2020	2021	
Total	20	20	21	3	10	4⁽²⁾
Banks	4	8	15	2	6	1
Trust companies	4	3	1	-	1	-
PIs, EMIs and other financial	3	2	2	1	1	3
Asset Management and Securities Brokerage companies (SGRs and SIMs)	-	4	-	-	-	-
Insurance companies	6	-	-	-	-	-
Other entities ⁽¹⁾	3	3	3	-	2	-

(1) The category includes professionals, non-financial operators and gaming service providers. – (2) Documentation audits.

Moreover, inspections were conducted at banks active in securitization transactions to verify compliance with the obligation to report suspicious transactions in a fast-growing sector characterized by a high degree of technical and operational complexity.

This year, the UIF's customary cooperation with the Bank of Italy's Directorate General for Financial Supervision and Regulation and with a number of Bank of Italy branches also saw the participation of staff from both authorities in a number of inspections. In three cases, the UIF inspection teams were supported by staff from Bank of Italy structures; likewise, Unit staff took part in AML inspections carried out at five different intermediaries by the Directorate General for Financial Supervision and Regulation. In addition, the procedure to facilitate the mutual exchange of information in support of ongoing AML/CFT investigations has become operational and provides a timely response to specific fact-finding needs concerning the subject under investigation.

Inspection results

The UIF's checks on COVID-19 loans revealed widespread shortcomings in the procedures for assessing subjective customer profiles. In many cases, it emerged that the inspected entities were not making full use of the available knowledge base. These deficiencies affected the ability to detect anomalies and identify complex phenomena, such as networks of subjects acting in a coordinated manner in pursuit of illicit gains, with negative qualitative and quantitative impacts on active cooperation.

Inspections in the securitization sector: results and critical issues

The management of the large volumes of impaired loans accumulated over the years on their balance sheets has led banks to make extensive use of securitization transactions. Given the significant financial flows associated with such transactions, the UIF has initiated a series of controls to check that the entities involved in this practice are complying with the reporting obligation.

The inspections undertaken revealed that banks and financial intermediaries operating pursuant to Article 106 of the Consolidated Law on Banking (TUB), which are legally required to conduct compliance audits,²² frequently make use of debt collection companies under Article 115 of the Italian Consolidated Law on Public Security to collect transferred receivables. The presence of several entities subject to AML regulations has at

²² Article 3, paragraph 2-bis, of Legislative Decree 231/2007 prescribes that in securitization transactions, banking and financial intermediaries 'responsible for the collection of assigned receivables, cash and payment services and compliance checks shall fulfil the obligations referred to in this decree, including with regard to debtors assigned to companies for securitization of receivables as well as subscribers of securities issued by the same companies'.

times led to shortcomings in due diligence and active cooperation obligations; in debt enforcement contracts, the rules on information exchanges for AML purposes are often not exhaustive. The sectoral supervisory authority has reiterated that banking and financial intermediaries are required to monitor and manage the risks associated with operations entrusted to third parties and, in particular, to debt collection companies referenced in Article 115 of the Italian Consolidated Law on Public Security, and remain responsible for them.²³

A major lack of transparency was also identified for note underwriters, who, in certain cases, were subsidiaries of foreign entities, which, in turn, were formed in jurisdictions that favoured high levels of confidentiality.

With reference to the management of receivables by Special Purpose Vehicles (SPVs), it emerged that in certain transfer transactions, the acquirer acted by means of a mandate without representation, not disclosing the identity of the beneficial owner and thus hindering the fulfilment of due diligence obligations. In other cases, significant risks emerged that the acquirers could be associated with criminal organizations.

As regards the private banking sector, significant critical issues were found in the communications between the various levels involved in managing and vetting customers for anti-money laundering purposes. The investigations identified discrepancies between the AML policy guidelines established at the group level and operational practices for customer profiling; the checks confirmed the need to monitor the sector, which is affected by different reference regulations and where there is a risk of merely formally complying with AML obligations.

A high exposure to money laundering risk has emerged in small intermediaries operating in areas characterized by the widespread presence of organized crime, mainly due to a lack of awareness of the territorial network as regards active cooperation, as well as to the underestimation of the anti-money laundering function.

Inadequate anti-money laundering safeguards were found in the sector of trust companies registered in the list managed by the Ministry of Economic Development, incapable of ensuring proper compliance with active cooperation obligations against the inherent risks in the sector.

Deficiencies in the due diligence process have emerged during inspections at the premises of operators active in the art trade, with particular reference to customer profiling for AML purposes and enhanced due diligence. In addition, the audits revealed that certain deficiencies in data storage and, in particular, difficulties in ensuring its historicity, integrity and non-alterability had a negative impact on the effective fulfilment of suspicious transaction reporting requirements.

As a result of the inspections, the UIF has informed the supervisory authorities on the respective profiles, including the Bank of Italy, the Special Foreign Exchange Unit of the Finance Police (NSPV), the Italian Insurance Supervisory Authority (IVASS) and the Ministry of Economic Development (MISE). With reference to an inspection launched at the end of 2020, information flows also took place with the judicial authorities in relation to cases which were possibly connected with criminal activity.

²³ See Directorate General for Financial Supervision and Regulation of the Bank of Italy, 'Communication: Servicers in securitization transactions. Risk profiles and supervision guidelines', 10 November 2021 ([only in Italian](#)).

5.2. Sanction procedures

Anti-money laundering legislation envisages a complex system of administrative sanctions aimed at dissuading violations of its obligations.

On the basis of inspection and documentation audit findings, the UIF verifies and notifies violations of the suspicious transaction reporting and communication requirements established by Legislative Decree 231/2007. Depending on the responsibility ascertained, the Unit transmits to the MEF the suspected violation notified to the parties concerned or else submits them to the sectoral supervisory authorities for the matters within their respective competence, for the levying of the sanctions provided for by law.

The sanctioning measures for which the UIF is responsible perform an important enforcement and deterrence function, which complements that deriving from the overall system of organizational safeguards imposed by the legislation, from the supervision enforced by the various authorities, and from criminal offence penalties.

Under legislation regulating gold transfers, the UIF conducts the investigation phase related to criminal proceedings initiated by other authorities, submitting the relevant case files to the MEF, accompanied by an illustrative report (on the UIF's jurisdiction for gold declaration, see the section: Gold declarations in chapter 6).

The complex structure of sanctioning powers has required increasingly broader forms of coordination and liaison with the sectoral supervisory and control authorities, with particular reference to suspicious transaction reporting violations.

Inconsistent behaviour can lead to uncertainties and prompt defensive reports that lack meaningful content, which unnecessarily increase the number of reports, which has an impact on the effectiveness of the action of the authorities themselves.

Exchanges of
information
and coordination
with the Authorities

To this end, there has been an escalation in exchanges to jointly examine alleged AML violations and for the initiatives taken to be mutually disclosed. With the Bank of Italy's Directorate General for Financial Supervision and Regulation, practices have been consolidated, involving mutual and systematic participation in the respective collegial bodies responsible for assessing irregularities. In addition, the findings forwarded by the Unit for an inspection carried out at the same time as the Bank of Italy's supervision of a financial intermediary were incorporated into a sanctioning procedure under the latter's responsibility in order to supplement the charge of violating the provisions of Legislative Decree 231/2007.

The UIF organized a webinar on the subject of active cooperation with the participation of representatives of the Directorate General for Financial Supervision and Regulation, the Finance Police, the MEF and a magistrate of the Court of Cassation in the first months of 2021 with a view to strengthening cooperation in the control and sanctioning activities for failing to report suspicious transactions.

The technical coordination panel on controls and sanctions

In early 2021, a technical coordination panel on controls and sanctions (hereinafter the Panel) was set up. It is coordinated by the UIF, with the participation of the other authorities involved in the inspection of irregularities (the Bank of Italy's Directorate General for Financial Supervision and Regulation, the Finance Police, the MEF, IVASS, as well as other authorities and administrations concerned for specific issues). The Panel promotes the pooling of know-how and methods by the various authorities involved in the assessment process to encourage shared assessment techniques and thus make the sanctioning system more effective.

The Panel examined several issues, including the identification of criteria to establish the relevance for sanctioning purposes of the delay in submitting STRs under Article 35 (1), of Legislative Decree 231/2007. It was agreed that assessments should be conducted on a case-by-case basis, avoiding automatic evaluation criteria, which could trigger merely precautionary reports and affect active cooperation. The appropriate time frame for considering a report to have been submitted late, and thus punishable in the same way as a failure to report, was identified as the time that an intermediary would have taken to form a reasonable suspicion based on the overall information available.

The correct classification of a reporting omission offence was also discussed, with a view to orienting the obliged entities to report effectively relevant transactions and thus improve the quality of the ever-increasing flow of reports.

Further topics were discussed: the exchange of information on irregularities detected with supervised entities, taking into account the competing jurisdictions of various authorities in the matter of failure to report suspicious transactions; the coordination of control activities with EU entities operating in Italy with forms of establishment other than branches.

In the year under review, the UIF initiated four administrative sanction proceedings for failure to report suspicious transactions ascertained during inspections (Table 5.2). The allegations notified to the concerned parties were forwarded to the MEF for the possible imposition of the applicable sanctions.

Table 5.2

Administrative irregularities					
	2017	2018	2019	2020	2021
Failure to report suspicious transactions	17	8	18	12	4
Failure to submit aggregate data	-	1	1	1	-
Violation of Article 49(1), It. Leg. Decr 231/2007	-	-	-	1	-
Failure to declare gold-related transactions	5	26	28	12	13
Failure to freeze funds and economic resources	5	-	-	-	-

In 2021, the Unit forwarded documentation to the MEF relating to inspections conducted for 13 sanction procedures regarding gold transfers. Seven cases referred to transactions conducted abroad, some of them under the voluntary disclosure procedures. Three other cases concerned transactions involving used gold destined for smelting in order to obtain gold relevant for the purposes of the related declarations. The MEF agreed on the Unit's interpretation on this issue and imposed the consequent administrative fines.

Sanction proceedings on gold transfers

6. STRATEGIC ANALYSIS

International standards rank strategic analysis as one of the institutional functions of FIUs alongside operational analysis. In line with these principles and national legislation, the Unit is committed to identifying and assessing phenomena, trends and systemic weaknesses.

Strategic analysis makes use of the information and indications deriving from the in-depth analysis of suspicious transactions, the analysis of Aggregate Anti-Money Laundering Reports (SARA), operational activity, and cooperation with national and international authorities and inspections. These sources are supplemented, where necessary, with additional data and information specifically requested from intermediaries.

The information is processed and cross-correlated to help guide the institutional action of the UIF, the programming of activities and the selection of priority goals to be pursued. Strategic analysis also employs quantitative methods, such as econometric techniques and data mining tools capable of identifying statistical trends and anomalies.

The purposes of strategic analysis include assessing the risk of the economic-financial system being involved in money laundering and terrorist financing operations; this applies to the system in its entirety and in terms of specific geographical areas, means of payment and economic sectors, including identifying situations that may be the subject of targeted inspections.

6.1. Aggregate data

SARA reports are submitted monthly by financial intermediaries and derive from the aggregation of data on their transactions according to criteria determined by the UIF with a specific 'Measure' ([only in Italian](#)); data received since January 2021 concern all transactions arranged by customers for amounts equal to or greater than €5,000.

The data are anonymous and cover the full range of payment instruments and financial transactions. The aggregation in SARA data mainly concerns the means of payment used, the location of the reporting branch, the sector of economic activity and residence of the customer, the location of the counterparty and related intermediaries (in the case of credit transfers and remittances). The data refer to both incoming and outgoing transactions, and report any amount of transactions in cash separately.

The provisions on SARA data introduced by the 'Measure' ([only in Italian](#)) issued by the UIF in August 2020 have become applicable starting from the reports for January 2021. From the analysis of SARA data relating to 2021, the effects of the measures introduced are evident (Table 6.1): in particular, the Measure clarified that reports relating to transactions between intermediaries themselves, which some had improperly included in the survey starting from the second half of 2019, should not have been submitted. The total value of financial operations reported to the UIF in 2021 (approximately €36,000 billion) dropped significantly compared to the previous two years, returning to levels similar to those recorded in 2018. On the other hand, both the number of records submitted (162.2 million) and the number of underlying transactions (543.6 million) increased by about 50% due to the combined effect of the lowering of the reporting threshold (from 15,000 to 5,000) and the increase in the number of reporting parties (from 1,442 to 1,498), which comes from extending the obliged entities to include SICAFs and the EU-based PI and EMI points of contact.

SARA data

Table 6.1

Aggregate anti-money laundering reports (SARA reports)				
	Number of reporting entities in the year	Number of records (1)	Total amount (billions of euros)	Number of underlying transactions
Banks, Poste Italiane and CDP	488	139,788,478	34,932	430,028,669
Trust companies under Law 1966/1939	198	46,927	19	124,603
Asset management companies	234	2,470,071	321	12,501,587
Financial Intermediaries under Article 106 of the TUB	210	2,538,047	323	6,314,422
Investment firms	132	306,343	127	2,617,919
Insurance companies	72	1,764,313	152	3,451,956
Payment institutions and EU-based PI points of contact	72	8,041,118	43	30,746,608
EMIs and points of contact of EU-based EMIs	14	7,159,165	108	57,348,388
Trust companies under Article 106 of the TUB	34	131,926	139	494,496
SICAFs	44	415	1	619
Total	1,498	162,246,803	36,165	543,629,267

(1) SARA data may be corrected by reporting parties; statistics shown in the table are based on data updated as of 4 March 2022.

Banks (representing 33% of the reporting parties) account for approximately 86% of the SARA data received and 79% of the number of underlying transactions, corresponding to 97% of the total reported value.

Information about cash transactions is one of the most relevant in terms of money laundering prevention in the SARA data. In addition to the amounts related to withdrawals and cash payments on accounts, the reports also evidence the amount settled in cash in other types of transactions (such as the purchase and sale of securities and the issuance of certificates of deposit).

In 2021, the number of cash transactions decreased compared to the previous year (down 16.9%), while the amounts remained constant at approximately €158.6 billion, after the significant decrease (20.8%) recorded in 2020 due to the pandemic.²⁴ However, while withdrawals dropped (down 20%, from €9.0 to €7.2 billion), deposits remained almost unchanged (up 1.3%, from €149.4 to €151.4 billion).

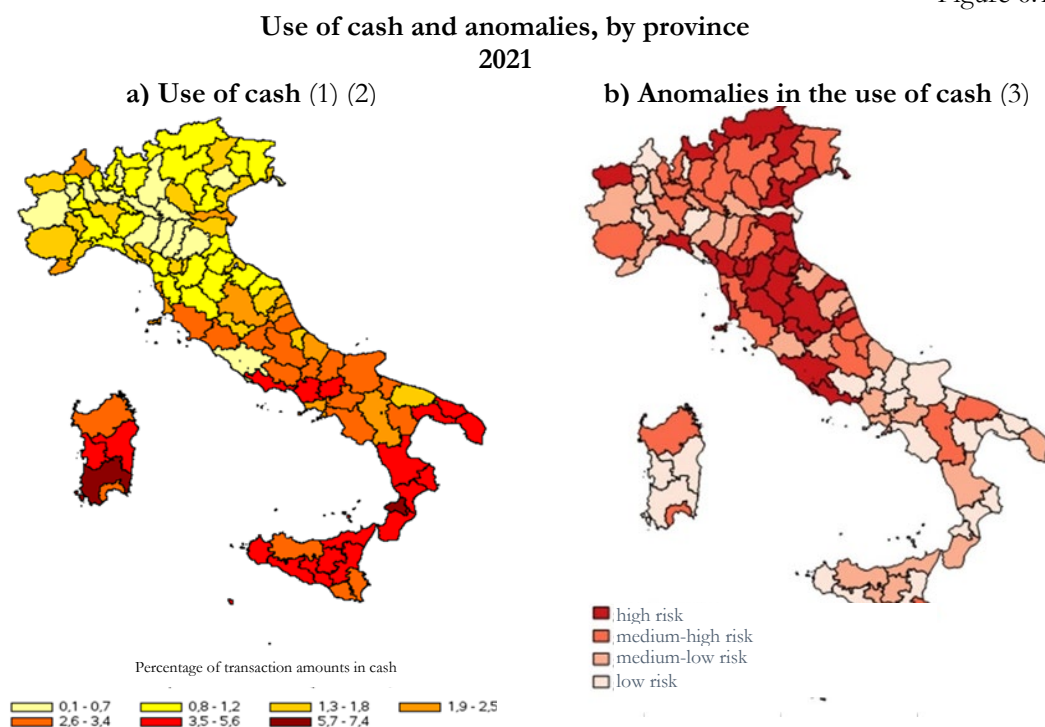
The sharp drop in withdrawals, whose total amount is usually smaller than deposits because they are more fragmented, appears to run counter to the reduction in the reporting

²⁴ The total value is lower than that recorded for threshold-based communications (€225.5 billion; see Section 1.4, 'Threshold-based communications'), due to the differences in the thresholds envisaged and in the related application criteria (€10,000 euros in total per subject and month in the case of threshold-based communications and €5,000 per individual transaction in the case of SARA data). The different degree of coverage of cash transactions was reflected in the trends: in 2021, the transactions and amounts recorded in the threshold-based transactions showed increases of approximately 4% compared to 2020.

threshold and could be a sign of the structural change in spending habits resulting from the pandemic, with a more widespread use of alternative means of payment.²⁵

Geographically, the percentage of cash use on total transactions reported to the UIF maintains the usual gap between North, South, Centre and Islands (Figure 6.1a).

Figure 6.1



(1) Share of cash transactions in total movements. – (2) For consistency with the preceding years, the SARA data used do not include the transactions of general government or of financial and banking intermediaries resident in Italy, in the European Union or in countries considered equivalent by the MEF Ministerial Decree of 10 April 2015. SARA data may be corrected by reporting parties; the data used in this chapter are updated as of 4 March 2022. – (3) Preliminary results. The analysis variable (use of cash) is updated to 2021, some explanatory variables to 2019 (last year available as of March 2022). The shadow economy at municipal level is measured as the share of under-reporting of added value, as estimated by ISTAT.

The traditionally greater propensity to use cash in southern regions can be explained by socio-economic and financial factors, such as the spread of other payment instruments, spending habits and the availability of local financial services. Considering the aforementioned factors, it is possible to isolate the share of cash transactions that cannot be traced back to the socio-economic and financial fundamentals observed at the local level; this share identifies the component of cash use to be considered potentially anomalous and, therefore, indicative of illicit conduct. This type of econometric analysis, which was developed by the UIF,²⁶ provides a picture of the risk associated with the use of cash based on the incidence of such anomalies (Figure 6.1b), which differs from that which emerges from an examination of cash use alone.

Anomalies in the use of cash

Confirming the evidence that has emerged in past years, in 2021, the highest levels of money laundering risk linked to the use of cash are again to be found in the central and northern provinces, mainly concentrated in Lazio, Emilia-Romagna, Tuscany, Umbria and Veneto, as well as in a number of border districts. As in the past, in these areas, characterized by a lower average use of cash than observed in the rest of the country, criminals seem to be

²⁵ It should also be noted that the data are affected by the changes introduced by the aforementioned Order of August 2020 which, in addition to reducing the reporting threshold, envisaged the elimination of fractional cash transactions.

²⁶ Giammatteo, M. (2019), 'Cash use and money laundering: An application to Italian data at bank-municipality level', UIF, *Quaderni dell'antiriciclaggio, Analisi e studi*, no. 13.

able to exploit the best investment opportunities available in both the legal and illegal economy. Although the general picture has remained essentially static, there were significant increases in the degree of risk in the provinces of Ancona, Cuneo, Padua and Prato, while a reduction was observed in the provinces of Catania, Gorizia and Vercelli.

The bank transfer is another payment instrument included in the SARA flows, which is of particular importance in the fight against financial crime. The information content of the reports referring to bank transfers is extensive, including information concerning the residence municipalities (or foreign countries) of counterparty and related intermediary. This wealth of information makes it possible to compile statistics and correlations based on the origin and geographical destination of the funds.

Cases where the foreign intermediary involved in the transfer is located in a tax haven or non-cooperative country are particularly interesting: reasons that are not strictly economic but instead relate to the lack of transparency of tax and financial systems may justify the transfer of funds to these jurisdictions.

Cross-border bank transfers

In contrast to the previous year, 2021 saw an increase in international bank transfers: the total value of transfers increased to €3,193 billion from €2,591 billion (up 23.2%), also higher than the levels observed in 2019. This trend also applies to incoming transfers (€1,662 billion against €1,343 billion in 2020, up 23.8%) and outgoing transfers (€1,531 billion against €1,248 billion in 2020, up 22.7%; Table 6.2).

Table 6.2

Cross-border bank transfers by country of destination and origin (1)

	Outgoing	Incoming	Total
Total	1,531	1,662	3,193
EU Countries	981	1,045	2,026
France	283	308	591
Germany	270	276	546
Belgium	96	94	190
Netherlands	86	80	166
Non-EU countries	550	617	1,167
United Kingdom	269	297	566
United States	117	128	245
China	25	12	37
Turkey	11	12	23
Russia	7	13	20
of which: tax havens	71	86	157
Switzerland	40	51	91
Hong Kong	10	7	17
Singapore	4	4	8
Abu Dhabi	2	5	7
Principality of Monaco	2	4	6

(1) See Figure 6.1, note 2.

The structure of our country's international trade determines the distribution of transfers between the various partner countries as a reflection of the relative financial incidence. If flows with the UK are included among intra-EU transfers, these show an increase in line with the general trends (up 23.3%); however, while flows with Germany and France increased more than the average (up 30% in both cases), those with the UK grew less, presumably due

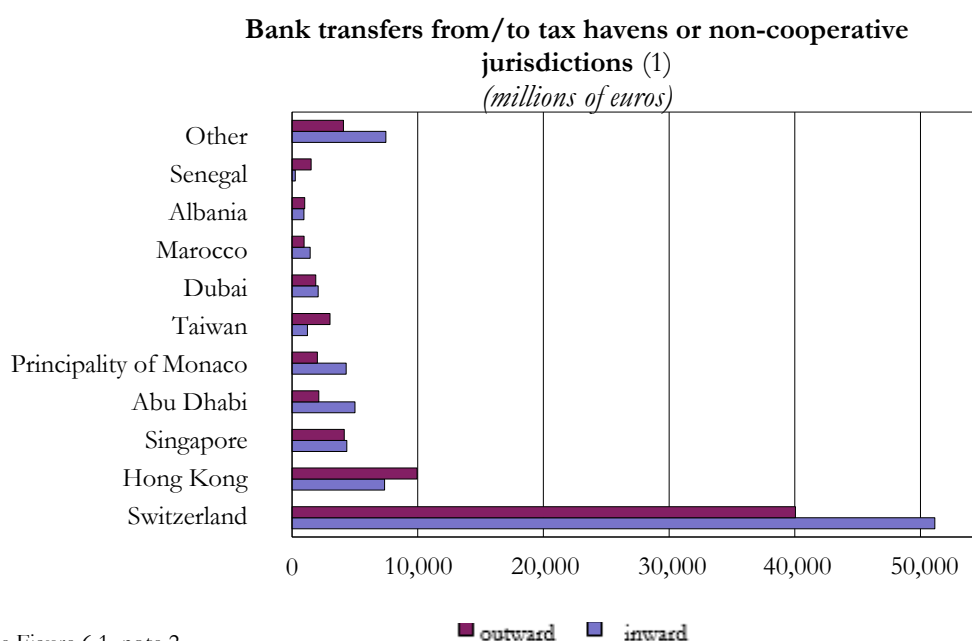
to Brexit (up 10.3%). However, the share of total transfers with European partners (81%), including the United Kingdom, remains prevalent. The trend in transfers to non-EU countries, net of flows to the UK, was in line with the general trend (up 23.2%). Among the main non-EU countries, the growth in the value of transfers with the US (up 35.4%) and China (up 37%) was significant. Flows with Turkey, although not yet back to 2019 levels, also increased by 37.5%. The value of the flows with Russia remained unchanged.

In contrast to the sharp decrease observed in 2020, flows with tax havens or non-cooperative countries²⁷ started growing again, albeit to a lesser extent than the general trend (up 19.8%), but with slightly different trends for outgoing transfers (up 18.3%) than for incoming transfers (up 21.1%).

While flows with Switzerland grew more modestly than with the other countries (up 13.8%), transfers with Singapore and Taiwan increased. Compared to the previous year, Albania was confirmed as one of the top 10 counterparty countries, while Bahrain and Malaysia were no longer included, replaced by Senegal and Morocco, which were included in the official lists in 2021 (Figure 6.2).

Flows with tax havens

Figure 6.2



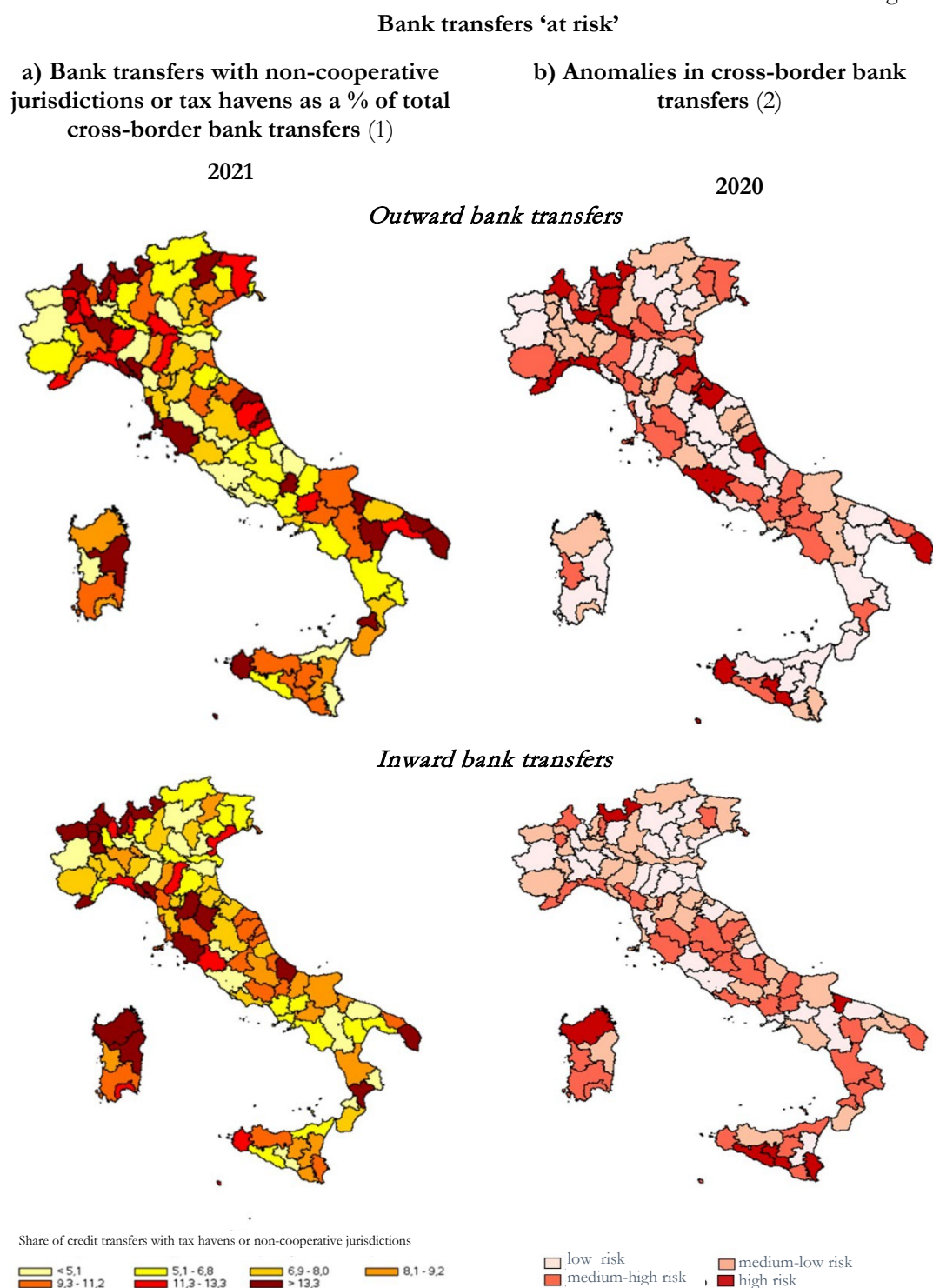
(1) See Figure 6.1, note 2.

Among the provinces, distribution of transfers with non-cooperative or tax havens remains particularly uneven and differentiated over the years between inflows and outflows (Figure 6.3a).

Anomalies in financial flows

For the latter, the incidence is, on average, higher in the southern regions and the North West (especially in the border provinces), with some notable exceptions, such as Marche and some districts in Tuscany and Veneto. The situation for incoming flows is more fragmented: the provinces with the highest incidence of flows are distributed from North to South (Val d'Aosta, Piedmont, Liguria, Tuscany, Abruzzo and Sardinia); these are accompanied by specific provinces in Lombardy (the border provinces), Apulia and Calabria.

²⁷ The list of non-cooperative and/or preferential tax countries used is taken from the ministerial decrees implementing the Italian Consolidated Law on Income Tax (TUIR), from the lists of *High-Risk and other monitored jurisdictions* published by the FATF in February 2021, from the *EU list of non-cooperative jurisdictions for tax purposes* (update of February 2021) and from the list of countries identified by the European Commission with delegated regulation EU/2016/1675 and subsequent amendments. With respect to 2020, Burkina Faso, Morocco and Senegal were added to the list and Iceland and Mongolia were dropped.



(1) See Figure 6.1, note 2. – (2) The maps highlighting anomalies in foreign bank transfers refer to 2020, the most recent year for which all the data necessary for the estimates are available.

However, in 2021 the relative significance of the phenomenon underwent some changes: the incidence of flows to this group of countries increased in some Calabrian and Lucanian provinces, in Puglia and Lazio, while it decreased significantly in the North East, in the Aosta Valley, Abruzzo and Molise. The share of inflows has grown throughout the South (especially in Molise and Sicily) with the exception of Basilicata, where it has decreased, as well as in Friuli Venezia Giulia.

Such flows, however, may have physiological financial causes. As in the case of cash transactions, an econometric model was applied to foreign flows to distinguish the share of transfers that can be attributed to the economic and financial fundamentals of the Italian provinces and counterpart countries from those that cannot be justified on the basis of these structural factors. This amount, which can therefore be considered anomalous, is used to devise a risk rating (Figure 6.3b).

Anomalies in outflows mainly affect the provinces in the North West (especially in Liguria and Lombardy, where Sondrio has the highest share of anomalies detected) and in Sicily; the presence of high-risk areas in the rest of the country is rarer. With regard to incoming flows, there are fewer high-risk provinces: apart from the confirmation of Sondrio, the provinces with the highest incidence of anomalies are concentrated in Sicily, with noteworthy clusters in Sardinia and Puglia.

6.2. Analyses of aggregated data and research activity

Data quality is essential to ensure the reliability of financial flow analyses and studies. In order to identify potential reporting errors, aggregated data are subjected to automatic statistical checks based on quantitative methods when they are acquired at the UIF. This control activity is designed to identify not only possible erroneous data, but also potential anomalous flows that should be further investigated by the reporting parties. Two types of checks are applied: in systemic checks, the data of each reporting agent are compared with the reports of the entire system for the same month; non-systemic checks, on the other hand, compare the behaviour of individual intermediaries with the reports transmitted by them over the previous twelve months.

Data identified as anomalous by the control algorithms are sent to the intermediaries, who check their accuracy and correct any errors in detection.

The UIF continues to conduct studies of phenomena and relevant operations based on the use of econometric techniques with the dual purpose of increasing knowledge of particular phenomena and providing operational indications for preventing and combating money laundering. The results of this work are used internally to identify sectors and geographical areas at risk and cases susceptible to further inspection. The evidence is also shared with the other authorities in the anti-money laundering system according to their respective functions. The methodology and the general findings are published in the *'Analisi e studi'* series of *'Quaderni dell'Antiriciclaggio'* (only in Italian).

In 2021, approximately 25.000 statistically anomalous aggregate data were detected, in relation to which 809 intermediaries (including 451 banks) were asked to perform checks on the data submitted: in 6.5% of the cases, the reporting parties found errors in the data submitted, while 1.1% of findings (281 cases) related to SARA data linked to STRs already submitted to the UIF; a further 186 findings (0.7% of the cases) prompted a review of the linked transactions by the intermediaries in order to assess whether to submit an STR.

Data
quality
monitoring

The regulatory changes introduced and the intensive technological upgrades applied to supporting IT infrastructure (see Section 10.4, 'IT resources') led to a significant increase in requests for assistance made by the reporting parties for the purpose of sending SARA reports and Gold Declarations, which in 2021 exceeded 3,200 instances (up 30%).

In 2021, a project was launched involving both of the Unit's directorates to establish a procedure for compiling a list of countries at risk for operational and strategic analysis purposes. In addition to the presence of individual countries on official lists, criteria based on the observation of relevant qualitative data and information available to the UIF would also be considered.

List of
countries
at risk

The research work included a study carried out in cooperation with the Bank of Italy's Directorate General for Economics, Statistics and Research, which provides empirical evidence of the existence of a causal link between the use of cash and the scale of irregular economic activities.²⁸

The relationship between the use of cash and the shadow economy

The large size of the shadow economy and the widespread use of cash make it particularly interesting for our country to investigate the existence of a connection between these two phenomena. Thanks to the guarantee of anonymity that characterizes cash, irregular transactions or transactions linked to illegal activities are often settled with this instrument.

The statistical relationship between the use of cash and the volume of irregular economic activities is documented in the literature, and there is strong supporting evidence in this regard. However, systematic empirical analyses supporting this case are very limited.²⁹

The study analyses the causal relationship between the use of cash and the incidence of shadow transactions. With respect to existing literature that compares different countries, this study is innovative in that it analyses details of the various provinces in Italy only. The data used is provided by multiple sources (UIF, Bank of Italy, ISTAT, Ministry of Justice and the Revenue Agency) and includes, in particular, SARA data (cash withdrawals and deposits at bank branches) and estimates of the shadow economy (limited to under-reporting of turnover by businesses) provided by ISTAT as part of a well-established cooperation project with the Bank of Italy and the UIF.

The empirical strategy used (based on what is referred to as instrumental variables method) is robust where potential reverse causality exist between interrelated phenomena.³⁰ The results obtained show the existence of a positive causal relationship between cash movements and the share of shadow added value on the provincial level.

An econometric study launched in 2020 is currently nearing completion; examining the period of local municipal elections held in Italy between 2008 and 2018, its aim is to empirically determine the extent of changes in the volume of local cash transactions that cannot be explained by economic fundamentals or the effects of the elections themselves on the local economy.³¹

The results, obtained using estimates based on difference-in-difference models, confirm that the close proximity to the municipal elections examined coincided with uses of cash that are not due to physiological and structural factors. Therefore, these variations are anomalous, being mainly observed in the three months prior to elections, and they are more pronounced in smaller municipalities, with increased frequency as the electoral campaign ramps up.

²⁸ Giammatteo M., Iezzi S., Zizza R. (2021), 'Pecunia olet. Cash usage and the underground economy', Bank of Italy, Questioni di economia e finanza, No. 649.

²⁹ See Immordino G., Russo F.F., 'Cashless payments and tax evasion', *European Journal of Political Economy*, 55, C, 2018, pp. 36-43 and Marmora P., Mason B.J., 'Does the shadow economy mitigate the effect of cashless payment technology on currency demand? Dynamic panel evidence', *Applied Economics*, 53(6), 2021, pp. 703-718. The first refers to a panel of European countries, the second study concerns a wider group of countries, also non-European.

³⁰ Instrumental variables are quantities strongly correlated with one of the variables under analysis (in this case the use of cash), but which have no direct relationship with the other target variable (the shadow economy) except through the first. In this way, it is possible to investigate the existence of a causal link between the two relevant quantities while avoiding capturing effects due to the existence of reverse causality or other forms of endogeneity.

³¹ The study was presented at the 'Symposium on Data Analytics for Anticorruption in Public Administration' organized by the World Bank in October.

In 2021, the econometric model based on Italy's bilateral foreign trade statistics was updated to identify anomalies potentially related to the unlawful transfer abroad of funds. The methodology developed makes it possible to identify potential declaratory and accounting irregularities (such as the false declaration of the value of trade flows or of the residence of the commercial counterparty) that is due to what is referred to as trade-based money laundering (TBML). The update carried out on the latest internationally available data (2015-19) confirmed the robustness of the already published statistical results.³² It was therefore possible to update the rankings of Italy's trading partner countries and product sectors with statistically significant risk ratings.

Anomalous trade flows

A number of European and non-European countries of particular interest have joined the ranks of partners (with an average incidence of anomalous flows of around 7%). With regard to commodity sectors, certain new product categories have emerged that were already classified as high-risk in a recent FATF report on TBML.³³ Possible developments in this activity may stem from the [Memorandum of Understanding](#) recently signed by the UIF and the Customs and Monopolies Agency, on the basis of which mutual cooperation and information exchanges between the two institutions are to be regulated (see the box 'Memorandums of Understanding for the improvement of institutional cooperation' in Chapter 7).

In 2021, work continued on defining a procedure for identifying anomalies in international financial flows. The 'mixed-effects' econometric model used has the advantage that it can be estimated without resorting to external data sources (often difficult to access and not always up-to-date for all the countries counterparty to the transfers with Italy), using only the information contained in the most up to date and detailed SARA data available.

Monitoring of foreign cash flows and identification of anomalies

The procedure, which is currently undergoing statistical validation, makes it possible to automatically scan yearly financial flows between Italy and any relevant foreign country. On the basis of a number of indicators, it identifies two types of anomalies: i) detailed anomalies, which identify specific flows to be subjected to targeted in-depth analyses if necessary, ii) aggregate anomalies, identified with reference to some of the main available dimensions (the customer's sector of economic activity, the municipality/country of destination/country of origin of the transfers, etc.). The model assures a high degree of flexibility: the procedure can, in fact, be activated in order to identify anomalous flows with reference to different relevant dimensions, such as specific economic sectors of customers, geographical areas (e.g. individual municipalities or provinces) or reporting intermediaries.

As part of a new line of research on the application of machine learning methods, a supervised learning algorithm (gradient-boosted decision trees) has recently been developed that enhances the methodology already started a few years ago in the Unit to identify companies potentially infiltrated by organized crime. An infiltration risk indicator applicable to the landscape of Italian companies was derived using a sample of approximately 1,800 Italian companies with strong evidence of infiltration.³⁴ The machine learning algorithm is characterized by particularly satisfactory performance levels and has been subjected to various robustness tests to guarantee the stability of the results.³⁵ Looking ahead, the indicator could

Machine learning based infiltration indicator

³² Gara M., Giammatteo M., Tosti E., 'Magic mirror in my hand. How trade mirror statistics can help us detect illegal financial flows', *The World Economy*, 42 (11), 2019, pp. 3120–3147.

³³ See '[Trade-Based Money Laundering: Trends and Developments](#)'.

³⁴ The sample of companies initially infiltrated, provided by the Carabinieri '*Raggruppamento Operativo Speciale*', was recently expanded with a set of confiscated companies from the ANBSC (National Agency for the Administration and Destination of Assets seized and confiscated from organized crime) registry and with a third group of companies for which, consulting confidential databases, at least one partner/administrator was investigated for organized crime.

³⁵ In particular, the accuracy of the indicator is 86.5% (percentage of true positives, infiltrated companies, and true negatives, non-infiltrated companies, on the total of the companies examined) and its reliability is 84.3% (percentage of true positives, infiltrated companies, on the total of the expected positives).

be used as part of the operational analysis of STRs or as an aggregate risk indicator (geographical and sector-specific) in strategic analyses.

Cooperation projects

In 2021, a number of important collaborations continued between the UIF and other national institutions, including ANAC, to define corruption indicators at the national and local level, the Bank of Italy, to revise the inspection guide, as well as with reference to checks on non-banking financial intermediaries, and to use data on the payment system to produce official estimates of macro-economic variables, including those relating to the shadow and irregular economies. ISTAT is also collaborating on the latter project.

Projects were also launched with several Italian universities to verify the effect of financial crises on the infiltration of organized crime in production activities, and the presence of anomalous financial dynamics in the areas most affected by organized crime during the health emergency.

Meetings and conferences

During 2021, the analyses and studies carried out by the UIF were presented at national and international conferences. In January, three studies conducted by the Unit were presented at an international conference organized by the Central Bank of the Bahamas on the use of empirical approaches in combating money laundering and financial crime. The study on the relationship between the use of cash and the shadow economy (see above) was presented at the seventh edition of the Shadow Conference and the Banking Research Network Workshop organized by the Bank of Italy, while the econometric model to automatically identify anomalies in financial flows with foreign countries (see above) was presented at the 17th Applied Statistics Conference. Finally, the work on identifying anomalous trade flows was presented during the preparatory work for a training course on Financial Intelligence Analysis organized by the World Customs Organization in cooperation with the Egmont Group.

6.3. Gold declarations

The regulation of the gold market in Italy prescribes the obligation to disclose to the UIF transactions involving investment gold or gold material that is primarily for industrial use (other than gold used for jewellery). The obligation concerns transactions of an amount equal to or greater than €12,500 for trade or international transfers.³⁶ Consistent with the regulatory requirement, the competent authorities may have access to the content of the disclosures not only for anti-money laundering purposes, but also to counter tax evasion and protect public order and security.

The declarations are divided between *ex post* declarations, which are monthly and include all transactions that took place during the reporting period, and advance declarations, which are provided for accompanying international transfers.

Gold transactions recorded in 2021 amounted to just over €22.5 billion (Table 6.3), recording a decrease in the value of declarations of 9.1% compared to the previous year (Figure 6.4).

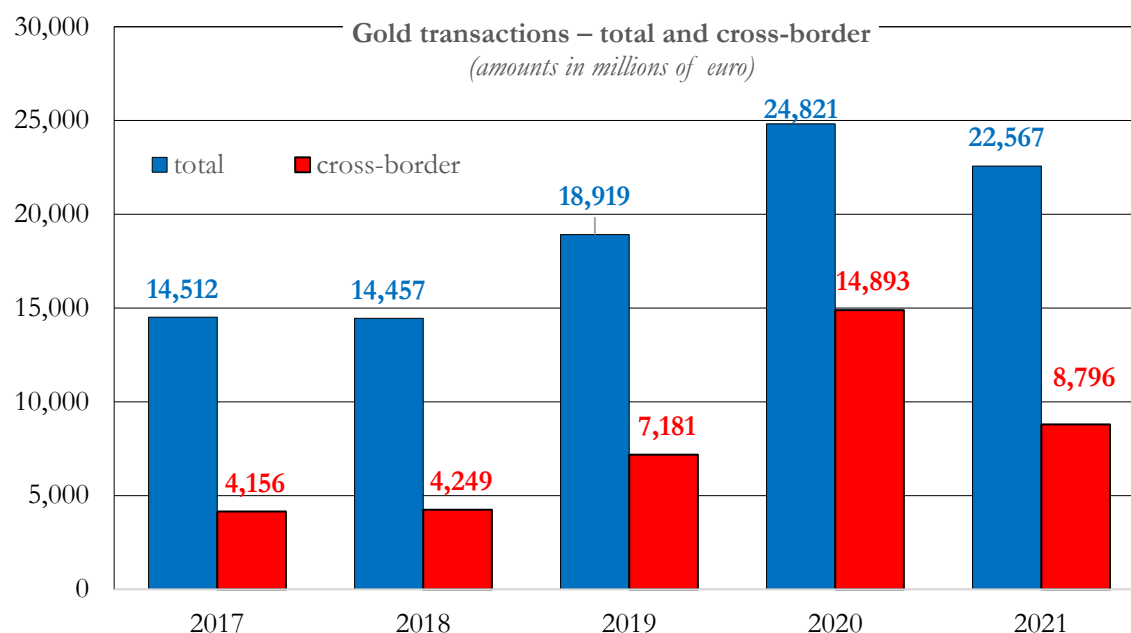
Despite this decrease, both the number of declarations (up 2.2%) and the number of underlying transactions (up 11.7%) increased. The decrease of €3.3 billion in the value of sales transactions (down 14.1%) contributed to this trend, largely attributable to the reduction (11.8%) in the amount of gold traded for this type of transaction (from 477.9 to 421.4 tons). The average gold price associated with these transactions also decreased by 2.5% in 2021 (from €50.0 per gram to €48.7) after recording a growth of 26% in the previous year.

³⁶ Law 7/2000 and subsequent amendments.

Table 6.3

<i>Ex post</i> monthly declarations on gold transactions			
	Number of declarations	Number of transactions	Declared value (millions of euros)
Sales	38,555	99,319	20,524
Gold loan (concession)	1,236	2,644	1,051
Gold loan (restitution)	327	430	84
Other non-financial transactions	68	68	10
Personal imports of gold	107	216	626
Investment gold delivery services	606	607	272
Total	40,899	103,284	22,567

Figure 6.4



On the contrary, there was an increase of €475 million in the value of disclosures for international transactions (up 314.6%, from €151 million to €626 million), mainly by sector-specific banking intermediaries.

For the ‘gold loan concession’, ‘gold loan restitution’ and ‘investment gold delivery services’ categories, the value of declarations increased by €540 million, €3 million and €167 million, respectively (up 105.7%, 3.7% and 159%, respectively); however, a decrease was recorded for the remaining transaction classes (‘other non-financial transactions’).

The number of reporting parties registered in the system showed further growth in the reporting year (Table 6.4): 21 new professionals, 24 natural persons and 9 legal persons were registered. However, the group of registered participants who actually submitted disclosures (active reporting parties) fell by 23 (down 5%). Professionals maintained their majority share of the total number of submitted disclosures, which increased slightly (from 85.4% to 86.2%), while the share for banks continued to decline (from 13.5% to 12.8%).

Categories of declarants

Table 6.4

Reporting entities engaged in gold transactions			
	Number of reporting entities registered	Number of reporting entities active in the year	Number of declarations
Banks	61	30	5,368
Professional gold dealers	482	370	36,190
Other, natural persons	212	26	95
Other, legal persons	116	28	326
Total	871	454	41,979

Growth in the share represented by gold transactions for investment purposes continued (53.5% in 2021 compared to 49.4% the previous year) and the share for industrial gold decreased (41.1% compared to 45.9%).³⁷

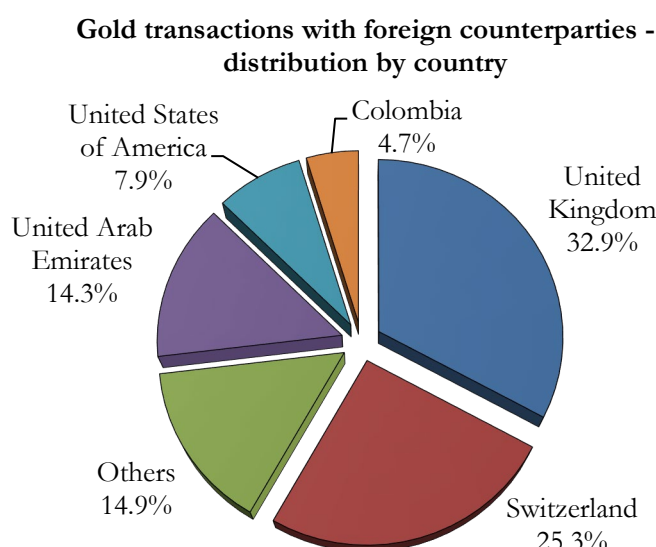
With reference to the territorial distribution of Italian stakeholders, the traditional gold sector districts maintained their majority market shares, in particular Arezzo and Vicenza (47.1% and 10.9% respectively).

Transactions with foreign counterparties

In 2021, 85.1% of the value of international gold transactions involved five countries: the United Kingdom, Switzerland, the United Arab Emirates, the United States and Colombia (Figure 6.5). Between 2020 and 2021, foreign trade decreased by €6.2 billion (down 41.2%). This trend is mainly attributable to trade with the United Arab Emirates (down €3.3 billion), Switzerland (down €1.9 billion) and the United Kingdom (down €1 billion). There was a marked decrease in sales in percentage terms compared to that of purchases (down 54% and down 26%, respectively).

³⁷ The residual share comprises cases for which the purpose of the exchange is not defined, which have slightly increased in relative terms (from 4.7% to 5.4%).

Figure 6.5



Between 2020 and 2021, there was a very sharp drop in the value of advance gold declarations (Table 6.5), which decreased by €4.8 billion (down 69.4%). The decrease is mainly due to the lower value of sales transactions and transfer-only transactions, which decreased by €4.2 billion and €543 million respectively.

**Statistics on
advance gold
declarations**

The ratio between the value of preventive and aggregate disclosures in relation to sales transactions only (for which the former are mandatory) was 59.5% in 2021 (it was 80% in 2020), thus returning to 2019 levels.

Table 6.5

Advance declarations (transfers of gold abroad) ⁽¹⁾		
	Number of declarations/ transactions	Declared value (millions of euros)
Sales	1,003	2,090
No transaction (mere transfer)	40	17
Other non-financial transactions	35	12
Gold loan (restitution)	1	3
Gold loan (concession)	1	1
Total	1,080	2,123

(1) Advance declarations are incorporated in *ex post* declarations where the transfer underlies a commercial or financial transaction

The UIF continuously monitors gold-related disclosure data with a view to identifying possible anomalous business practices, including by applying risk indicators. Particular attention is paid to significant variations in the amounts declared by Italian operators or in operational flows with individual foreign countries, in keeping with the proactive approach adopted by the Unit in the disclosure management system. Inspections are carried out when relevant cases emerge, the results of which are forwarded to the Investigative Bodies if deemed to be relevant. This cooperation also takes the form of the feedback given to specific requests for data sent by the judicial authorities; 14 such requests were received during 2021.

**Analysis of
the ORO
databank**

7. COOPERATION WITH OTHER AUTHORITIES

7.1. Cooperation with the judicial authorities

International and European principles and rules pursue the most wide-ranging cooperation between FIUs and other authorities charged with preventing and combating money laundering and terrorist financing having regard to their respective institutional powers and the principle of reciprocity in information exchange. As a cornerstone of the system, national regulations promote coordination between prevention and enforcement, with various forms of cooperation and information exchange between the UIF, the investigating bodies and the judiciary, in compliance with the limits and distinction of roles envisaged by the law.

Beyond fulfilling its reporting obligations pursuant to Article 331 of the Italian Code of Criminal Procedure for criminal offences of which it becomes aware in the performance of its duties, the UIF forwards information available to investigating magistrates who request it; such information is useful for developing inspections for money laundering, self-laundering, related predicate offences and terrorist financing. Specific forms of cooperation exist between the Unit and the DNA. The judiciary and investigative bodies in turn provide information to the UIF. The DNA provides periodic feedback to the UIF on the usefulness of the information received.

Information exchanges enable the Unit to perform its functions more effectively, expanding its knowledge of criminal typologies and practices and providing a more incisive contribution to prevention and law enforcement action.

In 2021, the UIF's cooperation with the judicial authority and investigative bodies remained intense. During the year, 510 requests were received (a decrease of 8.6% compared to the previous year), in respect of which the UIF forwarded 1,463 responses (up 23.1%), the latter figure also including first-response follow-ups and marking a significant increase compared to last year (Table 7.1).

Table 7.1

Cooperation with the judicial authority					
	2017	2018	2018	2020	2021
Requests for information from the judicial authority	226	265	395	558	510
Responses to the judicial authority ⁽¹⁾	429	488	779	1,188	1,463
Number of STRs forwarded	1,213	1,697	2,368	2,927	3,420

⁽¹⁾ The number of replies exceeds the number of requests, as it includes all the notes, following the first response sent to the judicial authority, in which further relevant information received from the UIF is conveyed, and the relevant documentation is forwarded.

Requests addressed to the UIF are generally aimed at acquiring suspicious transaction reports and related financial analyses, as well as information received from foreign FIUs by activating international cooperation channels. In addition, there is an increasing number of requests from investigating authorities asking the Unit for specific in-depth analyses conducted by the UIF on financial flows and suspicions reported to the Unit for cases subject to complex analyses, linked to the health emergency, organized crime cases or offences against the Public Administration and tax offences, including those related to transferral of tax credits in the construction sector.

Pursuant to Article 12(3) of Legislative Decree 231/2007, the judicial authorities, whenever they consider it necessary in conducting criminal proceedings, may request any relevant information from the UIF. In the aforementioned collaborations undertaken in the interest of the Judiciary, the Unit received 27 new requests in 2021, which, together with those previously made and still in progress, led to the reconstruction of financial flows related to the supply – in the public and private sector– of health products that were particularly in demand due to the COVID-19 health emergency (PPEs, molecular tests), as well as identifying funds linked to fraudulent transfer of amounts, fraudulent bankruptcy, invoicing for non-existent transactions, fictitious registration of assets, usury, intra-EU VAT fraud, often carried out by mafia-type associations.

The UIF made requests for cooperation to foreign FIUs on behalf of the Italian judicial authority for transnational transactions in order to obtain relevant elements for investigations and to share with the same judicial authority the data received, with the prior consent of the foreign counterpart. The international cooperation channel was activated mainly in connection with tax offences, international corruption, fraud, financial abuse and – in certain cases – terrorism. Numerous requests for cooperation in 2021 also related to cyber-financial scams, due to the more frequent use of online services during the emergency period. The UIF also received requests to block funds transferred abroad, particularly for cases of what is referred to as business email compromise or CEO frauds.

At the request of the Judicial Authorities and the competent investigative bodies, the Unit used the cooperation of the FIUs to promptly block funds transferred abroad by Italian companies, which were done to make large payments through fake emails (business email compromise). Requests for information from other countries on behalf of the judicial authority and investigative bodies were mainly addressed to the FIUs of the United Kingdom, Germany, Spain, Malta, Switzerland, Bulgaria, Lithuania and Hungary, but there were also frequent contact with the FIUs of Romania, Poland, the Czech Republic, Slovenia, the United States, Luxembourg, France and Belgium (see chapter 8 ‘International cooperation’).

Memorandums of Understanding for the improvement of institutional cooperation

On 12 March 2021, the National Anti-Mafia and Anti-Terrorism Directorate and the UIF updated the provisions of the memorandum of understanding concluded in May 2018 on cooperation in countering money laundering and international terrorist financing. The aims of the update are, on the one hand, to give greater impetus to the use of the information contained in the STRs and communications of foreign FIUs by the Judiciary and, on the other hand, to ensure greater depth to the financial analyses carried out by the Unit. The new protocol increases the timeliness of information flows and the amount of data exchanged for the purposes of master data matching, now extended to certain types of information sent by foreign FIUs to the UIF. Other forms of cooperation have also been enhanced for the in-depth examination of case studies emerging from the cross-referencing of data with the DNA. In particular, since May 2021, the working group set

up at the DNA to examine the content of the information from STRs has been permanently supported by the UIF through a dedicated UIF's staff member that ensures liaison with the relevant structures of the Unit.

In April 2021, the UIF entered into a memorandum of understanding with Cassa Depositi e Prestiti SpA (CDP), aimed at facilitating CDP's compliance with its obligations to report suspicious transactions in managing what is referred to as Relaunch assets,³⁸ as well as on the basis of a list of specific behavioural risk profiles. Under the agreement, CDP is required to provide the UIF with information on the actions required in managing the Relaunch assets (e.g. names of applicants, outcomes of related inspections).

On 27 October 2021, a new memorandum of understanding was signed with the Customs and Monopolies Agency to regulate information flows and cooperation, particularly in the area of gaming and cross-border movements, also through more immediate use of the databases available to the Agency. The new memorandum envisages forms of cooperation within their respective areas of responsibility and joint training and education initiatives are envisaged.

In June 2022, a memorandum of understanding was signed with the European Public Prosecutor's Office (EPPO). Relying on analysis and the confidentiality of exchanged data, the protocol is aimed at establishing a structured framework for cooperation between the European Public Prosecutor's Office and the UIF (see the section: 'Further European and International Initiatives' in chapter 9), regulating information exchanges, cooperation procedures and the support that the UIF is called upon to provide to the Public Prosecutor's Office. Also envisaged are common training initiatives in the relevant areas, coordination meetings, periodic meetings for the in-depth examination of specific issues and the joint analysis of relevant cases.

A protocol is being drawn up with SACE SpA³⁹ to facilitate the fulfilment of obligations to communicate suspicious transactions pursuant to Article 10 of Legislative Decree 231/2007. Information on requests for access to the economic support measures managed by SACE SpA⁴⁰ and on the related outcomes will be periodically forwarded to the UIF.

Useful information will be provided to the UIF to identify specific risk factors that may lead to money laundering or terrorist financing; in order to facilitate the fulfilment of suspicious transaction reporting obligations, the protocol will identify behavioural risk profiles in the provision of support measures.

The number of reports pursuant to Article 331 of the Code of Criminal Procedure increased significantly compared to 2020. This was due to express indications contained in the STR technical report forwarded to the investigative bodies,⁴¹ which inferred the *notitia criminis*, whereas no charges were filed directly with the judicial authority. (Table 7.2).

³⁸ Reference is made to what is called Relaunch assets, introduced by Article 27 of Legislative Decree 34/2020, converted with amendments by Italian Law 77/2020 ('Relaunch Decree' – 'Decreto Rilancio'). The provision authorised CDP to set up an earmarked asset, known as the 'patrimonio Rilancio', whose resources are used for measures to support and relaunch Italy's economic and production system. Decree No. 261 of the Minister of the Economy and Finance of 3 February 2021 governed the access requirements, conditions, criteria and procedures for the investment of the aforesaid assets, operative as of 3 July 2021.

³⁹ A joint-stock company of the Cassa Depositi e Prestiti Group that provides insurance services and financing for companies; CDP SpA is in turn controlled by the MEF and is owned by banking foundations.

⁴⁰ These are loans guaranteed by SACE SpA aimed at ensuring the necessary liquidity to companies based in Italy, affected by the COVID-19 epidemic, referred to in Article 1 of Decree Law 23/2020 ('Liquidity Decree'), converted with amendments by Italian Law 40/2020.

⁴¹ Pursuant to Article 1(1)(d) of Legislative Decree 231/2007.

Table 7.2

Reports to the judicial authority					
	2017	2018	2019	2020	2021
Reports pursuant to Article 331 of the Code of Criminal Procedure	115	87	106	257	508
<i>of which</i> : submitted to the judicial authorities	3	-	2	1	-
made in connection with technical reports sent to investigative bodies	112	87	104	256	508
Informative reports for investigative purposes	26	16	11	11	3

The SAFE portal continues to be underutilized by the Public Prosecutor's Offices, who prefer to send cooperation requests via traditional channels. In order to facilitate use of the portal, the Unit has launched an analysis on the development of simplified access by the judicial authority.

7.2. Cooperation with the Ministry of Economy and Finance (MEF) and the Italian Financial Security Committee (FSC)

The UIF cooperates with the MEF by providing input in defining prevention policies, drafting sector regulations, participating international bodies and taking part in sanction procedures. The UIF participates in the work of the Financial Security Committee (FSC) set up at the MEF with analysis and coordination functions concerning the prevention of the use of the financial and economic system for money laundering and terrorist financing. All the authorities involved in the prevention and law enforcement system are represented in the Committee, which acts as a liaison point to define strategies and takes care of the implementation of international sanction measures.

Here, the UIF participates in the work of the network of experts used by the FSC, in particular, by providing support in drafting answers to questions posed by commercial operators and financial intermediaries in applying financial sanctions deriving from European regulations, contributing to the consolidation of interpretative guidelines and to the development of operational practices in this area.

The UIF also monitors the implementation of measures to freeze funds and economic resources for financial sanctions adopted at national or EU level and related to countering terrorist financing and the activities of countries that threaten international peace and security.

The UIF also handles the collection of financial information relating to frozen funds and economic resources and facilitates the dissemination of lists of designated subjects. Here, the Unit provides input to the FSC in solving operational and interpretative problems concerning the application of international financial sanctions measures.

In 2021 too, the UIF provided support to the FSC, with its representatives in the network of experts, in assessing and either granting or denying authorisations of requests to transfer funds or to provide financial assistance to sanctioned entities or concerning the export of particular types of goods to countries subject to restrictions (mainly dual-use products or those that can be used for further actions).

Within the framework of the international financial sanctions adopted by the European Union, in 2021, the Unit did not identify, through the checks carried out pursuant to Article 10 of Legislative Decree 109/2007, any additional accounts or assets susceptible to be subject to freezing measures with respect to those already identified in previous years in Italy. The

reports received from the obliged entities (nine in all, all sent by banks) refer to updates relating to accounts already subject to freezing measures and for which the Unit has verified compliance with the conditions for the use of funds (referred to as unfreezing) or the crediting of funds, also to be subject to freezing.

The amounts of funds and economic resources frozen remained at 2020 levels (Table 7.3). The main changes are attributable to the *delisting* of three subjects on the UN consolidated list related to ISIL and Al-Qaeda⁴² and the identification of funds from listed subjects. In one case, an Italian intermediary, operating as a correspondent bank on behalf of non-EU institutions, identified and froze funds intended for the benefit of a listed subject, preventing them from being made available on an account located abroad.

Table 7.3

Measures to freeze funds at 31/12/2021					
	Accounts and transactions frozen	Persons subject to freezing	Amounts frozen		
			EUR	USD	CHF
ISIL and Al-Qaeda	21	17	14,742	115	-
Belarus	1	1	1,322	-	-
Iran	17	4	1,086,121	158,453	37,593
Libya	4	3	2,140,204	132,357	-
Syria	29	6	18,154,417	240,825	146,595
Ukraine/Russia	2	1	50,865	-	-
DPR of Korea	3	4	8,001	-	-
Total	77	36	21,455,672	531,750	184,188

In the area of countering the financing of the proliferation of weapons of mass destruction, the overall framework of the financial sanctions that the European Union has adopted against North Korea, including in compliance with UN Security Council resolutions, has remained largely unchanged.

Following the military attack on Ukraine by the Russian Federation, which took place with the involvement of Belarus, since February 2022, the European Union has severely tightened the sanctions regime already in place against the two countries through a rapid succession of different packages of restrictive measures. The number of designated subjects affected by freezing measures has been considerably expanded, and an extensive and diverse range of financial sanctions has been introduced, including specific bans on deposits and the provision of investment services, transactions with the Central Bank of Russia, and the transfer or export of euro-denominated banknotes.

New financial sanctions against Russia and Belarus

The UIF drew the attention of the obliged entities to the new restrictive measures by means of special reports ([only in Italian](#)) that are constantly updated; with the Communication of 4 March 2022, the Unit also recommended that operators notify as soon as possible the freezing measures adopted in compliance with these obligations. On 7 March, in a Joint Statement ([only in Italian](#)) issued by the UIF, the Bank of Italy, CONSOB and IVASS, intermediaries were reminded to comply with the sanction measures in question through the necessary checks and by constantly checking the updating of sanctions.

Additionally, on the basis of the available data, the Unit started a monitoring activity referred to Italian intermediaries in order to verify the availability of funds traceable to the newly listed subjects, as well as through domestic and foreign companies and vehicles, by

⁴² Transposed into the European Union by Regulation EU/2002/881.

making targeted contacts with intermediaries with whom ongoing financial relationships that can be traced back to the designated subjects were in place.

The UIF received numerous notifications from financial intermediaries and other obliged parties relating to accounts and assets for unlisted subjects but controlled by listed subjects. This information has been shared with the authorities represented in the FSC to ensure effective liaison for the purposes of freezing economic resources as part of their respective competencies established by Legislative Decree 109/2007.

As of 30 April 2022, more than 100 financial relationships referable, also through subsidiaries, to 20 designated subjects, were frozen. The total amount of frozen funds is more than €120 million: of these, about €50 million are deposited on bank account relationships, while the remainder consist of letters of credit and loans to commercial enterprises. The value of the frozen assets, which consist mainly of real estate, boats and motor vehicles, is approximately €850 million.

With a measure dated 16 March 2022, the FSC delegated the UIF to receive and collect data on deposits exceeding €100,000 held by Russian and Belarusian citizens or natural persons resident in Russia and Belarus, or by legal persons, entities or bodies resident therein, or who have acquired citizenship of a Member State or obtained residence rights in a Member State through a citizenship programme for investors or a residence programme for investors. In a Communication ([only in Italian](#)) issued on 24 March 2022, the UIF provided guidance on the timing and procedures for the submission of the above-mentioned information by credit institutions: the first submission was set for 20 April 2022, with a deadline of 27 May 2022. Here, the UIF also launched specific support activities for reporting credit institutions on interpretative and operational problems arising from the application of the above-mentioned reporting requirements. In April 2022, the first FAQs ([only in Italian](#)) on the subject were published on the Unit's website.

In addition, in their 'Declaration of 22 February 2022', the Governments of France, Germany, Italy, the United Kingdom, Canada and the United States provided for the establishment of a Transatlantic Task Force to facilitate the effective enforcement of financial sanctions through identifying and freezing assets traceable back to designated persons. In this framework, the UIF, together with the FIUs of Australia, Canada, France, Germany, Italy, Japan, the Netherlands, New Zealand, the United Kingdom and the United States, set up a working group whose aims are set out in the '[Statement of Intent of 16 March 2022](#)'. In particular, the group's activities are aimed at counteracting the circumvention of sanctions through the identifying and tracking assets that can be traced back to the designated subjects through financial analysis and international cooperation. However, in view of the incredibly diverse regulatory frameworks in the member countries of the working group, there is a need for a harmonised legal basis outlining the tasks and powers of the FIUs in the area of financial sanctions in order to strengthen the effectiveness of the relevant interventions.

7.3. Cooperation with supervisory authorities and other institutions

Italian legislation promotes cooperation between the various responsible authorities and institutions at the national level, requiring the MEF, the Sector Supervisory Authorities, the UIF, the DIA, the Finance Police, the administrations and bodies concerned, the judicial authority and the investigative bodies to cooperate with each other with the aim of facilitating the identification of any circumstances from which facts and situations emerge whose knowledge can be used to prevent the use of the financial and economic system for the purpose of money laundering or terrorist financing.

However, for the purposes of the Anti-Money Laundering Decree, cooperation beyond official secrecy obligations is exclusively envisaged between the MEF, the sectoral supervisory authorities, the UIF, the DIA and the Finance Police.

In the second half of 2020, the Unit defined simplified criteria for the exchange of information regarding alleged minor irregularities (see the section ‘Organizational Structure’ in chapter 10). This was done in order to improve timely cooperation with the other authorities. In 2021, the Unit forwarded 30 disclosures to the sectoral supervisory authorities thanks to the launch of the aforementioned simplified procedure.

The UIF forwarded several reports to the Bank of Italy’s financial supervisory directorates concerning, among other things, alleged irregularities in the credit disbursement process; possible violations of the regulations on remuneration and incentive policies for managers; critical issues found in some transactions in over-the-counter securities and the use of bank accounts by a company active in securities brokerage.

Exchanges with the Bank of Italy Supervisory Directorates...

From the Bank of Italy’s financial supervisory directorates, the UIF receives reports, mostly related to inspection activities, concerning possible deficiencies in active cooperation by obliged persons (see the section ‘Penalty Procedures’ in chapter 5).

CONSOB received numerous reports, mostly concerning possible frauds against private investors, carried out through foreign platforms active in online trading – often of complex financial products and virtual assets – and possible cases of financial abuse. An alleged violation of market abuse legislation was the subject of a further exchange.

... with CONSOB

Of particular relevance was the information received from CONSOB concerning the operation of an online platform through which various services are provided, which also related to virtual currencies and digital tokens. As a result of this information, the UIF deemed it appropriate to initiate in-depth inspections to verify compliance with anti-money laundering obligations by the companies operating the platform.

Exchanges of information continued with IVASS in order to verify the lack of well-founded suspicions of connections with money laundering or terrorist financing activities in relation to applications for the acquisition of significant shareholdings in insurance companies.

... with IVASS

The UIF has also sent IVASS three information notes under a simplified procedure, two of which relate to alleged unlawful exercise of the activity of insurance agents. In one case, a wider network of subjects came to light and the possible involvement in a fake insurance scam was also revealed.

The UIF forwarded to the Ministry of Economic Development the results of the inspections carried out on trust companies, sharing, within the framework of the Technical Coordination Panel on Controls and Sanctions, the advisability of updating the sector’s regulatory framework on anti-money laundering (see the box ‘Technical coordination panel on controls and sanctions’ in chapter 5).

MISE and the Customs and Monopolies Agency

The UIF has begun to cooperate with the Customs and Monopolies Agency to identify,

through data on the importation of ATMs, devices installed in Italy and operated by non-supervised operators.⁴³

**The Investor
Visa Committee
for Italy**

Also this year, the UIF, as a member of the Investor Visa Committee for Italy, contributed to the assessment of applications for entry visa clearance for non-EU citizens who make sizeable investments or philanthropic donations in Italy.

In 2021, the Committee received 40 applications involving investments in innovative corporations and start-ups established and operating in Italy, as well as Italian government bonds. Applicants came mainly from the United States, Russia, the United Kingdom, Canada, Syria, China, Israel and Lebanon.

**Ministry of
Justice**

Work continued on formulating opinions on the codes of conduct prepared by associations representing entities pursuant to Legislative Decree 231/2001 for the prevention of the offences of receiving stolen goods, money laundering, use of money, goods or benefits of unlawful origin, and self-laundering. As a result of this activity, the UIF gave its opinion to the Ministry of Justice for each code of conduct, with observations and amendment requests.

**Anti-
Corruption
Working
Group**

In particular, during 2021, the UIF submitted to the Ministry of Justice 14 opinions pursuant to Article 25-octies, paragraph 3, of Legislative Decree 231/2001, formulating observations and requests for amendments aimed at aligning the codes with current legislation on the prevention and combating of money laundering.

The Italian Presidency of the G20 and, in particular, the leadership of the Anti-Corruption Working Group (ACWG) have promoted a model for combating financial crime based on the complementarity between prevention and prosecution and geared towards highlighting the various, and sensitive, aspects of corruption. The Italian action has been promoted by the exchanges of experiences between specialised authorities developed, in recent years, within the inter-institutional Anti-Corruption Coordinating Committee at the Ministry of Foreign Affairs and International Cooperation (MAECI), in which the UIF also participates and which has long been recognised as good practice in cooperating with other countries, for sharing prevention and counteraction experiences. The G20 approved several documents implementing Italian priorities, including the following:

- High-Level Principles on Corruption related to Organized Crime, aimed at emphasizing the growing role of corruption as an enabling factor for the infiltration of organized crime in the economy and the public sector and raising awareness among G20 countries of the need for intensified and coordinated global strategies.
- High-Level Principles on Tackling Corruption in Sport, aimed at protecting the social and economic value of sport from the threats of corruption and fraud that increasingly undermine the integrity of competitions and the actors involved in them.
- High-Level Principles on Preventing and Combating Corruption in Emergencies, containing proposals for effectively tackling corruption and bribery during crises, in the light of the dramatic experience of the pandemic and the high risks of corruption in the health sector.

At the request of the Chair of the G20 Anti-Corruption Working Group, a UIF representative spoke against corruption at a Special Session of the United Nations General Assembly (United Nations General Assembly against corruption–UNGASS). The event, co-sponsored by Italy and included in the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, took place on 2 June 2021.

The UIF's intervention aimed to raise the awareness among the legal professions (who

⁴³ For the critical issues highlighted in this sector, see the box 'Independent ATMs' in chapter 5 of the *Annual Report for 2020*.

are referred to as gatekeepers) on the importance of adopting high standards of integrity and a proactive attitude in reporting possible corruption practices and exchanging information aimed at the transparency of transactions carried out within the provision of professional services.

As part of this exercise, coordinated by the Ministry of Justice, an on-site visit of the evaluators (representatives of the OECD Secretariat, the United States of America and Germany) took place in April 2022, during which the UIF had the opportunity to illustrate, also through the presentation of cases, its financial analysis of STRs in support of investigative activities on transnational corruption. The final report may contain recommendations and judgements on the Italian legal system and on the level of enforcement of the Convention by the institutions.

**OECD
Assessment
on
International
Corruption**

Since 2021, the UIF has taken over a training programme on anti-money laundering (or an AML training programme) for general government entities, together with the National Administration School (SNA), who organizes the courses. The second edition of the course, held in May 2021, confirmed that this initiative represents an important opportunity to raise awareness among public administrations and to further disseminate an anti-money laundering culture in the public sector.

**General
government
entities**

The UIF participates, together with ANAC, SNA and other institutions, in projects on corruption prevention and integrity culture within the framework of the 'National Action Plan for Open Government' coordinated by the Public Function Department. The initiatives underway aim, among other things, to frame the anti-money laundering duties of General government bodies in a broader perspective of integrity culture and protection, and to confirm their relevance also for the purposes of preventing the risks of criminal infiltration in the use of funds derived from the NRRP.

The UIF also liaises with individual general government entities, conducting seminars and training meetings to raise the awareness of public offices with regard to obligations stemming from anti-money laundering legislation. Also in the current year, such initiatives were carried out for the benefit of a number of general government bodies, including the Municipality of Florence, the Port Authority of Genoa and the Azienda USL Toscana Sud Est.

The UIF continued its cooperation within the ReteComuni - Competenze per la Legalità (Network of Municipalities - Skills for Legality) project, promoted by the National Association of Municipalities (ANCI) of Lombardy and the Lombardy Region, aimed at strengthening the skills of territorial administrations to combat money laundering and corruption for managers, officials and administrators of the Region and other Lombardy municipalities through training initiatives.

8. INTERNATIONAL COOPERATION

8.1. Exchange of information with foreign FIUs

In the international anti-money laundering rules, FIUs are entrusted with the centralized task of receiving and analysing suspicious transaction reports and exchanging information with foreign counterparties; these are essential functions for the analysis of financial flows that increasingly cross national borders, affecting multiple jurisdictions.

Cooperation between FIUs is governed by FATF and Egmont Group global standards, as well as European provisions. The standards require FIUs to provide, in a prompt, constructive and effective manner, the utmost international cooperation in cases of money laundering, predicate offences and terrorist financing.

FIUs are vested with powers to exchange information autonomously and directly and are not bound by international treaties between governments. The UIF negotiates and signs memorandums of understanding in cases where these are required by the rules of the counterparty FIU.

In accordance with the principle of multidisciplinary, FIUs must have financial, investigative and administrative information at their disposal for domestic analysis and mutual exchanges. FIUs must also provide the information requested by exercising the same powers in both areas. The FIUs exchange information via fast and secure IT channels: the Egmont Group manages and updates an encrypted protected international network called Egmont Secure Web; a decentralized communication infrastructure, called FIU.NET, is used throughout Europe, which enables the structured exchange of information on a bilateral or multilateral basis while offering standardization, immediacy and security of exchanges.

During 2021, the UIF exchanged information with 120 foreign counterparties and, in particular, with all EU-based FIUs.

International cooperation is activated to support financial analyses, with information being requested from foreign FIUs in cases of objective or subjective international links. The cooperation aims to assist in-depth analyses of connections with suspicious activities to reconstruct the origin or use of funds transferred to or from other jurisdictions, identify economic assets, verify the first-level and beneficial ownership of companies or entities and ascertain the pre-existence of investigations in other countries. The exchange of information with counterparties from other countries also sustains the cooperation that the UIF provides to investigative bodies and the judicial authority (see the section ‘Cooperation with the judicial authority’ in chapter 7).

In 2021, the UIF sent 834 information requests to foreign FIUs, a decrease compared to 1,050 in 2020, when there had been a significant increase in requests made in support of investigations by the judicial authority or investigative bodies. Conversely, the UIF’s recourse to international cooperation for supporting the analyses of suspicious transaction reports received has remained substantially unchanged (Table 8.1).

Requests to
foreign FIUs

Table 8.1

Requests sent to foreign FIUs					
	2017	2018	2019	2020	2021
Information required by the judicial authority	172	367	438	575	364
Information required for internal analysis	591	715	525	475	470
Total	763	1,082	963	1,050	834

Via the Egmont Secure Web and the European FIU.NET network, in 2021, the UIF received 1,697 unsolicited requests and spontaneous communications from other FIUs, an increase of approximately 10% compared to 2020 (Table 8.2).

Table 8.2

Requests/spontaneous communications received and responses provided					
	2017	2018	2019	2020	2021
Egmont network	668	594	621	695	872
<i>Requests/ spontaneous communications</i>	<i>504</i>	<i>577</i>	<i>594</i>	<i>694</i>	<i>872</i>
<i>Exchanges on ISIL</i>	<i>164</i>	<i>17</i>	<i>27</i>	<i>1</i>	<i>0</i>
FIU.NET Channel					
<i>Requests/ spontaneous communications</i>	<i>524</i>	<i>602</i>	<i>729</i>	<i>851</i>	<i>825</i>
Total	1,192	1,196	1,350	1,546	1,697
Responses provided (1)	1,232	1,681	1,862	2,246	2,528
Communications sent to investigative bodies	2,031	3,070	2,533	3,296	3,608

(1) Refers to responses to requests for information and feedback on spontaneous communications provided when necessary.

Requests from foreign FIUs

The UIF provided 2,528 responses to foreign FIUs (up 12.6% compared to the previous year) in response to requests or spontaneous information received.

The UIF has made full use of the Ma3tch function provided by FIU.NET to anonymously cross-match databases. It enables them to detect recurring names in the archives of the participating FIUs and, thus, links with other countries that would otherwise be hardly detectable. The UIF matching dataset is continuously updated, and the resulting findings are used to supplement the internal analysis procedures; many exchanges with European FIUs refer precisely to cases detected through this massive matching system.

Cases of multilateral cooperation aimed at identifying remittance networks traceable to financial support to ISIL have gradually decreased in recent years until they ceased in 2021, consistent with the global evolution of terrorism threats and the downsizing of the Islamic State. Bilateral exchanges on the operations and networks of possible facilitators of terrorists, in some cases of non-religious origin, remain sustained (see the section 'International activities' in chapter 4).

The types of suspicious transactions addressed in the exchanges mainly concern the use of foreign accounts for the transfer of funds not declared to the tax authorities, cash withdrawals, and the triangulation of funds. Some operational patterns refer to the use of virtual currencies. There remain numerous cases where companies or trusts are used to register relationships or assets for masking and concealment. Significant exchanges relate to elaborate fraud schemes or corruption resulting in the transfer, in Italy or abroad, of the proceeds; often those involved are under investigation in Italy.

In line with the previous year, several information exchanges concern various kinds of cybercams (love and romance scams, phone scams, CEO and business email compromise fraud, ransomware) and appropriation of funds through abusive access to computer systems (see the box ‘Developments in international cooperation on combating cybercams’). Exchanges of information also reveal money laundering activities carried out through trade-based money laundering operations, especially transnational ones, which also involves criminal organizations.

The most sophisticated operational procedures combine both the transfer of goods (from the over- or under-delivery of goods actually delivered compared to what is declared in the accompanying documents to what is referred to as phantom shipping, in which goods move only formally), the related financial manifestation (settlement with over- or under-invoicing) and appropriate settlement methods (payment by third parties; use of letters of credit and correspondent banking).

Foreign reports on tax phenomena (invoicing fraud, intra-EU VAT fraud, tax evasion) and misappropriation of funds, often involving Eastern European countries, remain particularly numerous. These are complex operations in which transactions are often intercepted and reported by Italian obliged entities as well.

From April 2020 to April 2022, 223 reports were received from foreign FIUs on suspicious transactions related to the COVID-19 emergency. Some additional phenomena that emerged from international cooperation, although not explicitly traced to the phenomenon, showed significant connections with the health emergency in light of the in-depth analyses carried out by the UIF.

Payments to foreign online platforms are often reported in connection with scams or speculation in the sale of personal protective equipment or medical supplies. Schemes include allegedly unlawful transactions involving the sale of medical products by manufacturing or exporting companies established in other countries (in some cases openly active in sectors other than the health sector) and traceable back to Italian interests, foreign account handling of funds deriving from offences linked to the health emergency or otherwise relating to subjects involved in investigations on such offences, the use abroad of non-repayable contributions granted to cope with the difficulties linked to the pandemic emergency for purposes other than those of sustenance or relief.

Numerous requests and spontaneous information from foreign FIUs concern online payments related to the trade in child pornography and the sexual exploitation of children (113 communications received in 2021).

International cooperation was developed to identify and urgently suspend the availability of assets acquired through the unlawful access to and use of bank accounts or services or through other fraudulent conduct aimed at inducing undue transfers or credits. A total of 98 cases of cooperation were recorded, an increase of approximately 17% over the previous year. In 54 cases, foreign FIUs submitted requests aimed at blocking unlawful proceeds transferred to Italy. With the cooperation of the intermediaries concerned, the UIF promptly intervened to prevent the dispersion of the funds or track their use, enabling the foreign authorities concerned to assess and initiate the necessary procedures for recovery or seizure.

On 44 occasions, foreign FIUs have brought to the attention of the UIF the application in their countries of measures to freeze accounts or other assets traceable back to persons connected with Italy, most of whom were under investigation. In these cases, the UIF promptly informed the Italian investigative bodies and intervened with the relevant counterparty to prevent the release of assets; it was thus possible to identify, freeze and seize assets of suspects that had not emerged in domestic investigations.

As in previous years, the UIF forwarded information from foreign sources to the competent investigative bodies, after obtaining the necessary consent from the FIUs concerned (3,608 reports, compared to 3,296 in 2020, an approximate increase of 10%). Cooperation with the National Anti-Mafia and Anti-Terrorism Directorate was extended. The UIF provides this body with information and analyses developed with international cooperation concerning cases of suspected terrorist financing or otherwise involving relevant subjects for investigations coordinated by the Directorate, subject to the consent of the foreign counterparts.

The forwarding of investigative information from the investigative bodies to the UIF is necessary to comply with international cooperation obligations but is subject to significant restrictions, attributable in part to the systematic request for judicial authorization even in cases where investigative secrecy does not apply.⁴⁴

Developments in international cooperation on countering cyber fraud

The laundering of computer fraud proceeds is a criminal phenomenon in considerable growth which comprise an increasing number of suspicious transaction reports, requests for information from the judicial authority and exchanges of information with other FIUs.

The said illegal activities show an increasing level of sophistication and intricacy. The acquisition of credentials, transfers and subsequent withdrawals or further movements and the related preparatory acts (opening of banking relationships) are in most cases executed by transnational networks. Bank transfers made are mostly carried out for repeated amounts of less than €10,000, and credits are made to prepaid nominal cards mostly issued in neighbouring municipalities generally in the name of persons without income. The funds are withdrawn immediately after being credited to different branches or ATMs; in some cases they are sent to foreign back-up accounts and from there they are further transferred to top management figures in the organization.

Frequently, the victims, holders of foreign bank accounts, are induced to provide access credentials to persons claiming to be bank operators; the perpetrators of the scam, substituting themselves for the account holders, issue transfer orders, usually multiple and for small unit amounts, to accounts opened in Italy; the funds are then immediately withdrawn or further transferred.

These operating procedures require urgent action to prevent the dispersion of funds and attempt their recovery. Foreign counterparties therefore frequently request the UIF to ensure that assets are blocked. In such cases, the Unit activates urgent contacts with the intermediaries concerned to acquire the necessary data and the possible assessment of suspension actions and with the investigative bodies in order to facilitate coordination between investigative authorities of various countries.

Prompt judicial action can be significantly hindered by the speed of transaction

⁴⁴Article 12(4), of Legislative Decree 231/2007, as amended by Legislative Decree 125/2019, in addition to subjecting the UIF's access to investigative information to the authorization of the judicial authority for information covered by investigative secrecy, prescribes that the Unit cannot know of cases in which a police investigation is underway and for which a communication has already been submitted to the judicial authority, but the latter has not yet decided whether to initiate criminal proceedings.

execution and the involvement of several countries in transfers.

During 2021, a European FIU forwarded 27 enquiries on this phenomenon: the UIF identified a common modus operandi that led to the identification of 97 fraudulent bank transfers to Italy, for a total amount of almost €2,500,000, which were carried out in a brief time span.

8.2. Cooperation between FIUs

Cooperation between FIUs, especially with European ones, benefits from sophisticated functionalities and a more comprehensive range of available databases.

The flows are also supported by the increased exploitation of FIU.NET features; the use of matching, which enables the identification of foreign links that are otherwise undetectable, has grown, particularly thanks to the common criteria identified by the EU- FIUs Platform and the greater scope of shared data. Although still infrequent, joint analyses are now a well-established tool and cross-border reporting flows are significantly expanding knowledge bases.

However, significant differences continue to exist, not only in the methods of analysis but also in the powers assigned and the information available to the FIUs. In Europe, despite the fact that the fifth directive has introduced a greater degree of harmonization, a number of FIUs still do not have access to major information categories, mainly due to the failure to set up central registries containing bank account data (made compulsory by European rules) or on the beneficial ownership of entities and companies. The failure to transpose the relevant European rules limits the effectiveness of exchanges. Moreover, especially in relations with the FIUs of certain third countries, the existence of secrecy constraints or limits on information powers hampers the possibility of exchanging financial information, i.e. tax and customs data.

Differences in format and content continue to characterize exchanges of cross-border reports between European FIUs. The platform is continuing its work to remove the persistent problems and strengthen its effectiveness; the results of the project launched in 2022 will form the basis for the adoption of enforcement measures by the European Anti-Money Laundering Authority (AMLA).

Cross-border reports

During 2021, 25,843 cross-border reports were received by the UIF from 20 FIUs of European countries where intermediaries carrying out activities in our country without establishment or operating with Italian customers are established. As part of this information flow, the UIF identifies the reports to be analysed as a matter of priority and the particularly relevant phenomena, susceptible to in-depth financial analysis and of possible interest to the investigative bodies.

The most numerous cases concern transfers of funds made through the money transfer circuit by persons carrying out multiple transactions not consistent with their declared activity and with a large number of counterparties in different countries. The credits or transfers of proceeds of commercial scams are also particularly significant, often carried out in Italy using sophisticated techniques of identity fraud, data theft, and simulated sales. Several reports refer to drug trafficking carried out by Italian subjects through e-commerce sites or social networks. Certain cases concern financial support to terrorist cells and trade in dangerous materials; frequent reports relate to child pornography through instant messaging applications and online payments. There are also numerous cases involving the transfer of virtual assets to and from IP addresses related to the dark web and the use of payment cards to conceal funds. As regards foreign obliged entities, a further recurring element of suspicion has emerged in

connection with transactions involving persons under investigation in Italy, on the basis of press reports.

Despite the exit of the United Kingdom from the European Union, which resulted in the ending of the reciprocal obligation to file suspicious transaction reports with cross-border characteristics, information exchanges of this kind with the UK FIU via the Egmont network continued on a voluntary basis, according to the same arrangements applicable to all non-European FIUs.

The complex handling of incoming cross-border reports, which were highly numerous and diverse in terms of content and form, was tackled with the aim of reducing operational burdens that would otherwise be unsustainable.

During the year, the UIF forwarded 6,888 cross-border reports to the foreign FIUs concerned. A procedure has now been consolidated whereby these reports are extracted using filters aimed at automatically intercepting specific types of suspicious transactions with a medium to high degree of risk and amounts that exceed predefined thresholds. To facilitate counterparties in their subsequent investigations, an English-language summary is also provided on the reported transactions, and the relevance criteria are identified.

8.3. The EU FIUs Platform

In this Platform,⁴⁵ the FIUs and the European Commission continued their commitment to the effective implementation of European rules and the development of good coordination practices. Considerable attention has been paid to the legislative proposals presented by the Commission with the AML Package (see the section ‘The evolution of European legislation’ in chapter 9), with the aim of providing technical support to the negotiations and the transition towards the coordination mechanism envisaged by the European framework.

In the current transitional phase, the UIF has taken over the coordination of projects for drawing up uniform formats and contents of domestic reports and international exchanges necessary for the efficient processing of large volumes of data and analysis. The planning of further joint analysis exercises also continues, after the completion of a number of projects in the previous year.

Within the new, broader European framework for cooperation between authorities variously involved in money laundering prevention, through the EBA, the platform has developed a fruitful dialogue with supervisors in the financial sector. The preparation of the guidelines *On cooperation and information exchange between prudential supervisors, AML/CFT supervisors and FIUs under Directive 2013/36/EU*, published by the EBA on 16 December 2021, took into account the contribution made on several occasions by the FIUs on the cases and procedures for cooperation and information exchange.

Contacts continued with the European authorities and coordination with the Customs and Monopolies Agency for the implementation of Regulation EU/2018/1672 through the sharing of information relating to the physical transfer of cash (declarations of transactions with a value of more than €10,000, suspicious cases detected during controls, cases of breach of the declaration obligation). Access to this information is provided via the European Customs Information System, to which the Unit was granted access by OLAF in June 2021.

Through the platform, FIUs also contributed to the reconnaissance and analysis of cross-border risks, used by the Commission for the regularly updated Supranational Risk Assessment. FIUs also participated in assessments to identify third countries from which

⁴⁵ The Platform, established in 2006 and formally recognized by the Fourth Directive (Article 51), is the forum where the EU-based FIUs and the Commission discuss the application of European rules, the development of analytical and collaborative tools, and the conduct of joint operations.

there are significant money laundering or terrorist financing risks to the EU, included in the relevant European list.

8.4. Developments in the FIU.NET

FIU.NET⁴⁶ enables cooperation and the exchange of information between the FIUs of the European Union for the performance of financial analysis tasks.

As of 16 September 2021, the Commission became the infrastructure service provider, succeeding Europol, which had taken over its management in 2016. The handover of the management of the network by Europol took place in compliance with the order of 19 December 2019 of the European Data Protection Supervisor (EDPS), which found that there was no legal basis for the management of the data exchanged. In particular, the EDPS found that the suspicious transactions on which the cooperation between FIUs for financial investigations is based can be ascribed to information of an administrative nature and do not relate to criminal offences or investigative activities, the latter being fields for which Europol has jurisdiction.

In the system's new configuration, the network has adopted a centralized structure; the servers (previously located at the FIUs) in which international data exchanges are entered and stored, are now located at the Commission. In addition, governance mechanisms are envisaged for the participation of the FIUs in its management.

FIU.NET: outlook

On 16 September 2021, in compliance with the deadline set by the European Data Protection Supervisor (EDPS),⁴⁷ the transfer of the FIU.NET network from Europol to the European Commission was completed.

With the aim of entrusting the management of the network to the forthcoming European Support and Coordination Mechanism for FIUs (as indicated in the Action Plan of 7 May 2020 of the same Commission), an intense project phase is now underway to create a new FIU.NET platform, since the current one is now completely inadequate to support the growing volume of exchanges and to support more evolved forms of cooperation, also in support of joint analyses. As envisaged by the Service Level Agreement signed between the FIUs and the Commission, the new governance strengthens the direct involvement of the FIUs in the strategic phase of identification of the network evolution requirements and in the implementation phase. In this setup, the FIUs define priorities and establish medium and long-term planning through the FIUs Platform and participate in the management of FIU.NET in cooperation with the Commission, the network service provider, through the involvement of the Advisory Group.

It is now a priority to effectively use the transitional period in order to rebuild the technical infrastructure on a more advanced footing, to enhance the most advanced forms of cooperation between FIUs and to support the growing volumes of exchanges, to make the flow of cross-border reports more efficient, also with a view to facilitating their

⁴⁶ The network was established in 2002 and, over the years, has seen significant development in the volumes of data exchanged and the facilities provided to support cooperation, finding explicit recognition in European regulations (EU Directive EU/2018/843 – the Fifth Anti-Money Laundering Directive – and EU Directive EU/2019/1153).

⁴⁷ The EDPS decision of 19 December 2019 temporarily suspended (until 19 December 2020) the ban on Europol's operation of the FIU.NET network to allow the platform to be securely transferred to the Commission. Considering the complexities of the migration, the European Supervisor subsequently extended the duration of this suspension, at the request of the Commission, until 30 September 2021.

integration with the internal databases of the various FIUs.

8.5. Relations with foreign counterparties and technical assistance

The Unit took part in a workshop on ‘Anti-Money Laundering: the Italian experience’, organized as part of the international technical assistance activities provided by the Bank of Italy to foreign central banks and financial supervisory authorities.

During the initiative, aimed mainly at representatives of foreign central banks and supervisory authorities, the characteristics and main areas of the FIU’s activities within the system for preventing and combating money laundering and terrorist financing were illustrated.

The UIF also participates in the technical assistance and support activities carried out within the Egmont Group, especially by the Training and Technical Assistance Working Group, the Membership, Support and Compliance Working Group and the ECOFEL training centre. These initiatives are aimed at assisting FIUs in the formation or consolidation stage, as well as developing and implementing training and specialization programmes to strengthen institutional activities; assistance plans are also dedicated to overcoming difficulties in compliance with international standards or shortcomings in the effectiveness of verification procedures.

The UIF continued its technical assistance efforts in its areas of competence through bilateral and multilateral projects. During the year, a technical assistance programme was launched to support the *Zambian FIU* on the subject of trade-based money laundering, also prompted by the results of the Mutual Evaluation conducted on that country’s anti-money laundering system.

During the proceedings, experts from the Unit illustrated the methodology used by the UIF to study anomalous trade-related financial flows,⁴⁸ providing experiences and useful ideas for the *Zambian* counterpart.

8.6. Participation in the FATF

Given the importance of international cooperation for effective anti-money laundering and counter-terrorism action, a number of governmental and technical bodies have been set up over time with a global or regional scope of action. The work of such bodies is particularly intense in relation to the various areas of risk arising at the global level and the need to adapt and harmonise prevention and law enforcement actions.

The UIF, individually and within delegations composed of multiple national authorities, participates in the activities of such international and European bodies.

Participation in the work of the FATF continued in 2021, as part of the Italian delegation coordinated by the MEF.

The special conditions imposed by the health emergency continued to affect the activities of the FATF. Given the continuing restrictions, these continued with the flexibility experienced during the previous year, with limited in-person activities. The work of the Groups did not suffer any particular slowdowns and the envisaged work plan continued on the various fronts without significant alterations. The Mutual Evaluation procedures were

⁴⁸ See M. Gara, M. Giammatteo e E. Tosti, *Magic mirror in my hand... How trade mirror statistics can help us detect illegal financial flows*, *Quaderni dell’Antiriciclaggio – Analisi e studi*, 10, 2018.

affected by postponements in the task schedule. Ordinary on-site visit activities resumed; however, the agenda of the Plenary and follow-up programmes continue to be affected.

The UIF's efforts, in working groups and plenary sessions, were directed in particular at the Mutual Evaluation of member countries, carried out for the fourth round and the related follow-up audits, as well as at the in-depth examination of money laundering methods and the development of policies and standards. The UIF collaborates with its experts in the evaluation processes of national AML systems, with the aim of promoting the proper implementation of standards and the effectiveness of related measures.

The contribution covers all stages of the assessment procedure: the recognition of the risks posed by each country and the quality of cooperation with the local authorities, the analysis when preparing the reports, and participation in the discussion for their approval. Members of the UIF participated as evaluators in the Mutual Evaluation of Belgium, Canada, Austria, Switzerland, France, the follow-up assessment of Spain (conducted by the FATF) and the Mutual Evaluation of Malta (conducted by Moneyval). UIF reviewers were involved in the assessments of China, the Netherlands and the Czech Republic (the latter as part of Moneyval).

The working groups devoted considerable effort to strengthening the safeguards on the transparency of beneficial ownership of corporate schemes and trusts by drafting possible amendments to the standards based on the experience gained and the limitations encountered. At the same time, in-depth studies continued on risks and opportunities related to technological innovation and its implications for compliance, supervision and analysis (RegTech/SupTech).

In particular, the Unit continued its efforts in the project aimed at investigating the technical opportunities of sharing information between financial institutions (data pooling), with regard to the benefits deriving from the effectiveness of risk and suspicion monitoring and to the limits of data protection and confidentiality, especially for suspicious transaction reports. Further contributions were made regarding the impact of digital transformation on prevention and law enforcement and on the activities of competent authorities (Digital Transformation of AML/CFT for Operational Agencies).

The UIF contributes to the analysis of money laundering risks concerning the use of virtual currencies and related safeguards. Amendments to the thoroughly revised and updated guidelines for supervisors and operators were finalized. In addition, the monitoring programme on the proper implementation of dedicated standards continued (on virtual assets, see the box 'Initiatives on virtual assets' in chapter 9).

The UIF participated in the project completed in 2021 and dedicated to the recognition of types of money laundering through Environmental Crimes, contributing cases related to the trafficking and illegal disposal of waste.

During the year, the FATF approved a series of specific reports for each of five in-depth typological reviews: *Money Laundering and Environmental Crime*, *Financing of Ethnically or Racially Motivated Terrorism*, *Operational Challenges Associated with Asset Recovery*, *Guidance on Proliferation Financing Risk Assessment and Risk Mitigation*, *Digital Transformation of AML/CFT for Operational Agencies*.

The reports provide multiple operational and policy-relevant insights; the recognition of risks and cases was accompanied by the identification of good practices and, in a number of cases, the formulation of guidelines. Of particular interest are the in-depth studies on asset recovery, which confirm and specify the need to strengthen cooperation between the multiple competent authorities, and digital transformation, on risks and classes relating to technological innovation with reference to the evolution of compliance, analysis and controls.

The UIF contributed to the project on digital transformation, closely linked to ongoing work in the Policy Development Group, for the elaboration and updating of guidelines.

The Unit participates in projects dedicated to the in-depth analysis of up-to-date cases of money laundering or terrorist financing related to the exploitation of migrants (Money Laundering and Migrant Smuggling) and the illegal trade of goods of historical and artistic value (Art, Antiquities and Cultural Goods as a Tool for Money Laundering and Terrorist Financing).

The commitment is particularly aimed at the project on Migrant Smuggling, to which the UIF contributes with case studies from operational experience, identified also in application of the profiling of the financial behaviour of migrant smugglers developed by the Unit in 2016 (see the box 'Financing of terrorism and migrant smuggling: logistical and financial connections' in chapter 4).

8.7. Participation in other international organizations

The
Egmont
Group

The Egmont Group, the global organization of FIUs, has further expanded its membership to 167 units. The UIF participated in the procedures for verifying FIUs compliance with organizational standards and cooperation obligations. The goal is to promote alignment with common rules, limiting as much as possible analysis and exchange inefficiencies that result from the insufficient ability of FIUs to access and share information. Particular attention is also paid to compliance with the requirements of independence and confidentiality, which are essential for FIUs to operate effectively and without undue external interference.

Work continued on an overall reform of the Egmont Group's IT infrastructure to renew the global network for the exchange of information between the FIUs, introducing new functionalities (on the model of those available in Europe with FIU.NET) and ensuring high security standards and operator neutrality in the system management, given the confidentiality of the information exchanged. The project, after prolonged study and planning, has entered an operational phase in which technical, regulatory, and policy issues are addressed according to a multidisciplinary approach.

The UIF continued to pay particular attention to projects aimed at surveying the international pool of service providers in virtual currencies (particularly useful to promote knowledge of those operating in this sector, typically in a cross-border manner), money laundering from corruption and related asset recovery. The latter project, coordinated by the UIF, is closely related to the priorities of the G20, chaired by Italy in 2021. New projects starting in 2022 will address, among other things, the use of virtual currencies for terrorist financing purposes and the use of open source intelligence (OSINT) information in FIU analysis work.

Of particular importance in the Group's activities are the Support and Compliance procedures initiated following insufficient ratings assigned in the Mutual Evaluations on aspects relating to the activities and responsibilities of the FIUs. The UIF has also contributed actively in this area.

The Egmont Group is continuing its work on updating the methods and prerequisites for verifying the compliance and effectiveness of FIUs. The breadth of membership makes this task both essential and burdensome. Sanctioning leverage is always preceded and accompanied by support and technical assistance, also developed through special global programmes.

One member of the UIF is also a member of the Steering Committee as the Egmont Regional Representative for EU-based FIUs. The relevant regional group contributes to the overall work of the Organization and, at the same time, hosts in-depth inputs and proposals in the framework of the developments of the European anti-money laundering system.

As part of the Italian delegation, the UIF participates in the activities of Moneyval, the Council of Europe's anti-money laundering body that is part of the FATF global network. Despite delays related to health restrictions, Moneyval continued its Mutual Evaluation programme. In April 2021, with the approval of the relevant Plenary Session Reports, the assessments of San Marino⁴⁹ and the Holy See⁵⁰ were concluded. Given the results achieved, both systems have been included in the ordinary follow-up procedure, which provides for a further report in three years' time.

Generally positive opinions were expressed with regard to the regulatory framework of San Marino; positive ratings were given, in particular, for the Recommendations concerning the activity of its FIU. Critical issues were found with regard to the effectiveness of the supervision activities and preventive measures adopted by the obliged entities. Essentially positive are the ratings concerning the effectiveness of the FIU's activities also in international cooperation. The evaluation of the Holy See also concluded with overall favourable results in terms of regulatory compliance with the standards, including those concerning the duties and powers of the FIU. In terms of effectiveness, significant weaknesses were highlighted in the consideration of money laundering risks and in investigative and judicial law enforcement activities; the supervisory and preventive mechanisms were deemed adequate.

Moneyval has published a report that collates best practices adopted by supervisory authorities to ensure the continuity of anti-money laundering controls during the pandemic with a view to identifying possible measures to be taken during a crisis.⁵¹

A scientific expert from the UIF provides support to the activities of the Conference of the Parties envisaged by the 2005 Warsaw Convention of the Council of Europe on money laundering and terrorist financing.

One of the tasks of the Conference of the Parties is to monitor the transposition and implementation of the Convention by the signatory states. The monitoring mechanism is a horizontal one based on a single report that, each year, elaborates on the compliance of all member states with specific provisions of the Convention.

In 2021, the transposition of the Convention provisions concerning the liability of legal persons for money laundering and related predicate offences committed in their interest by natural persons in positions of responsibility was examined. The Italian system of criminal liability of legal persons, introduced by Legislative Decree 231/2001, is generally assessed in a positive light. In terms of effectiveness, it is noted that there is only one case of conviction of an entity in connection with money laundering offences (the same remark was made by the FATF during the Mutual Evaluation of Italy).

⁴⁹ Moneyval, *Fifth Round Mutual-Evaluation-Report-San-Marino*, April 2021.

⁵⁰ Moneyval, *Fifth Round Mutual-Evaluation-Report-Holy See*, April 2021.

⁵¹ Moneyval, *AML/CFT Supervision in times of crisis and challenging external factors*, January 2022.

9. THE LEGISLATIVE FRAMEWORK

The UIF follows the development of EU anti-money-laundering policies and rules. It contributes, with its own proposals and research, developed also in coordination with the other European FIUs, to the evolution of the European AML/CFT rules.

The Unit also follows and cooperates in the development of Italian primary and secondary legislation by other authorities in the matters affecting it. In this context the Unit carries out studies of issues relevant to the effectiveness of the AML prevention system, drafts legislative and regulatory proposals and takes part in inter-institutional technical talks and parliamentary hearings.

The Unit drafts and issues Instructions concerning the identification and reporting of suspicious transactions by the obliged entities, the dispatch of threshold-based communications, the transmission of communications from general government bodies and the transmission of aggregated data.

With a view to fostering active cooperation on the part of the obliged entities, the UIF issues and regularly updates anomaly indicators for the identification of suspicious transactions after presenting them to the Financial Security Committee; it develops and disseminates representative models and patterns of anomalous economic and financial behaviour that relate to possible money laundering or terrorist financing. The Unit also issues system-wide communications calling the attention of the obliged entities to certain risk factors and elements symptomatic of possibly illicit operations.

9.1. The global and European context

9.1.1. European regulatory developments

On 20 July 2021, the Commission presented the AML Package, consisting of four legislative proposals, in order to implement the *Action Plan for an Integrated EU Policy on the Prevention of Money Laundering and Terrorist Financing*, published on 7 May 2020. The new anti-money laundering system will maintain the risk-based approach, but will emphasize the convergence of the rules of each Member State through directly applicable regulations and the consolidation of a European rulebook supplemented by secondary provisions.

The AML
Regulation

A European Anti-Money Laundering Authority (AMLA) is also planned, an agency with peculiar characteristics in the EU landscape, which will have two distinct roles: that of European AML supervisor, centralizing the coordination competencies hitherto attributed to the ESAs, and to the EBA in particular, with direct supervisory responsibilities too; and that of Support and Coordination Mechanism for the European FIUs, whose functions will remain rooted at the national level but will be carried out in a uniform, coordinated and in some cases joint manner.

The four legislative proposals forming the package comprise three regulations and one directive (the sixth anti-money laundering directive). One proposal for a regulation⁵² incorporates the provisions on prior obligations and the transparency of beneficial ownership, clarifying and extending the harmonized category of recipients. This includes, among others, the various types of crypto-asset service provider (CASPs) - in conjunction with the proposal for a MiCA regulation,⁵³ which undertakes is working in parallel with companies that carry

⁵² *Proposal for a Regulation to the European Parliament and the Council on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing*, COM (2021) 420 final.

⁵³ *Proposal for a Regulation to the European Parliament and the Council on crypto-asset markets amending Directive EU/2019/1937*, COM (2020) 593 final.

out crowdfunding activities (in turn subject to European sectoral regulations), mortgage and consumer credit intermediaries and professionals involved in ‘Visa for investment’ procedures.

The inclusion or retention of further obliged entities nationally must be notified to the European Commission, which sets up a complex assessment procedure to determine the possible supranational importance of the initiative. In order to avoid the effects of levelling downwards in countries that, like Italy, have a large number of obliged entities, it is necessary, on the one hand, to extend the minimum harmonized list, by including categories of entities that display significant risks in one or more member countries or can effectively contribute to the prevention system, and, on the other hand, to simplify the Commission’s notification and assessment procedure in the event of an extension of the recipients on a national basis.

The rulebook includes detailed rules on the various customer due diligence requirements (from initial identification to monitoring of relationships) and on their classification according to risk (ordinary, simplified and enhanced due diligence), as well as on the collection and storage of acquired data. With regard to the obligations to report suspicious transactions to the FIU, the prerequisites and assessment factors are clarified; the new provisions will be complemented by enforcement provisions formulated by the AMLA and by targeted instructions from the national authorities. Regarding the organizational structures, policies and internal procedures of the obliged entities, the safeguards on structures and staff, the compliance functions, the methods for the assessment of the risks to which these safeguards must be tailored are set out in detail. The regulatory framework addresses individual companies and groups and, among them, conglomerates with foreign branches, either within the EU or in non-EU states (taking into account, in particular, the varied nature of the risks and the diversity of the safeguards).

A structured mechanism is envisaged in identifying high-risk third countries with more proportionate criteria than the mitigation measures to be taken depending on the risk. By means of delegated acts, the Commission is responsible for identifying high-risk third countries⁵⁴ with significant strategic deficiencies in their AML/CFT frameworks, which will, in principle, include the jurisdictions included in the FATF blacklist, subject to the full range of enhanced due diligence measures provided for in the proposal for a regulation⁵⁵ and to specific countermeasures identified by the Commission.

Limitations on the use of cash

The draft regulation covering preventive obligations envisages a ban on cash payments in excess of €10,000 or the equivalent in another currency.⁵⁶ This prohibition only applies to payment transactions carried out in return for payment with entities engaged in the trade of goods or the provision of services.

The introduction of unified measures regarding the use of cash can strengthen the effectiveness of anti-money laundering prevention measures; however, the proposed new provisions are limited in their scope and degree of harmonization.

Unlike similar measures in Italy and other Member States, the scope of the prohibition does not encompass all subjects, nor does it include cash transfer transactions that do not constitute payments for the purchase of goods or services. Moreover, the threshold of €10,000 is particularly high, taking into account both the risks and the natural tendency for cash to be used for smaller amounts; on the other hand, the same proposal sets out that the Commission, within three years of the date of application of the

⁵⁴ Article 23 of the Proposal for a Regulation on AML obligations.

⁵⁵ Article 28, paragraph 4, points (a) to g) of the Proposal for a Regulation on AML obligations.

⁵⁶ See Article 59 of *Proposal for a Regulation to the European Parliament and the Council on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing*, COM (2021) 420 final.

Regulation, shall submit a report to the European Parliament and the Council on the necessity and proportionality of further reducing this limit.

The effect of the approach envisaged is twofold: all member states will have to introduce cash restrictions, albeit in the circumscribed terms required by the rules under consideration, in some cases overcoming a certain reluctance; on the other hand, the many member states that already envisage cash limits, often stricter than those proposed by the Commission, may be displaced by lower limits. In a common position adopted on this point, several member states have called for rules with stricter safeguards to tackle cash risks; an initial intervention proposes to lower the threshold from €10,000 to €5,000.

Other critical aspects are also being discussed in the negotiations, with a proposal to extend the scope beyond traders and service providers alone, extending it to uses of cash other than ‘payments’.

The proposed Sixth Anti-Money Laundering Directive⁵⁷ regulates matters for which the margins of national flexibility need to be preserved. First and foremost, it summarizes the provisions that inform the risk-based approach, the cornerstone of the overall anti-money laundering system, in continuity with the existing rules. Among other things, the AMLA will contribute to drawing up the Commission’s Supranational Risk Assessment (SNRA) for the estimation of risks, whether internal or external to the EU, that are transnational in nature. The regulation of the registers of beneficial owners of companies, entities, trusts and similar institutions is extended and specified in the directive.

6th AML
Directive

The body in charge of the centralized records is entrusted with the management of the registers, with related powers to obtain feedback from the companies, entities or trusts themselves, also by means of inspections, on the truthfulness and timeliness of the beneficial ownership references. The body is required to report any cases of money laundering or terrorist financing to the FIU that have emerged during the relevant controls.

The proposal also brings together and updates provisions on the establishment and maintenance of other national central registers with information that is useful for the activities of the FIU and other competent authorities (bank accounts and real estate). By implementing acts, the Commission shall define the interconnection arrangements, including technical procedures applicable to the national registers, in order to enable the authorities of each Member State to obtain information from anywhere in the EU.

Finally, the rules on FIUs and national AML supervisory authorities are summarized.

The FIU: characteristics and tasks in the AML Package

The principle of neutrality with regard to its institutional nature and organizational status, as confirmed by the directive, ensures ample flexibility in national choices on the characteristics and location of the FIU in the public system. However, the directive specifies, in more detail, certain conditions that must be fulfilled in all cases.

The FIU’s charter asserts principles of autonomy and independence, as denoted by the complementary cornerstones of functioning and organization; for the effective and neutral performance of its delicate tasks, the proposal highlights that the FIU must be exempted from any form of influence, from both public and private parties. On the organizational side, it should be noted that when a FIU is located within the structure of another authority, it is necessary to ensure that the FIU’s core functions are ‘independent and operationally separate from the other functions of the host authority’. The proposal

⁵⁷ European Commission, *Proposal for a Directive of the European Parliament and of the Council on the mechanisms that Member States must set up to prevent the use of the financial system for the purposes of money laundering or terrorist financing and repealing Directive EU/2015/849*, COM (2021) 423 final.

insists on the need to provide FIUs with adequate ‘financial, human and technical’ resources to carry out their tasks.

In the definition of an FIU, the qualifying features of the collection, analysis and dissemination of information are reiterated, with important additional elements. The directive proposal entrusts the AMLA with the task of issuing ‘guidelines addressed to FIUs on the nature of the characteristics and objectives of the operational and strategic analysis’.

The network of inter-institutional cooperation with supervisors, customs agencies and bodies responsible for registering beneficial owners is being extended and strengthened.

An FIU’s adequate ability to acquire information is an essential prerequisite for the effective conduct of the analyses. The draft directive in Article 18 defines in detail the concrete types of information sources of a financial, administrative and investigative nature to which FIUs must, at the very least, have access; the range of investigative data is particularly broad, which includes ‘any type of information or data available or obtainable without the adoption of coercive measures, relating to ongoing and concluded investigations and to measures taken’. As a rule, access is direct; in cases of indirect access, the party in possession of the data is required to provide timely feedback. The FIU’s power of suspension is also extended: it no longer covers transactions alone, but also accounts and other relationships, which can be temporarily blocked regardless of any reference to particular transactions.

The directive proposal confirms and expands the system of cooperation between FIUs. In order to make cross-border STRs more effective and uniform, the AMLA is given the task of specifying their format and content as well as the criteria for their identification. The legal basis recognizing FIU.NET as a dedicated infrastructure for the exchange of information between FIUs is strengthened and allocated to the AMLA, which ensures its necessary development.

The use and dissemination of the exchanged information remain subject to the consent of the FIUs concerned; however, this cannot be withheld except in exceptional cases in which detailed indications from the AMLA are desirable in order to promote uniform lines of conduct.

The Regulation on transfers of funds

The proposal for a regulation on information regarding originator and beneficiary disclosures that must accompany fund transfers⁵⁸ aims to replace and update the current Regulation EU/2015/847. In the transposition of the changes made by the FATF standards, the new element is the extension of traceability measures to transfers involving crypto-assets, in a framework consistent with the European regulations currently being defined; the notions of crypto-assets and CASP will in fact be based on the European regulation on crypto-asset markets (MiCA).⁵⁹

The AMLA regulations

The proposed AMLA regulation envisages the establishment of a European agency with legal personality, the Anti-Money Laundering Authority, which has supranational tasks, such as supervisor of European AML and of the FIUs’ support and coordination mechanism. AMLA’s main tasks include monitoring money laundering and terrorist financing risks in the internal market, facilitating cooperation between obliged entities and authorities in this area, and monitoring and supporting the application of financial sanctions adopted by the EU.

⁵⁸ European Commission, *Proposal for a regulation concerning information accompanying transfers of funds and certain crypto-assets (recast)*, COM (2021), 422 final.

⁵⁹ *Proposal for a Regulation to the European Parliament and the Council on crypto-asset markets amending Directive EU/2019/1937*, COM (2020) 593 final.

In its supervisory role, the Authority has direct powers over EU-based obliged entities considered to be most at risk; it is also tasked with the indirect supervision and coordination of and assistance to national authorities for the entities they supervise, also with a view to ensuring uniform supervisory standards and common methodologies for risk assessment, including in the non-financial sector.

On the other hand, AMLA does not assume any operational responsibilities in its capacity as an FIU Support Mechanism.

The AMLA's tasks and powers as a Support and Coordination Mechanism for FIUs

As a Mechanism, the new Authority is meant to play a central role in strengthening cooperation between the FIUs, in conducting joint analyses (see the box 'Prospects for effective rules for joint analyses'), in promoting operational convergence between FIUs, and in enhancing the IT tools available to them.

The Authority's support to FIUs in the IT sector through the development of IT tools is particularly incisive, e.g. in the area of artificial intelligence. The AMLA is also entrusted with the management and development of FIU.NET.

The AMLA will encourage the convergence of FIUs in the development, pooling and promotion of methods for the detection, analysis and dissemination of suspicious transactions, and for risk analysis and strategic analysis.

The Authority will be able to request data and analyses from FIUs for the purpose of supranational risk assessment, to collect statistical information on FIU tasks and activities, and to obtain and process the information and data necessary for the coordination of joint analyses (pursuant to Article 30).

The Authority will exercise regulatory powers by drawing up draft regulatory documents (Article 38) and implementing technical standards (Article 42) to be proposed to the Commission, as well as guidelines and recommendations (Articles 43 and 44) addressed to FIUs and obliged entities also in areas pertaining to active cooperation.

The new Authority will provide specialist training and assistance to FIUs and facilitate relations between FIUs and obliged entities through training initiatives for the latter. It is also entrusted with the task of issuing and updating anomaly indicators for reporting parties, although it has no direct financial analysis powers and is not privy to information on suspicious transaction reports.

The unique attribute of the AMLA is that it combines two distinct functions in a single legal entity, which requires a special configuration of governance and decision-making procedures. The reference model is provided by the organization of the European Supervisory Authorities, to which additions and modifications are made to take account of the increased complexity.

The Authority is composed of the following bodies: a General Board, composed – in an alternative configuration for the two functions – of representatives of supervisors and national FIUs; an Executive Board, which is a collegial body with executive tasks, not representative of the national authorities; a Chairperson, an administrative manager, legal representative of the Authority and responsible for its activities; an Executive Director, organizational manager, responsible above all for management tasks; and a Board of Appeal, appointed to receive administrative appeals against supervisory decisions.

The distribution of the responsibilities of the governing bodies is somewhat asymmetrical, reflecting the differences between the two components. Supervisory powers are divided, or shared, between the General Board and the Executive Board (Article 53), while

all decisions relating to the Mechanism matters, with the related preparation and evaluation activities, are entrusted to the General Board.

FIUs common position on governance

In February 2022, the FIUs promoted a common position, endorsed by several countries in negotiations at the European Council, with proposals to introduce changes in the governance to allow the General Board of the Mechanism to focus, in line with its nature and composition, on decision-making and strategic aspects. The creation of a Standing Committee was suggested, with initiative, preparation and proposal tasks envisaged to support the General Board, intervening between the Authority's organizational structure and the decision making-body, with coordination and facilitation duties.

Legal status and headquarters

The Authority has legal personality under European law (Article 3); the geographical location of the Authority is to be specified in the regulation itself at the end of a public procedure that will take place in parallel with the negotiation on the provisions of the Package. The draft regulation provided for the establishment of the Authority on 1 January 2023 (Article 88). The Government has officially expressed its intention to nominate Italy as the seat of the European Authority to be established; the private sector is also in favour of this initiative with the ABI's stance. The Italian proposal to host the AMLA is particularly credible for a number of specific reasons: in order to combat the deep-rooted and widespread presence of organized crime, the Italian legal system has equipped itself with anti-money laundering regulatory frameworks that are increasingly sophisticated; significant powers have been conferred on the prevention and law enforcement authorities. The authorities' operational experience, propensity to collaborate and contribute to international policies and organizational capacity are further prerequisites for this candidacy.

Prospects for effective rules for joint analyses

In the Commission's proposal, joint analysis activities are regulated in a fragmented manner; the Mechanism is assigned an organizational role and not one of effective participation and support in the analyses; the substantive tasks and burdens remain with the FIUs.

The initiative to launch joint reviews is reserved for the FIUs. Each FIU may initiate joint procedures by proposing the establishment of teams of analysts from the FIUs concerned; the Authority is notified and issues the invitation. FIUs retain full discretion and may in any case decline the invitation as long as it is justified.⁶⁰ The role of the Authority would be limited to logistical and IT support.

The solution proposed by the Commission does not lead to the establishment of an actual supranational framework for carrying out joint analyses: as in the current situation, the FIUs decide on the cases to be dealt with, confirm or refuse participation, determine the information to be shared and the limits of its use, and take care of the in-depth studies and the drafting of the relevant documents and reports.

In order to strengthen the effectiveness of such a system, the position promoted by the UIF is based on enhancing the role of the Mechanism, which should be in charge of defining criteria for the identification and prioritization of cases that may be subjected to joint analysis, and of developing a methodology for the development of the exercises. Joint analyses should be initiated according to a schedule defined in liaison with the FIUs and conducted by teams composed of, in addition to Mechanism staff, analysts and national FIU delegates.

The UIF promotes liaising with other European FIUs on these proposals; however, there is a widespread tendency to maintain a strong national system within each FIU for the prerogatives of initiative and participation in joint analysis exercises, as well as the

⁶⁰ Within five days, which is too short to allow an appropriate assessment to be made.

exclusive use of related information.

9.1.2. Further European and international initiatives

In addition to monitoring the correct transposition of the Fourth and Fifth AML Directives into national law, the Commission initiated a verification programme for the practical implementation of the measures adopted by the Member States, focusing on aspects of regulatory transposition and effectiveness, taking into account the preventive work undertaken by the competent authorities and the results achieved.

Assessment by
the commission

The assessment of the Italian AML system was launched in the second half of 2021. After an initial phase of extensive and meticulous information gathering, in October, a series of meetings were held between experts from the assessment team and representatives of the relevant Italian authorities concerned. These meetings were coordinated by the MEF. The involvement of the UIF was intense and wide-ranging. In-depth discussions addressed the institutional and organizational aspects of the Unit, the adequacy of its powers and information sources for financial analysis, relations with obliged entities, the procedures adopted, the significant typologies and phenomena identified in the financial analysis, how the results relating to in-depth analyses are disseminated, detailed data and statistics on aspects relating to suspicious transaction reports, analyses, and national and international cooperation.

The findings of this monitoring will feed into a comprehensive EU-wide report that should illustrate the most critical issues found in the transposition and implementation of European provisions. The findings will also supplement the report that the Commission will submit to the European Parliament and the Council pursuant to Article 65(1) of the Fourth Anti-Money Laundering Directive, as amended by the Fifth Directive.

In 2021, the European Commission started work on updating the 2019 supranational risk assessment (SNRA). The new supranational assessment will be published in 2022. The European FIUs are directly involved in the investigations, to which they contribute by sending the results of their operations.

In June 2021, the European Public Prosecutor's Office (EPPO) became operational, having been established by Regulation EU/2017/1939 as the prosecuting body for the prosecution of offences affecting the EU's financial interests and for subsequent money laundering. The UIF has initiated talks with the EPPO, aimed at producing a memorandum of understanding to regulate the exchange of information between the two authorities on offences falling within the competence of the EPPO and to enable the Unit to provide the EPPO with effective analytical support (see the box 'Memorandums of Understanding for the improvement of institutional cooperation' in chapter 7).

The new
European Public
Prosecutor's
Office

9.2. The Italian legislative framework

9.2.1. Legislative measures

To implement European Delegation Act 2019-20,⁶¹ the Government issued provisions on the prudential supervision of credit institutions and investment firms with implications for cooperation with the UIF as well.⁶² The Government also took measures to combat fraud and counterfeiting of means of payment other than cash⁶³ and to strengthen domestic and

⁶¹ See Italian Law 53/2021.

⁶² Directive EU/2019/878 (CRD V).

⁶³ Directive EU/2019/713.

international cooperation for the purpose of prevention, detection, investigation or prosecution of crimes,⁶⁴ and enacted criminal legislation to counter money laundering.⁶⁵

**Legislative
Decree
182/2021**

More specifically, the Consolidated Law on Banking has been supplemented with a provision that expressly refers to the cooperation between the Bank of Italy – as a prudential supervisory authority – and the UIF, in derogation of professional secrecy obligations and to facilitate their respective functions.⁶⁶

The provision aims to strengthen cooperation between the Bank of Italy in its capacity as a prudential supervisor and the UIF, including through the exchange of information in derogation of professional secrecy, in order to facilitate the performance of their respective institutional functions. Supervisory authorities should include money laundering and terrorist financing aspects in their relevant activities and inform the authorities and bodies responsible for AML compliance of any finding. Cooperation should take place in accordance with the conditions envisaged by EU provisions and provided it does not interfere with an ongoing investigation, enquiry or criminal or administrative proceedings.⁶⁷

**Legislative
Decree
184/2021**

Legislative Decree 184/2021⁶⁸ extended the criminal law protection against unlawful use and counterfeiting of any non-cash payment instrument and introduced the offence of possession and dissemination of computer equipment, devices or programmes intended to commit offences concerning non-cash payment instruments.⁶⁹ The notion of non-cash payment instruments refers to the concept of digital exchange, which also includes virtual currencies.

For the purposes of criminal law, a non-cash means of payment is defined as ‘an intangible or tangible protected device, object or record, or a combination thereof, other than legal tender, which, alone or in conjunction with a procedure or a series of procedures, enables the holder or user to transfer money or monetary value, including through digital means of exchange’; a ‘digital means of exchange’ is any electronic money as defined in Article 1(2)(h-ter), of Legislative Decree 385/1993. Virtual currency is a digital representation of value that is not issued or guaranteed by a central bank or public body; it is not necessarily linked to a legally established currency and does not have the legal status of currency or money, but is accepted by natural or legal persons as a medium of exchange, and can be transferred, stored and exchanged electronically.⁷⁰

**Legislative
Decree
186/2021**

In order to implement the EU/2019/1153 Directive in national law, new channels for domestic and international cooperation for the prevention, detection, investigation or prosecution of criminal offences have been regulated, with particular regard to bank account information, UIF financial information and analyses, and law enforcement information that the Unit is entitled to acquire.⁷¹

It is confirmed that the NSPV and the DIA are the only national authorities that can

⁶⁴ Directive EU/2019/1153.

⁶⁵ Directive EU/2018/1673.

⁶⁶ Article 7, paragraph 5, of the TUB, as amended by Legislative Decree 182/2021 transposing Directive EU/2019/878 (CRD V).

⁶⁷ Article 117 of Directive 2013/36/EU, as amended by Directive EU/2019/878.

⁶⁸ The decree implements Directive EU/2019/713, which aims to step up the fight against fraud and counterfeiting of non-cash means of payment as a means of financing organized crime and related criminal activities, as well as to promote the single digital market, to which illicit conduct related to these means of payment (debit and credit cards, e-wallets, mobile payments and virtual currencies) is detrimental, as it undermines consumer confidence and causes direct economic losses.

⁶⁹ Article 493-ter and Article 493-quarter of the Italian Criminal Code, respectively, amended and introduced by Legislative Decree 184/2021.

⁷⁰ Article 1, points (a), (c) and (d) of Legislative Decree 184/2021.

⁷¹ See Legislative Decree 186/2021.

request and receive financial information or financial analysis from the UIF. The transposition missed the opportunity for a broader indication of the range of authorities that could benefit from such exchanges and, in particular, the involvement of the Asset Recovery Office, and tax and anti-corruption authorities. When it is necessary for carrying out its functions, the UIF may request ‘law enforcement information’ from⁷² the NSPV and the DIA; the latter shall provide a timely response, subject to investigation secrecy restrictions.

International cooperation between the UIF and other EU-based FIUs has also been extended to exchanges pertaining to the processing or analysis of information relating, in addition to terrorist financing, to terrorism and organized crime associated with terrorism. Without prejudice to the reporting obligation under Article 331 of the Italian Code of Criminal Procedure and subject to the consent of the foreign FIU, the UIF forwards information in a timely manner to the DNA and, through the NSPV and the DIA, to the Counter-Terrorism Strategic Analysis Committee (CASA). Europol can also acquire financial information and analyses from the UIF on the basis of exchanges that take place through the Europol National Unit set up within the International Police Cooperation Directorate of the Ministry of the Interior.⁷³

The Relief Decree, known in Italian as ‘Sostegni-ter’,⁷⁴ also had an impact on cooperation between the UIF and other Authorities; it introduced a new dispensation from secrecy in information exchange obligations in addition to those already in force.⁷⁵

The Relief Decree

Specifically, it has been determined that official secrecy cannot be invoked against the central services of the State Police, the Carabinieri and the Finance Police corps in cases where it is necessary and of the utmost urgency to have access to financial information or financial analysis from the UIF for the prevention, detection, investigation or prosecution of conduct relating to offences against the State as foreseen by Articles 270 to 270-septies of the Italian Criminal Code.⁷⁶

With regard to criminal law in the fight against money laundering, Legislative Decree 195/2021⁷⁷ has established that any crime, including culpable crimes and cases punishable by fines, may be indicative of money laundering or self-laundering.⁷⁸

Legislative Decree 195/2021

As a result of the aforementioned legislative amendment, the concepts of money laundering for administrative and criminal purposes respectively do not coincide. In fact, the criminal notion of money laundering, when referring to money, goods or other benefits deriving from any crime, becomes broader than that established for the purposes of compliance with the obligations under Legislative Decree 231/2007, in which culpable offences and infringements are excluded from the category of ‘predicate offences’.

As part of the measures adopted to combat fraud relating to the tax benefits granted as a result of the COVID-19 health emergency, it should be noted that the recipients of anti-money laundering obligations involved in the transfer of tax credits governed by the ‘Relaunch’ Decree⁷⁹ are required to refrain from acquiring credits when there are grounds for reporting suspicious transactions to the UIF, i.e. they should not proceed due to the

New developments in tackling tax-benefit fraud

⁷² Pursuant to Article 2(1)(g) of Legislative Decree 186/2021, this relates to information or data already held by the authorities authorized to access the centralized national register of bank accounts or by the NSPV and the DIA, or accessible to them, in the prevention, detection, investigation or prosecution of offences.

⁷³ See Article 9 of Legislative Decree 186/2021 for the methods and limits applicable to such information exchanges.

⁷⁴ Legislative Decree 4/2022, converted with amendments by Italian Law 25/2022.

⁷⁵ See Article 12, paragraph 8, of Legislative Decree 231/2007.

⁷⁶ See Article 28-quinquies of Italian Law 25/2022.

⁷⁷ The decree implements Directive EU/2018/1673.

⁷⁸ See Article 1, paragraph 1, points (d) and (f) of Legislative Decree 195/2021.

⁷⁹ Decree Law 34/2020 converted with amendments by Italian Law 77/2020.

impossibility of carrying out due diligence⁸⁰ (see the box ‘Anomalous transfers of tax credits’ in Chapter 3). The illustrative report accompanying the aforementioned measure expressly refers to the indications contained in the [UIF Communication](#) of 11 February 2021 ([only in Italian](#)). In particular, it is emphasized that for the purposes of identifying suspicious transactions subject to the reporting obligation to the Unit, it is necessary to take into account the risks associated with: ‘i) the potentially fictitious nature of the receivables themselves; ii) the presence of assignees of the credits who pay the transfer price with capital that may be of illicit origin; and iii) the undertaking of wrongful financial activity by persons without the prescribed authorizations who carry out multiple transactions for the purchase of credits from a wide range of transferrors’.

Two further transfers are allowed only if they are made in favour of banks and financial intermediaries entered in the register referred to in Article 106 of the Consolidated Law on Banking, companies belonging to a banking group registered in the list under Article 64 of the Consolidated Law on Banking or insurance undertakings authorized to operate in Italy pursuant to Legislative Decree 209/2005.

Further legislative interventions on the subject have increased the number of permitted transfers to four, specifically with regard to transfers of credits from construction subsidies⁸¹ and permitted transfers of tax credits in favour of ‘energy-intensive’ and ‘natural gas-intensive’ companies.⁸²

The first of the aforementioned changes means that, with reference to the notifications of the first assignment of the credit or invoice discount submitted to the Revenue Agency as of 1 May 2022, in addition to the three already permitted, banks are permitted to make a further assignment exclusively in favour of the entities with which they have entered into a bank account agreement, without the right to further transfer the credit.

The second change, on the other hand, concerns the transferability of tax credits recognized in favour of energy-intensive companies and companies with high consumption of natural gas: the same companies are permitted to transfer them, only in full, to other entities, including credit institutions and other financial intermediaries, but without the option of a subsequent transfer. However, two further transfers are permitted only if they are made to banks and financial intermediaries, banking group companies or insurance companies.

In both cases, those subject to anti-money laundering obligations cannot proceed with the acquisition of the credit if the preconditions for reporting suspicious transactions to the UIF⁸³ are met, or due to the abovementioned abstention.

The ‘Milleproroghe Decree’⁸⁴ the annual decree extending the life of various Italian government measures, introduced changes to the anti-money laundering decree regarding customer due diligence, protection of confidentiality and limits on the use of cash. In particular, a new case of due diligence without the physical presence of the customer has been envisaged.⁸⁵ The confidentiality of anti-money laundering information in the event of use by the judicial authority during criminal proceedings has been further strengthened. The possibility of anti-money laundering contributions being made public actually has a negative

The
Milleproroghe
Decree

⁸⁰ Reference is made to Article 2 of Legislative Decree 157/2021 (the Anti-fraud decree), later transposed into Italian Law 234/2021 (Budget law), which introduced Article 122-bis, paragraph 4.

⁸¹ See Article 29-bis, Italian Law 34/2022, which converted Legislative Decree 17/2022 (‘Decreto Bollette’ – ‘Utility Bill Decree’), amending Article 121 of Legislative Decree 34/2020 (converted by Italian Law 77/2020).

⁸² See Article 9 of Legislative Decree 21/2022 (‘Ukraine Decree’), currently under conversion.

⁸³ Article 1 of Legislative Decree 13/2022, now repealed and merged into Article 28(1)(b) of Legislative Decree 4/2022 (Relief-ter ‘*Sostegni-ter*’), coordinated with Conversion Law 25/2022.

⁸⁴ Legislative Decree 228/2021, converted into Italian Law 15/2022.

⁸⁵ See Article 19(1)(a)(4-ter), of Legislative Decree 231/2007, introduced by Article 3(1)(a), of the aforementioned Legislative Decree 228/2021, converted with amendments by Italian Law 15/2022.

impact on the overall functioning of the prevention system, particularly on the active cooperation of reporting parties; in the case of disclosure of foreign information, full compliance with international constraints on the use of information received from counterparties may also be compromised.

In addition to the identity of the reporting party, the sending of the report itself, the information forwarded by the UIF and their content must also be kept confidential. The identity details of the reporting party may not be included in Public Prosecutor files or in those for court proceedings, nor may they be disclosed in any other way unless it is indispensable for ascertaining the offences for which proceedings are being conducted. In this case, the judicial authority will proceed by means of a decree with grounds, stating the reasons and adopting the necessary precautions to ensure the safeguarding of the reporting party and, where possible, the confidentiality of the report and of the information conveyed by the UIF.

Whoever wrongly reveals the identity of a reporting party shall be punished with imprisonment of two to six years, unless the act constitutes a more serious offence. The same punishment shall apply to any person who wrongly discloses information concerning the reporting party or the content of the information transmitted by FIUs, if the information disclosed is such as to allow the identification of the reporting party.⁸⁶

Finally, the limit for cash transfers between different entities was revised by maintaining the threshold of €2,000 until 31 December 2022; from 1 January 2023, the limit will instead be reduced to €1,000.⁸⁷

Italian Law
15/2022

In 2021, the legislature intervened to sanction a ban on the financing of companies and corporations engaged in activities relating to anti-personnel mines, cluster munitions and submunitions⁸⁸ (see ‘The Quality of Active cooperation’ in Chapter 1). The law provides for the extension, as part of the tasks assigned to the UIF, of the controls on the financial flows to the aforementioned companies.⁸⁹ By means of a specific notification to the system, the Unit then drew the attention of the recipients of/those subject to the anti-money laundering obligations to the need to disclose any suspicions raised with regard to transactions attributable to the same companies by means of a specific addendum to the reporting category on ‘Proliferation of Weapons of Mass Destruction’.

Italian Law
220/2021

The work of the interinstitutional Technical Panel coordinated by the Ministry of Economy and Finance and involving the UIF, the Finance Police and the Customs and Monopolies Agency is currently being finalized, with the aim of identifying the actions required to adapt national legislation to the provisions of Regulation EU/2018/1672 on controls on cash entering or leaving the European Union.

Implementation
of Regulation
EU/ 2018/1672

The implementation of EU Regulation 2018/1672 and the updating of the national gold regulations

Regulation EU/2018/1672, applicable from 3 June 2021, resulted in a number of regulatory changes necessary to adapt the Italian regulations on cross-border cash disclosures and gold declarations, which were brought to the attention of the relevant interinstitutional Technical Panel.

⁸⁶ See Article 38, paragraphs 3 and 3-bis, of Legislative Decree 231/2007, introduced by Article 3(1)(b), of the aforementioned Decree Law 228/2021, converted with amendments by Italian Law 15/2022.

⁸⁷ Article 49 of Legislative Decree 231/2007, as amended by Article 3(6-septies), of the aforementioned Legislative Decree 228/2021, converted with amendments by Italian Law 15/2022.

⁸⁸ Italian Law 220/2021.

⁸⁹ Article 3, paragraph 2, of Italian Law 220/2021.

The decisions to apply the surveillance system on cross-border cash movements to movements between Italy and other Member States, as well as the current applicable jurisdiction framework, are confirmed. The most significant new developments include: i) the expansion of the concept of ‘cash’, which also includes assets used as highly liquid reserves of value and prepaid cards; ii) the provision of disclosure obligations for ‘unaccompanied cash’ alongside notification obligations for ‘accompanied cash’; iii) the rules on ‘temporary detention’; iv) indication of controls based on risk analysis; v) adequate forms of cooperation between the competent national authorities as well as with the equivalent authorities of the other Member States and third countries; vi) connection, also by the UIF, to the Customs Information System set up at European level; and vii) the provision of effective, dissuasive administrative sanctions proportionate to the seriousness of the violations. In addition, considering that the new concept of ‘cash’ includes, among other things, investment gold,⁹⁰ it is necessary to modify the regulations referred to in Italian Law 7/2000 on gold declarations, in order to avoid the overlapping of declaratory obligations in this matter, specifying the conditions, methods, terms and the relative sanctioning apparatus in the event of violation.

The Technical Panel is also reviewing the proposal to make the UIF responsible for receiving the declarations referred to in Italian Law 7/2000 (the Unit currently receives such declarations by virtue of the proxy granted to it by the Bank of Italy), and to establish that notifications for the professional exercise of gold trading (Article 1, paragraph 3 of Italian Law 7/2000) shall be forwarded to the organization responsible for managing the lists of financial agents and credit brokers, established pursuant to Article 128-undecies of the Legislative Decree 385/1993 (and no longer to the Bank of Italy).

9.3. Secondary legislation

The COVID-19 emergency: actions by the UIF

During the year, the UIF continued to monitor the evolution of the pandemic and the related legislation supporting the national economy in order to promptly identify the emerging risks of money laundering and predicate offences and guide the active cooperation of the recipients of prevention obligations. The need to boost the deployment of anti-money laundering safeguards is also confirmed by the delicate phase for implementing the NRRP,⁹¹ requiring increased cooperation, especially from public administration bodies.

UIF initiatives after the COVID-19 emergency: first indications for the prevention of risks connected to the NRRP

On 11 February 2021, the Unit issued a new ‘Communication’ (only in Italian) addressing the prevention of financial crime associated with the COVID-19 emergency (see *Annual Report for 2020*, p.123), supplementing the previous ‘Communication of 16 April 2020’ (only in Italian).

The January 2021 *Hearing of the UIF Director* (only in Italian) before the bicameral commission of inquiry into the phenomenon of mafia and other criminal associations, including foreign ones, had highlighted the preventive and repressive aspects of the predatory activities of criminal consortiums during the COVID-19 emergency. This included an in-depth examination of the international and national interventions in the fight

⁹⁰ See Article 2, point (e), and Annex 1 of Regulation (EU) 2018/1672, according to which the relevant notion of cash also includes a ‘commodity used as a highly liquid store of value’ or ‘a) coins with a gold content of at least 90%; and b) bullion such as bars, nuggets or clumps with a gold content of at least 99.5%’.

⁹¹ Regulation EU/2021/241.

against malpractices relating to the health emergency and further actions to support reporting parties in identifying the relative risks.

With the most recent ‘Communication of 11 April 2022’ ([only in Italian](#)), the UIF provided further updates and specifications on the risks connected with the assignment of tax credits, identifying the initial elements for the prevention of criminal infiltration into the use of NRRP funds. In particular, reference was made to subjective and objective anomalies, and the importance of monitoring relations was highlighted for the identification of anomalous uses of the amounts assigned as tax credits.

Particular prominence should also be given to persons who combine the offer of supplies connected with the subsidy measures and the purchase of tax credits, or who advertise the activity of purchasing credits at prices significantly lower than their nominal value, or to persons who broker, often through the Internet, the supply and demand of tax credits, also raising doubts as to the existence of any possible improper conduct.

Moreover, to prevent the risk of criminal infiltration into the use of NRRP funds, emphasis was placed on the need to enhance compliance with anti-money laundering obligations to enable the timely detection of suspected diversions of resources from their intended purpose. Here, the prevention and the reporting of suspicious transactions by the public administrations in charge of the interventions or entrusted with their implementation play a central role. The Unit then referred to the organizational safeguards that public offices are called upon to implement for active anti-money laundering cooperation and indicated the first anomalous elements to watch out for. Certain risk elements were also identified in relation to intermediaries and professionals who intercede in transactions connected with the use of NRRP funds.

The Unit continued to follow changes in international and national regulatory frameworks concerning virtual currencies, contributing to the definition of effective AML/CFT safeguards.

Virtual currencies

International and national initiatives concerning virtual assets

In July 2021, the FATF published its Annual Monitoring Report on the proper implementation of virtual asset standards (*Second 12-month review of the revised FATF standards on virtual assets and virtual asset service providers*). The report highlights persistent inconsistencies in the implementation of the relevant Recommendations in the legal systems of the Member States. It highlights the main uses of virtual assets for unlawful purposes, and the potentially greater risks arising from transactions that take place without the intermediation of entities that can apply AML/CFT (peer-to-peer transactions – P2P) safeguards.

In October 2021, the FATF concluded the revision and update of the *Guidance* published in 2019 for implementing AML/CFT safeguards relating to virtual currencies. The new guidelines deal extensively with the notion of virtual assets and VASPs, including by means of illustrative cases, in order to prevent important cases from being exempted from the application of the standards; they regulate in detail the information elements that must accompany each transaction (the travel rule).

The document provides indications on the main risks of the illicit use of such instruments, including use in the aforementioned disintermediated transactions, and summarizes the characteristics and risks of stablecoins. The Guidance also details the

indications contained in the standards on the regulation of operators, specifying that they must be subject to authorization or registration regimes and requiring Member States to identify one or more competent authorities for these purposes. Finally, the document introduces principles of international cooperation between supervisors.

At the national level, anti-money laundering regulations on virtual currencies have recently been completed with the publication of the Decree of the Minister of Economy and Finance of 13 February 2022, for the listing of service providers connected with the use of virtual currency and digital wallets and for cooperation between the authorities involved in the sector.⁹² The decree references AML-related requirements that the above-mentioned service providers must meet in order to legally conduct virtual currency activities in Italy. Thus, only those entities that are entered in the special section of the register kept by the OAM will be eligible, and foreign operators who provide online services in Italy remotely, possibly using adverts in Italian through websites or computer applications, will also have to be entered.

The OAM shall cooperate with the authorities involved in preventing and combating money laundering and terrorist financing and it shall provide the MEF, upon request, with any information and documentation held in its capacity as register holder. The same shall also be provided to the Supervisory Authorities, the UIF, the DIA, the NSPV and the DNA. Finally, forms of cooperation with and intervention by the police forces are envisaged to combat the unauthorized exercise of activities throughout Italy.

In 2021, the UIF continued its work on and analysis of the detailed reform and updating of anomaly indicators aimed at facilitating those subject to anti-money laundering obligations in the reporting of suspicious transactions.

EBA Guidelines

With Note 15 of 4 October 2021, the Bank of Italy implemented the European Banking Authority's Guidelines on customer due diligence risk factors.

These Guidelines apply as of 26 October 2021 and supplement the national AML framework by providing, among other things, guidance to intermediaries on customer profiling and risk self-assessment.

IVASS Provision 111/2021

On 13 July 2021, IVASS published provision no. 111 aimed at insurance market operators and defining: i) the criteria and methodologies for analysing and assessing the money laundering risk to which they are exposed, commensurate with the specific activity carried out and the size of such entities; and ii) the size and organizational requirements according to which secondary offices in Italy and insurance intermediaries establish an anti-money laundering function and appoint a dedicated officer, and establish an independent internal audit department, which verifies policies, procedures and controls. This includes the identification of the size and organizational requirements of the subset of entities falling within the category of companies and intermediaries 'established without a branch in the territory of the Italian Republic' from which IVASS requires minimum organizational safeguards for the purposes of reporting suspicious transactions to the UIF.

⁹² The provision published in the Official Journal of 17 February 2022 implements Article 17-bis of Legislative Decree 141/2010, as amended by Legislative Decree 90/2017 and Legislative Decree 125/2019.

10. RESOURCES AND ORGANIZATION

10.1. Organization

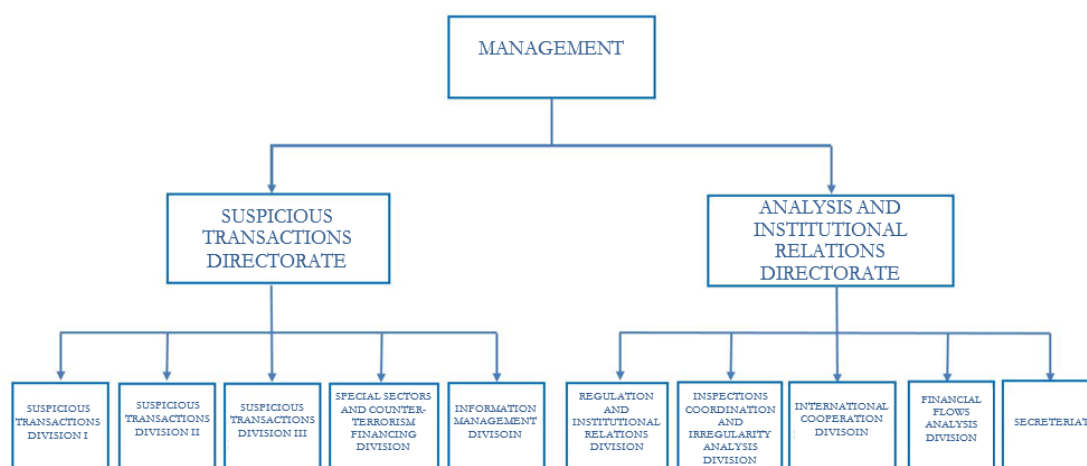
The organisation of the UIF envisages the role of the Director, assisted by the Deputy Director and a number of staff managers, and two Directorates: the Suspicious Operations Directorate, which carries out the role of financial analysis of the reporting parties, and the Analysis and Institutional Relations Directorate, which oversees the regulations, inspection activities, analysis of financial flows, cooperation with the judicial authorities and other national and foreign authorities, as well as taking care of the Unit's secretarial activities.

The Director is also assisted by the Unit's Advisory Committee for the Review of Irregularities, an internal collegial body which is tasked with formulating proposals for initiating sanctioning procedures, the reporting parties to the sectoral supervisory authorities, the judicial authorities and the Investigative Bodies, as well as any other initiative deemed necessary with reference to possible irregularities identified by the Unit.

A Committee of Experts is set up at the UIF, composed of the Director of the Unit and four experts appointed for three years by decree of the MEF, following consultation with the Governor of the Bank of Italy. The Committee is a valuable forum for discussion, providing constant support to the Unit's activities and contributions for reflection on major issues.

During 2021, the organizational structure adopted by the Unit at the beginning of the previous year remained largely unchanged (Figure 10.1). However, in order to cope with the growth in cooperation activities with foreign FIUs, a specific sector was set up within the International Cooperation Division, which is responsible for dealing with exchanges with foreign counterparties for the fulfilment of tasks related to the use of Ma3tch functionalities and cross-border reports through the FIU.NET.

Figure 10.1



The current organizational structure has, however, become inadequate in view of the very high growth in reports, the analysis processes being increasingly based on advanced and highly computerized methodologies, the changes in international cooperation, the increased commitments for the enforcement of international financial sanctions, and the forthcoming emergence of the European Support and Coordination Mechanism. An organizational

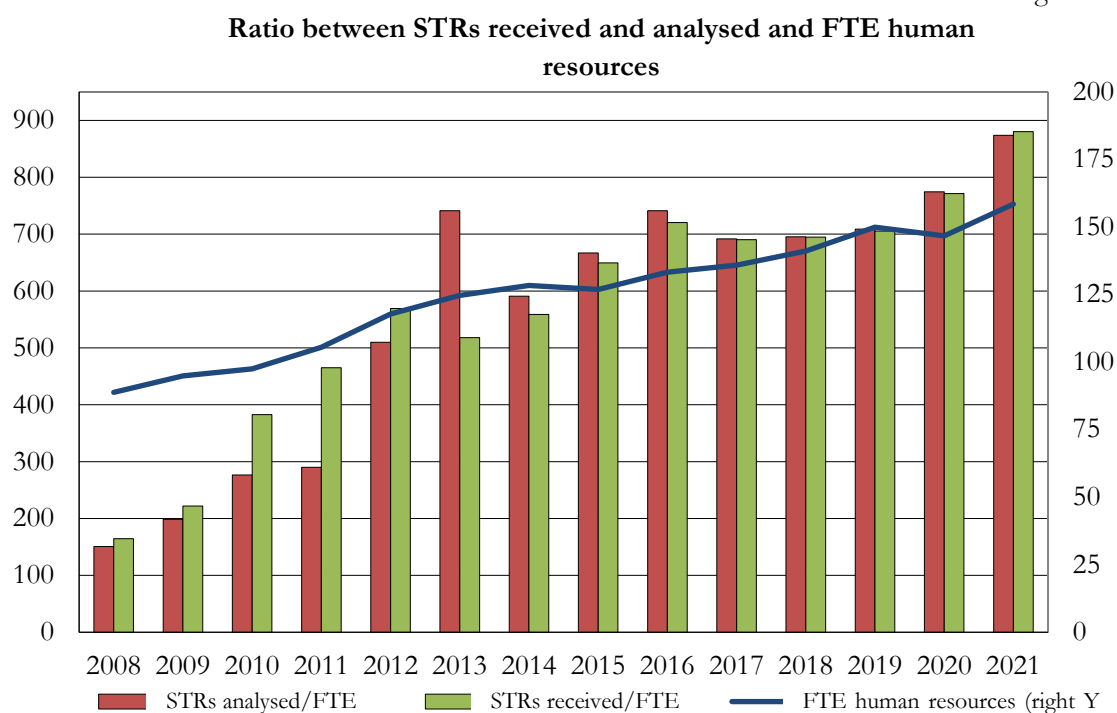
development project, which is needed to ensure the continued effectiveness of the UIF's institutional action in the changed framework, is under consideration.

10.2. Performance indicators and Strategic Plan

In 2021, the performance indicator stood at 874 STRs analysed per full-time equivalent (FTE) human resource, a significant increase of 12.8% compared to 2020 (Figure 10.2). The number of total days worked by UIF staff increased by 6.2% compared to the previous year, continuing the trend already established in recent years. While there was a significant increase in the number of reports received, the total number of those being processed remained extremely low (4,358 at the end of the year, 37.5% of the average monthly flow; 35.3% in 2020).

The performance indicator used does not take into account the additional institutional activities of the Unit (cooperation with investigative and judicial authorities, international cooperation, inspection activity, strategic analysis and financial sanctions enforcement expertise), some of which are characterized by solid growth.

Figure 10.2



The definition of strategic guidelines

The UIF defines its strategic action plan every three years. In order to achieve the goals identified in the strategic plan for the three-year period 2020-22 (Figure 10.3), 2021 saw the continuation of the design and implementation of technological solutions to support analysis and cooperation activities with other authorities. These efforts enabled the completion of almost all the goals defined in the plan. New strategic goals for the next three years are currently being drawn up.

The innovations made to the RADAR infrastructure will eventually increase processing efficiency. Furthermore, enhancing the information assets provided by threshold-based communications to support analysis activities continued. The development in technological tools was accompanied by the UIF's constant attention to the confidentiality of the information managed, as well as the effectiveness of IT and organizational safeguards implemented to ensure the strict and responsible application of confidentiality rules. The monitoring of operational risks was strengthened through the establishment of the internal control function, which is entrusted with the task of continuously verifying the efficiency and

adequacy of processes, as well as in technological and information terms. An external consultancy to the Unit, conducted at the end of 2021, also confirmed the robustness and suitability of the controls adopted.

Figure 10.3

UIF strategic goals and results achieved		
	2020–2022	References in the UIF Annual Report
Operations	<ul style="list-style-type: none"> ✓ Increase the security and speed of information exchanges with reporting parties ✓ Upgrade RADAR ✓ Increase the use of advanced analytical techniques ✓ Leverage 	<p>Par. 10.4</p> <p>Par. 2.2 – 10.4</p> <p>Par. 2.2 – 2.4 – 4.3 – 6.2 – 10.4</p> <p>Par. 1.4 – 10.4</p>
Cooperation	<ul style="list-style-type: none"> ✓ Expand knowledge on the operations of innovative sectors ✓ Develop cooperation with the Customs Agency ✓ Expand the feedback flow to the reporting parties ✓ Strengthen the relationship with the Public Prosecutors' Offices ✓ Intensify exchanges with international FIUs ✓ Increase cooperation 	<p>Par. 1.1 – 1.3 – 2.4 – 10.3</p> <p>Par. 2.2 – 7.1 – 7.3</p> <p>Par. 1.3</p> <p>Par. 7.1 – 9.1.2</p> <p>Par. 2.2 – 3.5 – 4.4 – 8.1 – 8.2 – 8.3 – 8.4 – 9.1.1 – 9.1.2</p> <p>Par. 2.2 – 2.6 – 3.2 – 6.3 – 7.1 – 10.4</p>
Organization	<ul style="list-style-type: none"> ✓ Implement organizational reform ✓ Review the control system ✓ Develop an advanced computerized infrastructure 	<p>Par. 10.1 – 10.2</p> <p>Par. 1.3 – 1.4 – 10.2</p> <p>Par. 2.2 – 2.3 – 6.2 – 8.7 – 10.4</p>
Communication	<ul style="list-style-type: none"> ✓ Enhancing the effectiveness of external communication ✓ Expand and diversify the Unit's publications 	<p>Par. 7.3 – 10.5</p> <p>Par. 9.2 – 10.5</p>

✓achieved ✓ongoing

The ongoing health emergency in 2021 has led to the need to maintain the flexibility and simplification measures adopted in relation with reporting parties, as well as to ensure rapid and effective information exchange channels with authorities and operators on emerging risks associated with the evolving phases of the pandemic.

To promote efficient use of resources and greater automation of repetitive processes, the UIF is participating in the work to refine standards shared in international forums to enable the automated acquisition of information flows from the cooperation channel with foreign FIUs.

During the first months of 2022, Russia’s military invasion of Ukraine and the consequent extension of the restrictive sanctioning measures adopted by the European Union led to a sudden and unforeseen extension of UIF’s activities related to the fulfilment of financial sanctions. This forced the UIF to promptly adjust its institutional action (see chapter 7 ‘Cooperation with other Authorities’).

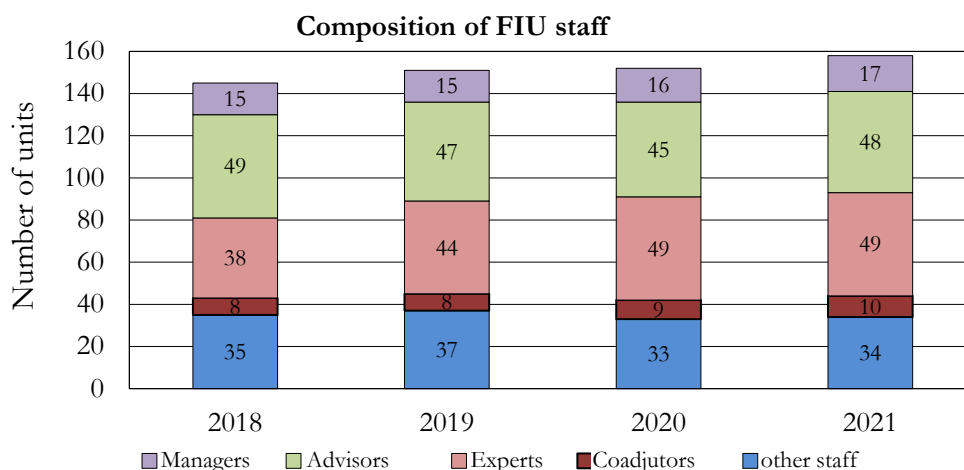
In light of the new strategic plan, the launch of a comprehensive overhaul of the European AML/CFT rules represented by the AML Package and of the supra-national institutional set-up, with the future creation of a European AML Authority, will entail the need for a rapid alignment of the UIF’s activities (see the section ‘The regulatory framework’ in chapter 9).

10.3. Human resources

In 2021, the UIF workforce grew from 152 to 158 staff members (excluding the Director and Deputy Director) following the exit of 6 staff members and the entry of 12 resources, of whom 7 were newly hired and 5 came from other Bank of Italy structures (Figure 10.4); the average age of the structure as a whole, at the end of 2021, is almost unchanged from the previous year at 45 years. The distribution of staff between the two Directorates at 31 December last year was 91 resources assigned to the Suspicious Operations Directorate (90 in 2020) and 65 to the Analysis and Institutional Relations Directorate (60 the previous year). In both years, two more human resources came to work in the Unit’s staff.

The growth in the number of staff working in the Unit recorded during 2021 only partly closed the gap that existed compared to the number of human resources requested by the UIF in the 2020-22 three-year planning (172). In the first four months of 2022, four human resources joined and two left.

Figure 10.4



Also in 2021, the health emergency caused widespread recourse to remote working, especially during periods of pandemic upsurge. During the year, an average of 69% of UIF

staff worked remotely (80% between March and December 2020); with the consolidation of the new operational arrangement, the Unit's ability to ensure continuity and improvement in the productivity of its institutional activity remains confirmed. (see the section 'Performance indicators and Strategic Plan').

Despite the limitations due to the continuing pandemic, the Unit has devoted increasing efforts to staff training by promoting innovative ways for newly recruited staff to facilitate their inclusion while working remotely.

Training

Out of the 10 initiatives implemented in 2020, 18 internal seminars open to the entire UIF team were organized. In some cases, due to the importance of the topics, external speakers were involved: particularly outstanding were the initiatives relating to the presentation of the new European Public Prosecutor's Office (EPPO) by the Deputy European Public Prosecutor and a Deputy European Public Prosecutor, the sanctioning activity in the field of failure to report suspicious transactions, with the intervention of a magistrate of the Supreme Court, and the link between mafias and emergencies, dealt with by a particularly experienced university lecturer.

Numerous courses were also held as part of a training plan aimed at newly recruited staff recently assigned to the Unit, also followed by other staff for refresher training purposes: this course developed topics of general interest relating to the UIF's institutional scope of activity, the national and international regulatory framework, and the tools and working methods illustrated in specific sessions with an operational focus.

Strong attendance was also recorded at numerous discussion initiatives promoted by the Bank of Italy and external bodies, including international ones (28 courses attended by 33 FIU staff members). These events addressed the enhancement of skills in particularly interesting subjects, such as data analytics, graph databases for in-depth reporting parties and illicit finance in the management of funds disbursed during the COVID-19 health emergency. Participation in training courses organised by the Bank of Italy (75 initiatives for 98 participating UIF staff members) promoted the acquisition or consolidation of knowledge on topics of institutional interest.

10.4. IT resources

During 2021, numerous initiatives continued to update the platforms serving the Unit's applications (see the box 'The renewal of IT infrastructure'). Projects for technological and organizational renewal of the UIF's work processes have also received a further boost.

The renewal of IT infrastructure

The UIF was involved in an intense programme of interventions that affected all the infrastructures and applications used for its activities. The interventions, carried out in close coordination with the Bank of Italy's Directorate General for Information Technology, pursued the dual goal of improving the performance of applications and strengthening safeguards to protect the confidentiality, integrity and availability of processed data. In particular, obsolete or unsupported technologies were replaced with new products that, in certain cases, represented an opportunity for re-engineering processes.

The technology migrations concerned all UIF applications and databases (STRs, SARA aggregated data, threshold-based communications and ORO databank for gold declarations), with the consequent involvement of a wide range of external users. The programme of activities was implemented by sequentially involving the various components of the entire application ecosystem of the Unit, in particular:

- the portals available to external users (reporting entities and investigative bodies), with their interfaces;
- data collection applications;
- data and metadata handling procedures;
- data analysis and exploitation environments.

The initiative was particularly complex and required a sustained effort during the planning, implementation, testing and production phases.

In the course of 2022, the final stages of the migration programme will be completed, including constant monitoring and timely resolution of any vulnerabilities that may become the target of cyberattacks.

Upgrade of the RADAR graphic interface

For technological migration actions, the initiative to revise the graphical interface of the RADAR application is particularly significant. The new interface is designed to make the user experience smoother and to optimize the various stages of the financial analysis process; the continuous exchange between users and developers, also thanks to the use of innovative development techniques, is enabling the creation of a system that is constantly aligned to users' needs. The new interface, which will be available from the second half of 2022, will increase the overall efficiency of the analysis activity.

New developments in reporting content

In February 2022, after liaising with obliged entities, a number of changes were introduced to the content of suspicious transaction reports, which concerned the introduction of new types of transactions and links, the application of new controls, and the updating of the reporting procedures envisaged for some specific categories of intermediaries. The work carried out makes it easier to identify which transactions should be reported and further improves the quality of the data submitted by the operators.

Threshold-based communications

March 2022 saw the commencement of data exchanges relating to threshold-based reports with the investigative bodies in cases relevant to the investigation of STRs.

Exchanges with the DNA

In order to strengthen the effectiveness of the cooperation between the UIF and the DNA, under the Memorandum of Understanding updated on 12 March 2021, the timeliness of information exchanges has been increased, as well as the amount of data exchanged for the purpose of master ID data matching, now also extended to certain types of communications from foreign FIUs.

Partner database

Activities are underway to implement the 'Managing the partner database' project. The new IT procedure will make it easier to administer the processes for changing, verifying and updating the master data of reporting parties. It will also be possible to process further information and events concerning membership of the same group, mergers and incorporations. The information contained in the register will also be integrated with the extensive information available to the Bank of Italy.

FIU.NET

The transfer of the FIU.NET network from Europol to the European Commission was completed on 16 September 2021. The adoption of a new network configuration necessitated the related migration activities to move from a locally managed server to access a centralized virtual node at the Commission. An intensive project phase has now begun to implement a new FIU.NET to support the increasing volume of exchanges and joint analysis.

Virtual currencies

Virtual currencies are extremely interesting tools for preventing and combating money laundering and terrorist financing due to certain specific features, such as the possibility for their users to operate anonymously. The Unit is equipping itself with a 'System for the forensic analysis of virtual currencies in SaaS mode', which should be available to UIF users from the fourth quarter of 2022.

The implementation of a new system for checking the entities recorded in the Unit's archives has begun. The new system envisages the presence of a central registry of the entities (subjects and accounts) received by the UIF for the various activities carried out, and the use of advanced functions and algorithms that enable the use of large amounts of information (historicised attributes, geolocation of addresses, data extracted from unstructured documents, etc.) for master data matching.

Entities
database

The introduction of graph analysis tools within the applications available to financial analysts was initiated, which will make it possible to increase the efficiency of the analysis processes currently available and to launch new and more complex ways of exploiting the Unit's information assets.

Graph
analysis tools

Finally, the testing and implementation of tools for the massive acquisition of cross-border reports received through the UIF.NET were completed in conjunction with the IT Department. The new capabilities make it possible to import information into the SAFE portal in a systematic and structured manner, making processes more agile and efficient in view of a significant increase in flows from abroad. They also provide specific search functions for identifying reporting parties related to terrorism financing, child pornography and COVID-19, based on the detection of cross-references with a large catalogue of keywords in the descriptive fields of the report.

Acquisition of
cross-border
reports

10.5. External communication

The UIF considers it important to conduct initiatives to involve a wider public in the prevention of money laundering and terrorist financing.

In the *Annual Report*, the activities carried out by the Unit are communicated to the Government, Parliament and the general public. The document is officially presented in the presence of institutional representatives, financial intermediaries, operators and professionals. Due to the constraints of the health emergency, the presentation was also held remotely in 2021. The Annual Report is available on the Unit's website in Italian and English.

The UIF publishes periodic *Newsletters* on its website containing concise updates on the activities carried out by the Unit and on the main news related to AML issues. In addition to the usual semi-annual data collections on STRs and cooperation, in 2021 the newsletters summarized the main developments in the EU anti-money laundering framework, also in relation to the final implementation of Brexit (*Newsletter No. 2, 2021 – only in Italian*), and provided updated guidance on national and international AML prevention measures related to the Covid-19 epidemic emergency (*Newsletter No. 3, 2021 – only in Italian*). The last newsletter of the year provided an overview of the comprehensive reform of European AML legislation initiated with the publication of the AML Package (*Newsletter No. 5, 2021 – only in Italian*). Finally, the newsletter published in January 2022 (*Newsletter No. 1, 2022 – only in Italian*) dealt with the subject of suspicious transaction reports from public administration bodies and provided some data on the related reporting activity.

The UIF publishes the working papers *Quaderni dell'Antiriciclaggio*, divided into the two series *Statistical data* and *Analyses and studies*, published on the Unit's website. The first series, published every six months, contains statistics on STRs, threshold-based communications, SARA data and Gold declarations, as well as summary information on the activity of the UIF. The second includes contributions in the field of combating money laundering and terrorist financing. In this last series, a working paper on Money Laundering and Terrorist Financing Cases was published in 2021, which illustrates some of the most relevant cases found in the recent operational experience of the UIF (*Quaderno no. 16 – only in Italian*). In January 2022, a Working Paper was also published in which the economic, equity and financial dynamics of companies infiltrated by organized crime in Italy are analysed, with the aim of identifying the characteristic elements of management and operations (*Quaderno no. 17*). This was followed,

in March, by the publication of *Quaderno no. 18 (only in Italian)*, which presents some significant cases found by the UIF relating to possible offences connected to the pandemic and the related support measures adopted.

During the emergency, the UIF has continued to ensure multiple interventions to raise awareness among the various recipients of the reporting obligations and the general public; similarly, there opportunities arose for in-depth discussions with other authorities on the issues of anti-money laundering and combating the financing of terrorism. Participation in conferences, seminars and meetings continued, in most cases, in the new remote format.

In detail, the Unit's speakers took part in 53 dissemination and training initiatives, targeted at other authorities and professional associations, nationally and internationally, including the World Bank and the University of Ljubljana. The Unit also oversaw training activities at the Carabinieri's Higher Institute of Investigative Techniques and the National School of Administration and continued its cooperation with universities (particularly Padua, Ferrara and Perugia), as well as training initiatives involving professional associations (accountants, notaries) and representatives of local authorities (Anci Lombardia and the Municipality of Florence).

GLOSSARY

Accredited entities and agents

Pursuant to Article 1(2)(nn) of Legislative Decree 231/2007, these are accredited operators or agents, of any kind, other than the financial agents listed on the register under Article 128-quater, paragraphs 2 and 6 of the TUB, (the Italian Consolidated Law on Banking), used by payment service providers and electronic money institutions, including those with their registered office and head office in another Member State, to carry out their activities in Italy.

Administrations and bodies concerned

Pursuant to Article 1(2)(a) of Legislative Decree 231/2007, these are the bodies responsible for the supervision of obliged entities not already under the supervision of sector-specific Supervisory Bodies, i.e. the administrations, including tax agencies, with supervisory powers or responsible for issuing concessions, authorizations, licences or other enabling documents, however denominated, with respect to obliged parties. Also included are the bodies responsible for supervising the fulfilment of the requirements of professionalism and good repute, prescribed by the relevant sector legislation with respect to the aforementioned parties. For the sole purposes of the aforesaid decree, the category of relevant administrations includes: a) The Ministry of Economy and Finance, in its capacity as the authority responsible for the oversight of statutory auditors and statutory auditing firms without statutory auditing assignments over public interest entities or over entities subject to an intermediate regime; and b) The Ministry of Economic Development, in its capacity as the authority responsible for the oversight of trust companies not registered in the register referenced in Article 106 of the TUB.

Anti-Mafia Investigation Department (Direzione Investigativa Antimafia – DIA)

This is a specialized investigative body composed of various forces with jurisdiction throughout Italy. Set up within the Ministry of the Interior's Department of Public Security under Italian Law 410/1991, it has the exclusive task of ensuring the coordinated implementation of preventive investigations into organized crime, in all its expressions and connections, as well as carrying out judicial police investigations into direct or related mafia-like association crime.

Beneficial owner

Pursuant to Article 1(2)(pp) of Legislative Decree 231/2007, the beneficial owner (or owners) is the natural person, other than the customer, who is the ultimate beneficiary on whose behalf the ongoing relationship is established, the professional service is provided or the transaction is carried out.

Central contact point

Pursuant to Article 1(2)(ii) of Legislative Decree 231/2007, this is a person or department, established in Italy, designated by the electronic money institutions, as defined in Article 2(1)(3) of Directive 2009/110/EC, and by payment service providers, as defined by Article 4(11), of Directive (EU) 2015/2366 with their registered office and head office in another Member State, and that operates without a branch office in Italy via accredited entities and agents.

Countries with strategic deficiencies in the fight against money laundering and terrorist financing identified by the FATF

This group includes countries with weak anti-money laundering safeguards; they are listed by the FATF in public statements published three times a year. Based on these assessments (FATF High-Risk and other monitored jurisdictions), as of March 2022, the following countries they were not aligned with the anti-money laundering and terrorist financing regulatory provisions: Albania, Barbados, Burkina Faso, Cambodia, Cayman Island, United Arab Emirates, Philippines, Jamaica, Jordan, Haiti, Iran, Mali, Malta, Morocco, Myanmar, Nicaragua, Pakistan, Panama, Democratic Republic of Korea, Senegal, Syria, South Sudan, Turkey, Uganda and Yemen.

Cross-border report

This term refers to suspicious transaction reports received from an EU FIU that concern another Member State and which, pursuant to Article 53 (1) of the Fourth Directive, must be forwarded promptly to the relevant counterparties. These reports are identified based on a methodology developed within the EU FIUs Platform.

Designated entities

Pursuant to Article 1(1)(l) of Legislative Decree 109/2007, this term refers to natural persons, legal persons, groups and entities designated as the recipients of asset freeze orders on the basis of EU regulations and national legislation.

Digital Portfolio Service Providers

Pursuant to Article (1)(2)(ff-bis) of Legislative Decree 231/2007, these are natural or legal persons who provide professional services to third parties, including online services, for the safeguarding of private cryptographic keys on behalf of their clients, for the purpose of holding, memorizing and transferring virtual currencies.

Egmont Group

An informal body set up in 1995 by a group of FIUs to develop international cooperation and extend its benefits. The number of member FIUs has gradually increased over time. In 2010, it became an international organization with a Secretariat in Toronto, Canada.

European FIU Platform

An EU body chaired by the European Commission and composed of the EU FIUs. Article 51 of the Fourth AML Directive formally recognized the role of the platform, in operation since 2006, and described its mandate in terms of developing stronger cooperation, exchanging opinions, and providing assistance in matters relating to the implementation of EU rules that apply to FIUs and reporting entities.

Financial Action Task Force (FATF)

An intergovernmental body set up within the OECD to devise and promote strategies to combat money laundering and the financing of terrorism at the national and international level. In 1989, it issued 40 recommendations on monitoring money laundering, to which nine special recommendations were subsequently added on the financial fight against international terrorism. This area was fully reviewed in 2012, with the issuance of 40 new recommendations. The FATF also promotes the extension of anti-money laundering and counter-terrorism measures beyond the OECD's membership by cooperating with other international organizations and conducting inquiries into emerging money laundering trends and practices. The Italian name for the FATF is Gruppo di Azione Finanziaria Internazionale (GAFI).

Financial Intelligence Units (FIUs)

These are centralized national units with mandates to counter money laundering and the financing of terrorism. For this purpose, they receive and analyse reports of suspicious transactions and other relevant information on money laundering, terrorist financing and related predicate offences and disseminate their findings. Each country's legislature has the faculty to designate its FIU as an administrative authority with a specialist structure within the police force or as part of the judicial authority. Some countries have adopted a mix of the aforementioned models.

Financial Security Committee (FSC)

Pursuant to Article 3 of Legislative Decree 109/2007, this committee was established within the Ministry of the Economy and Finance (MEF). It is chaired by the Director General of the Treasury and is composed of 15 members and their respective deputies, appointed by decree of the Minister of the Economy and Finance, on the basis of the nominations made respectively by the Minister of the Interior, the Minister of Justice, the Minister of Foreign Affairs and International Cooperation, the Minister of Economic Development, the Bank of Italy, CONSOB, ISVAP (now IVASS), and the Financial Intelligence Unit. The Committee also includes a manager in office at the MEF, an officer of the Guardia di Finanza (Finance Police); an executive-level official or an officer of equivalent rank of the police forces, as referenced in Article 16 of Italian Law no. 121/1981, in service at the Italian Anti-Mafia Investigative Directorate; an officer of the Carabinieri; an officer of the Customs and Monopolies Agency and a magistrate serving in the Italian National Directorate for Anti-Mafia and Counter-Terrorism. In order to perform its tasks concerning the freezing of economic resources, the Committee is supplemented by a representative of the Agenzia del Demanio. The entities participating with their own representatives in the FSC shall communicate to the Committee, also by way of derogation from any provision on official secrecy, the information related to the matters falling under the Committee's competence. In addition, the judicial authority transmits any information deemed useful to counter the financing of terrorism and the proliferation of weapons of mass destruction. With the entry into force of Legislative Decree 231/2007, the competences of the Committee, initially limited to the coordination of the financial fight against terrorism, were also extended to the fight against money laundering (see former Article 5, paragraph 3 of Legislative Decree 231/2007, now recast in Article 5, paragraphs 5, 6 and 7).

Financing of terrorism

Pursuant to Article 1(1)(d) of Legislative Decree 109/2007, the financing of terrorism is any activity directed, by whatever means, to the supply, intermediation, deposit, custody or disbursement of funds or economic resources, however effected, which are destined, in whole or in part, to be used for the commission of one or more crimes for the purposes of terrorism as specified in the Penal Code, regardless of how the funds or economic resources are actually used to commit such crimes.

Financing of weapons of mass destruction proliferation programmes

Pursuant to Article 1(1)(e) of Legislative Decree 109/2007, the financing of weapons of mass destruction proliferation programmes refers to the supply or collection of funds and economic by any means, directly or indirectly instrumental in supporting or promoting all activities linked to the creation or carrying out of programmes to develop nuclear, chemical or biological weapons.

FIU.NET

This is a framework that supports communication between the Financial Intelligence Units of the European Union; it enables a structured, multilateral sharing of information, ensuring that exchanges are implemented in a standardized, prompt and secure manner.

Freezing of funds

Pursuant to Article 1(1)(b) of Legislative Decree 109/2007, and in accordance with EU regulations and national legislation, this is a prohibition of the movement, transfer, modification, use or management of or access to funds, in such a way as to modify their volume, amount, collocation, ownership, possession, nature, purpose or any other change allowing for the use of the funds, including portfolio management.

General government entities

Pursuant to Article 1(2)(hh) of Legislative Decree 2007, these are general government entities under Article 1(2) of Legislative Decree 165/2001 and subsequent amendments, national public bodies, and companies owned by general government entities and their subsidiaries, pursuant to Article 2359 of the Italian Civil Code, limited to their activities of public interest governed by national law or by the European Union, as well as subjects responsible for tax collection at the national or local level, regardless of the legal form..

High-risk third countries

Pursuant to Article 1(2)(bb) of Legislative Decree 231/2007, these are non-EU countries whose legal systems have strategic deficiencies in their national AML/CFT systems, as identified by the European Commission with Delegated Regulation EU/2016/1675 as amended (lastly, Delegated Regulation EU/2022/229), in the exercise of the powers referenced in Articles 9 and 64 of Directive EU/2015/849 of the European Parliament and of the Council of 20 May 2015 as amended by Directive EU/2018/843: Afghanistan, Barbados, Burkina Faso, Cambodia, Cayman Islands, Haiti, Jamaica, Jordan, Mali, Morocco, Myanmar, Nicaragua, Pakistan, Panama, Philippines, Senegal, South Sudan, Syria, Trinidad and Tobago, Uganda, Vanuatu, Yemen, Zimbabwe.

Means of payment

Pursuant to Article 1(2)(s) of Legislative Decree 231/2007, this term applies to cash, bank and postal cheques, bankers' 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 assets.

Money laundering

For the crime of 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 offence, 'substitutes or transfers money, assets or other benefits deriving from an offence other than negligence, or who carries out other transactions in relation to them 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 Article 2(4) of Legislative Decree 231/2007, 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 and the Financing of Terrorism)

A subcommittee of the European Committee on Crime Problems (CDPC) of the Council of Europe set up in September 1997. It acts as a body responsible for anti-money laundering policies within the Council – also taking

into account the measures adopted by the FATF – by making specific recommendations to the acceding countries on the matter. It assesses the anti-money laundering measures adopted by Council of Europe member countries other than FATF members. It holds FATF Associate Member status as a regional group. Since January 2011, Moneyval, which underwent a substantive change in its charter, has been operating as an autonomous Council of Europe monitoring body on AML/CFT, reporting directly to the Committee of Ministers, to which it submits its Annual Report.

National Anti-Corruption Authority (Autorità Nazionale Anticorruzione - ANAC)

Pursuant to Article 19 of Decree Law 90/2014, converted with amendments into Italian Law 114/2014, this authority took over the functions and resources of the former authority for the supervision of public contracts for works, services and supplies (AVCP). The Authority is responsible for preventing corruption within general government, in the investee companies and subsidiaries also through the implementation of transparency in all aspects of management, as well as supervisory activity in the area of public contracts, appointments and all sectors of public administration that could potentially engender corruption. In the execution of its mandate, it shall avoid aggravating procedures with negative effects on citizens and businesses, and it shall guide the behaviour and activities of public employees with interventions in consultative and regulatory frameworks, as well as through educational initiatives.

National Anti-Mafia Directorate (Direzione Nazionale Antimafia - DNA)

The DNA was set up as part of the General Prosecutor's Office at the Italian Court of Cassation by Decree-Law 367/1991, converted with amendments by Law 8/1992. It is tasked with national coordinating of organized crime investigations. The responsibilities of the National Anti-Mafia Directorate were extended to the handling of terrorism proceedings, including international ones, by Decree Law 7/2015, converted with amendments into Italian Law 43/2015. Pursuant to Article 103 of Legislative Decree 159/2011, the Directorate is headed by a magistrate with the functions of National Public Prosecutor and two magistrates with the functions of Assistant Public Prosecutor, as well as, as their deputies, magistrates chosen from among those who have carried out, also not continuously, public prosecutor functions for at least ten years. The latter have specific aptitudes, organizational skills and experience in dealing with proceedings on organized crime and terrorism.

Non-cooperative countries for tax purposes identified by the European Union

This EU list of non-cooperative jurisdictions for tax purposes includes: American Samoa, Fiji, Guam, Palau, Panama, Samoa, Trinidad and Tobago, United States Virgin Islands, Vanuatu (*Conclusions of the Council of 24 February 2022*).

Office of Foreign Assets Control (OFAC)

This is an Office of the US Treasury Department, set up under the auspices of the State Secretary for the Treasury for terrorism and financial intelligence. According to foreign and national security policy, OFAC regulates and enforces economic and trade sanctions against other foreign states, organizations and individuals.

Organization of Agents and Mediators (OAM)

Pursuant to Article 1(1)(q) of Legislative Decree 231/2007, this is the Body responsible for managing the register of financial agents and credit intermediaries pursuant to Article 128-undecies of the TUB, Consolidated Law on Banking. The OAM also oversees: i) the register of currency exchange operators in which a special section is dedicated to virtual currency service providers (Article 17-bis, paragraph 8-bis, of Legislative Decree 141/2010, introduced by Legislative Decree 90/2017 and amended by Article 5(1)(a), of Legislative Decree 125/2019); ii) the register of affiliates and agents referenced in Article 45 of Legislative Decree 231/2007; iii) the register of cash-for-gold dealers referenced in Article 1(1)(q), of Legislative Decree No. 92/2017).

Politically exposed persons

Pursuant to Article 1(2)(dd) of Legislative Decree 231/2007, these are natural persons who hold or have ceased to hold important public offices for less than a year, as well as their family members and those who have known close ties with the aforementioned subjects, as listed below: 1) natural persons who hold or have held important public offices those who hold or have held the office of: 1.1 President of the Italian Republic, President of the Council, Minister, Deputy Minister and Undersecretary, President of the Region, regional councillor, Mayor of the provincial capital or metropolitan city, Mayor of a municipality with a population of not less than 15,000 inhabitants as well as similar positions in foreign States; 1.2 member of the national parliament, senator, member of the European parliament, regional councillor as well as similar positions in foreign States; 1.3 member of the central governing body of a political party; 1.4 judge of the Constitutional Court, judge of the Court of Cassation or the Court of Auditors, State Councillor and other members of the Administrative Justice Council for the Sicilian Region as well as similar positions in foreign States; 1.5 member of the governing bodies of a central bank and independent authorities; 1.6 ambassador, charge d'affaires or equivalent positions in foreign States, senior officer of the armed forces or similar positions in foreign States; 1.7 member of the administrative bodies, management or control of companies controlled, even indirectly, by the Italian State or by a foreign State or

with controlling or non-controlling stakes held by Regional Authorities, by provincial capitals and metropolitan cities and by municipalities with a total population of not less than 15,000 inhabitants; 1.8 general director of a Local Health Authority or public hospital, university hospital and other national health service facilities; 1.9 director, deputy director or member of the administrative body or subject performing equivalent functions in international organizations; 2) family members of politically exposed persons include: parents, spouse or person linked in civil union or de facto cohabitation or comparable relationships to the politically exposed person, children and their spouses as well as persons linked to children in civil union or de facto cohabitation or comparable relationships; 3) subjects with whom politically exposed persons have known close ties include: 3.1 natural persons linked to the politically exposed person due to joint effective ownership of legal entities or other close business relationships 3.2 natural persons who only formally hold full control of an entity known to be formed, in fact, in the interest and for the benefit of a politically exposed person.

Sectoral supervisory authorities

Pursuant to Article 1(2)(c) of Legislative Decree 231/2007, these include: a) The Bank of Italy, CONSOB and IVASS in their capacities as authorities in charge of the supervision and control of banking and financial intermediaries, statutory auditors and auditing firms with statutory auditing assignments over public interest entities and over entities subject to intermediate regimes; and b) The Bank of Italy in respect of non-financial operators carrying on the activity of safekeeping and transporting cash and securities or valuables by means of sworn special guards, in the presence of the licence referenced in Article 134 of the TULPS (Consolidated Law on Public Security), limited to handling euro banknotes, and included in the list referenced in Article 8 of Decree Law 350/2001, converted with amendments into Law 409/2001.

Self-laundering

Pursuant to Article 648-ter.1 of the Italian Criminal Code, the offence of self-money laundering is punished in respect of ‘anyone who, having committed or conspired to commit an offence, uses, substitutes, transfers, in economic, financial, entrepreneurial or speculative activities, the money, goods or other utilities deriving from the commission of such offence, in such a way as to materially hinder the identification of their criminal origin’. The provision was introduced by Article 3(3), of Law 186/2014 and, most recently, amended by Article 1(1)(f) of Legislative Decree 195/2021.

Self-regulatory bodies

Pursuant to Article 1(2)(aa) of Legislative Decree 231/2007, these are representative bodies designated by professional associations, including their territorial branches and disciplinary boards, to which the current legal system attributes powers of regulation, control of the category, verification of compliance with the rules governing the exercise of the profession and the imposition, through the bodies set up for that purpose, of the sanctions envisaged for their infringement.

Special Foreign Exchange Unit (Nucleo Speciale di Polizia Valutaria - NSPV)

Formed as a unit of the Finance Police (Guardia di Finanza), it operates in the fight against money laundering both as a police investigation body and as an administrative supervisory body for the financial intermediation sector, together with the Bank of Italy and the Anti-Mafia Investigation Department (DIA).

Standardized archives

Archives through which the data and information envisaged by the provisions issued by the competent sector-specific Supervisory Authorities pursuant to Article 34(3), of Legislative Decree 231/2007 are made available, in accordance with the technical standards and analytical reasons indicated therein; they include the Single Electronic Archives (Italian acronym AUIs) already set up on the date of entry into force of Legislative Decree 90/2017.

Tax havens and/or non-cooperative countries and territories

Countries and territories listed in the so-called black list included in the Decree of the Minister of Finance of 4 May 1999 (most recently amended by the Ministerial Decree of 12 February 2014): Andorra, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Barbados, Belize, Bermuda, Bonaire, Brunei, Costa Rica, Curaçao, Dominica, United Arab Emirates (Abu Dhabi, Ajman, Dubai, Fujairah, Ras El Khaimah, Sharjah, Umm Al Qaiwain), Ecuador, Philippines, Gibraltar, Djibouti, Grenada, Guernsey (including Alderney and Sark), Hong Kong, Isle of Man, Cayman Islands, Cook Islands, Marshall Islands British Virgin Islands, Jersey, Lebanon, Liberia, Liechtenstein, Macao, Maldives, Malaysia, Mauritius, Monserrat, Nauru, Niue, Oman, Panama, French Polynesia, Monaco, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Seychelles, Singapore, Sint Eustatius and Saba, Sint Maarten – Dutch Part, Switzerland, Taiwan, Tonga, Turks and Caicos, Tuvalu, Uruguay and Vanuatu.

Trade-based money laundering

The term refers to the process of concealing the proceeds of crime and transferring value through the use of commercial transactions in the attempt to legitimise the illicit origin of the proceeds.

Virtual asset service providers

Pursuant to Article 1(2)(ff) of Legislative Decree 231/2007, these are natural or legal persons that, as a business, provide third parties with services which are functional to the use, exchange and safekeeping of virtual currencies and their conversion from or into legal tender currencies or digital representations of value, including those convertible into other virtual currencies, as well as issuance, offering, transfer and clearing services and every other service functional to acquisition, trading or intermediation in the exchange of such currencies.

Virtual currency

Pursuant to Article 1(2)(qq) of Legislative Decree 231/2007, a virtual currency is a digital representation of value, not issued by a central bank or a public authority, not necessarily linked to a currency that is legal tender, and used as a medium of exchange for purchasing goods and services or for investment purposes, and transferred, stored and traded electronically.

ACRONYMS AND ABBREVIATIONS

ADM	Customs and Monopolies Agency (Agenzia delle Dogane e dei Monopoli)
AG	An Italian judicial authority (Autorità Giudiziaria)
AMLA	Anti-Money Laundering Authority
ANAC	The Italian National Anti-Corruption Authority (Autorità Nazionale Anticorruzione)
ANCI	The National Association of Italian Municipalities (Associazione Nazionale Comuni Italiani)
ATM	Automated Teller Machine
AUI	Single Electronic Archive (Archivio Unico Informatico)
CASA	The Italian Committee for Strategic Counter-Terrorism Analysis (Comitato di Analisi Strategica Antiterrorismo)
CDP	Cassa Depositi e Prestiti
CIFG	Counter-ISIL Finance Group
CNDCEC	The Italian National Council of Accountants and Bookkeepers (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili)
CNF	The Italian National Lawyers Council (Consiglio Nazionale Forense)
CNN	The Italian National Council of Notaries (Consiglio Nazionale del Notariato)
CONSOB	The Companies and Stock Exchange Commission (Commissione nazionale per le società e la borsa)
CRD V	Capital Requirements Directive 5
CSF	The Italian Financial Security Committee (Comitato di Sicurezza Finanziaria)
DDA	The Italian Anti-Mafia District Directorate (Direzione Distrettuale Antimafia)
DIA	The Italian Anti-Mafia Investigation Department (Direzione Investigativa Antimafia)
DNA	The Italian National Anti-Mafia and Anti-Terrorism Directorate (Direzione Nazionale Antimafia e Antiterrorismo)
EBA	European Banking Authority
ECB	European Central Bank
ECOFEL	Egmont Centre of FIU Excellence and Leadership
EDPS	European Data Protection Supervisor
EMI	Electronic money institution (the Italian acronym is IMEL - Istituto di moneta elettronica)
EPPO	European Public Prosecutor's Office
ESA	European Supervisory Authority
EU	European Union
Europol	European Union Agency for Law Enforcement Cooperation

FATF	The International Financial Action Task Force (the Italian acronym is GAFI - Gruppo di Azione Finanziaria Internazionale)
FIU	Financial Intelligence Unit
G20	Group of Twenty
IAD	Independent ATM Deployer
IRPEF	Italian Personal Income Tax (Imposta sui Redditi delle Persone Fisiche)
ISIL	Islamic State of Iraq and the Levant
ISTAT	The National Institute of Statistics (Istituto nazionale di statistica)
IVASS	The Italian Insurance Supervisory Authority (Istituto per la Vigilanza sulle Assicurazioni)
MEF	The Italian Ministry of Economy and Finance (Ministero dell'Economia e delle Finanze)
MENAFATF	Middle East and North Africa Financial Action Task Force
NRA	National Risk Assessment
NSPV	The Italian Special Foreign Exchange Unit of the Finance Police (Nucleo Speciale di Polizia Valutaria della Guardia di Finanza)
OAM	The Italian Association of Agents and Mediators (Organismo degli Agenti e dei Mediatori)
OECD	Organization for Economic Co-operation and Development
PEP	Politically Exposed Person
PI	Payment Institution (the Italian acronym is IP - Istituto di pagamento)
RADAR	Collection and Analysis of AML Data (Raccolta e Analisi Dati AntiRiciclaggio)
ROS	The Italian Special Task Force of the Carabinieri (Raggruppamento Operativo Speciale dell'Arma dei Carabinieri)
SACE	The Italian Export Credit Agency (Servizi assicurativi del commercio estero)
SARA	Aggregate AML Reports (Segnalazioni AntiRiciclaggio Aggregate)
SCO	The Italian State Police Central Operations Directorate (Servizio Centrale Operativo della Polizia di Stato)
SGR	Asset management company (Società di gestione del risparmio)
SICAF	Fixed capital investment company (Società di investimento a capitale fisso)
SICAV	Variable capital investment company (Società di investimento a capitale variabile)
SIM	Securities investment firm (Società di intermediazione mobiliare)
STR	Suspicious Transaction Report
TUB	The Italian Consolidated Law on Banking pursuant to Legislative Decree 385/1993 (Testo Unico Bancario - D.lgs. 385/1993)
TUF	The Italian Consolidated Law on Finance pursuant to Legislative Decree 58/1998 (Testo Unico della Finanza - D.lgs. 58/1998)
TUIR	The Italian Consolidated Law on Income Tax pursuant to Presidential Decree

	917/1986 (Testo Unico delle Imposte sui Redditi - D.P.R. 917/1986)
TULPS	The Italian Consolidated Law on Public Security pursuant to Royal Decree 773/1931 (Testo Unico delle Leggi di Pubblica Sicurezza - R.D. 773/1931)
UIF	Italy's Financial Intelligence Unit (Unità di Informazione Finanziaria)
UNCAC	United Nations Convention against Corruption
VASP	Virtual Asset Service Provider
VAT	Value added Tax
WMD	Weapons of Mass Destruction