

ITALY FATF MUTUAL EVALUATION

FIRST BIENNIAL UPDATE

Report from Italy

I. Introduction

1. Italy is pleased to provide the FATF with updated information on the actions recently undertaken to improve its AML/CFT system in compliance with FATF Recommendations.
2. The FATF Plenary in February 2009 concluded that, in respect of the FATF core and key Recommendations on which Italy was rated as NC or PC, Italy took sufficient actions to resolve the deficiencies identified in the MER adopted in 2005 (Third Follow-up Report). The deficiencies related to other (Special) Recommendations rated PC or NC were also addressed. For such reasons, the FATF Plenary agreed Italy should be moved from regular to biennial follow-up, requesting an updated report to be submitted in February 2011.
3. Since 2009 the most important changes have been referred to the approval of several AML/CFT legislative provisions thanks to which Italy is consolidating and refining its legal framework.
4. Detailed and updated information, both on legislative and regulatory measures adopted by Italy in the AML/CFT regime respectively, is indicated below (Section II).
5. Additionally, Italy is providing the FATF with information and data on the following issues (Section III):
 - a) STRs received by *Unità di Informazione Finanziaria* (UIF – Italy’s FIU), including STRs related to Italy’s assets repatriation/regularisation programme;
 - b) Actions undertaken in banking, securities and insurance sectors;
 - c) Actions undertaken in the law enforcement sectors;
 - d) Sanctionary activity carried out by Italy’s Ministry of the Economy and Finance for infringements of AML/CFT preventive measures.

II. Recent AML/CFT Legislation, Regulations and Guidance

AML/CFT Legislation

6. Legislative Decree n. 231 of 21 November 2007 (hereafter Italy's AML Law) was partially amended in 2009 and 2010 in order to take into account the evolution of Italian financial legislation as well as to clarify or correct specific notions contained in the AML Law¹. In particular:

- The scope of the application of the AML Law was expanded in order to include:
 - o Subjects performing mediation activities (only AML/CFT reporting duties);
 - o Payment institutions²;
 - o Micro-credit institutions and agents of payment institutions;
 - o Any economic operator that offers gambling and betting, also through the Internet and other means of telecommunication, apart from *lotto* and lotteries.
- Provisions related to the *Beneficial Owner (BO)* were further detailed. The definition of *Beneficial Owner* was reviewed to better articulate the distinction between the notion of a physical person acting on behalf of another person, and the natural person that ultimately owns or controls a legal person or arrangements. The obligation to record personal data of the beneficial owner was specified.
- The possibility of applying simplified CDD was extended to:
 - o Listed companies³;
 - o Fiduciaries belonging to banking groups. Such companies are now fully-fledged financial intermediaries and placed under the surveillance of the Italian Central Bank (Bank of Italy).
- Further limitations to the use of cash were also introduced⁴. The threshold for the use of cash and other bearer instruments was reduced from €12,500 to €5,000,

¹ Legislative Decree n.151 of 25 September 2009; Legislative Decree n. 28 of 4 March 2010; Legislative Decree n.141 of 13 August 2010; Law Decree n.78 of 31 May 2010, converted, with amendments, into Law n.122 of 30 July 2010; Legislative Decree n.141 of 13 August 2010.

² Legislative Decree n. 11 of 27 January 2010 included payment institutions in the scope of application of the AML Law, following the transposition of the European Directive 2007/64/EC.

³ Legislative Decree n. 151 of 25 Sept. 2009: "A company or other shareholder body whose financial instruments are eligible to be negotiated in the regulated market, in accordance with Directive 2004/39/EC, in one or more member countries, or a company or other shareholder body from a foreign country subject to communication requirements conforming to Community regulations".

⁴ In June 2009, UIF conducted a study on the use of cash as a payment instrument that can favour money laundering and financing of terrorism, devoting special attention to the availability and use of large denomination banknotes. Such study revealed that the special demand for €500 banknotes by banks to the Bank of Italy's local branches showed a significant concentration in some provinces close to countries having a less stringent fiscal and anti-money laundering legislation.

and stricter sanctions were introduced for violations of the new threshold. Frequent or unjustified cash operations higher than €15,000 must be taken into proper account in making STRs⁵.

- Some STR-related aspects were improved, in particular with regard to the mechanisms for coordinating between refraining, suspending and reporting suspicious transactions (Article 23(2) of Italy's AML Law); the obligation to refrain from carrying out transactions when operators suspect any connection with money laundering or financing of terrorism was clearly stated, also so as to give UIF a chance to more effectively exercise its suspension power.
- Tipping-off prohibition was enhanced. The constraints aimed at protecting the identity of reporting parties (Article 45 of Italy's AML Law), in the event of a report to the public prosecutor under Articles 331 and 347 of the Code of Criminal Procedure (previously restricted to the natural persons who make the reports) have been extended to all "*persons subject to the obligations referred to in Article 10*" (see Annex). The identity of reporting parties (natural persons or institutions) may be revealed only when the judicial authorities issue a reasoned decree declaring it to be indispensable for the purpose of proving the crimes under investigation.
- Feed-back on STRs was specifically provided for in case of dismissal.
- Black-list measures vis-à-vis subjects established in non-equivalent third countries to FATF standards were introduced.

Specific initiatives for countering criminal organisations and corruption

7. The connection between profits from organised crime illicit activities and money laundering proves very strong, and the awarding of public funds requires higher attention as it is often subject to subsequent diversion and laundering activities.

8. In this perspective, it is important to highlight the initiatives recently undertaken by Italian lawmakers in order to tackle the problems posed by criminal organisations and by corruption risks linked to the procedures set for the selection of contractors. Specific laws:⁶

- Established Italy's National Agency for administration and management of assets belonging to criminal organisation members (*Agenzia nazionale per l'amministrazione e la destinazione dei beni sequestrati e confiscati alla criminalità organizzata*), following the enactment of seizure or confiscation procedures (also external to criminal proceedings). Whereby deemed advisable to proceed to the selling of such confiscated assets, Law n.136/2010 provides for *ad-hoc* procedures aiming to prevent such assets from being newly acquired, also through nominees or cover individuals, by the same criminal individuals previously subject to asset confiscation, or by individuals belonging to criminal organisations, or through profits coming from illicit activities.

⁵ The Ministry of the Economy and Finance issued two Circulars (5 August 2010; 11 October 2010) in order to ensure proper application of the newly introduced provisions.

⁶ Law Decree n.4 of 4 February 2010 converted into Law n. 50 of 31 March 2010; Law n. 136 of 13 August 2010; Law Decree n. 187 of 12 November 2010 converted into Law n. 217 of 17 December 2010.

- Made available the instrument of undercover operations to the investigations of several additional AML predicate offences such as extortion, usury, illicit traffic of wastes and other crimes related to the activities of criminal organisations.
- Introduced new measures to prevent criminal infiltrations from damaging the correct functioning of Italy's financial system and markets and guarantee free competition. It provided for traceability of contractors and subcontractors' financial movements in the field of public procurements. Financial traceability is ensured by the obligation for awarded contractors to open bank or postal accounts dedicated to the concerned public work and use such funds only through bank or postal orders of payment (using cash is not allowed). In applying CDD obligations, financial intermediaries are required to take into consideration all information pertaining to the ownership of assets, the origin and destination of funds, the economic reasons for the transaction. Whereby financial institutions know, suspect or have reasonable grounds to suspect that funds are the proceeds of a criminal activity or are related to terrorist financing, they are required to promptly report their suspicions to UIF.

9. In the context of international police cooperation, a **Committee for strategic planning of international police cooperation** was established by law⁷ to coordinate strategic guidelines to strengthen law enforcement agencies' activities in foreign countries, based upon information and info-operational exchange.

10. Moreover, Parliament is examining a bill aimed at starting an anti-corruption national plan which defines and coordinates repressive and preventive strategies of corruption and illegal actions in public administration, in order to prevent and more efficiently counter these phenomena, as well as organised crime infiltration in government structures.

Secondary AML/CFT implementing legislation

11. Since 2009, Italy has issued *ad-hoc* regulations and guidance to enhance AML Law implementation effectiveness – namely:

- **Implementing Instructions for the management of the *Archivio Unico Informatico*** (December 2009), the electronic database set up by each financial intermediary to record all individual transactions relating to customers other than banks and financial intermediaries and having an amount higher than €15,000. The Bank of Italy issued the above Instructions to provide detailed provisions in the implementation of record-keeping requirements set by the AML Law for intermediaries required to use the above electronic archive.
- **Red flag indicators for professionals to identify suspicious transactions**, May 2010. The Minister of Justice issued a decree containing “Determination of anomaly indicators to facilitate the identification of suspected money-laundering transactions by some categories of professionals and auditors”, upon proposal by UIF, after consultation with self-regulatory organisations.
- **Red flag indicators for financial intermediaries to identify suspicious transactions**, August 2010. The Bank of Italy, upon proposal by UIF, issued a

⁷ Law Decree n 187 of 12 November 2010 converted into Law n. 217 of 17 December 2010.

list of AML red flag indicators for financial intermediaries to identify suspicious transactions. The document intends to assist intermediaries in evaluating their clients' transactions in order to establish their possible suspicious character and report them to UIF. The document repealed the 2001 "Operating Instructions for identifying suspicious transactions" (so-called "Decalogo").

12. Red flag indicators were developed by UIF in cooperation with the Bank of Italy, as well as with the supervisors competent for insurance companies and brokers (ISVAP) and for financial markets (Consob), respectively. In accordance with the above mentioned procedure such red flag indicators were examined by the Financial Security Committee (hereinafter FSC). Such indicators are an essential instrument to assist reporting entities in identifying suspicious transactions, according to the relevant objective and subjective profiles, and consequently in fulfilling the reporting duty. Indicators of anomalies are not exhaustive, as the reporting entities should take into account also other factors, in light of the evolving background. Furthermore, the mere finding of conducts described in one or more anomaly indicators should not by itself be a sufficient reason for STRs. Indeed, in order to identify suspicious transactions, a careful assessment shall be performed by the concerned operator on basis of all the information available.

13. The indicators are divided into sub-indices which, as a general rule, provide exemplifications of the reference indicator and must be assessed jointly with its contents. Therefore, any references in the indicator to specific objective circumstances (i.e. economic importance of transaction) or subjective circumstances (i.e. compatibility with customer's economic profile) also normally apply to the related sub-indices.

14. Red flag indicators provide for specific red flags on terrorism financing – i.e. underlining possible misuse of no-profit organisations.

15. In order to make suspicious transactions detecting more effective, UIF disseminated to reporting entities, also through its website, models and patterns based on experience and concrete cases. In particular, attention has been devoted to the analysis of customer's economic or financial conditions, the ownership or control structure, and the purpose of the transactions.

16. Since September 2009, UIF has drawn operators' attention to specific areas of operations and courses of conduct also involving anomalies of potentially criminal nature – i.e. companies in difficulty or exposed to usury risks, use of dedicated accounts opened in the names of firms contracted for public works in the post-earthquake reconstruction in Abruzzo, intra-Community VAT fraud, phishing and IT frauds and misappropriation of public funds. Furthermore, UIF called (9 November 2009) on operators' to pay special attention to lira banknotes being presented at the Bank of Italy's branches for conversion into euros (by 29 February 2012).

17. New regulations are expected to be shortly. In March 2010, the Bank of Italy concluded the public consultation on the draft document containing **Instructions on AML organisational and internal controls set-up for financial intermediaries**. The document intends to set guidelines for supervised entities in defining AML responsibilities and designing AML controls and procedures. A specific section is dedicated to AML compliance at group level by cross-border financial groups.

18. In October 2010, the Bank of Italy concluded the public consultation on the draft document containing Implementing Instructions for Regulation (EC) 1781/2006 on information on the payer accompanying transfer of funds. The Instructions intend to provide

intermediaries with operational rules to correctly implement the requirements set by Regulation (EC) 1781/2006. Specific provisions concern controls on cover payments, along the lines defined by the Basel Committee on Banking Supervision Paper of May 2009.

19. Furthermore, the Minister of the Economy and Finance with the Minister of Justice adopted two Decrees on 27 February 2009 to allow the National Council of Notaries and the National Council of Labour Consultants to receive STRs and transmit them to UIF. UIF signed two memoranda of understanding with such Councils; hence, on 1 July 2009 the electronic exchange of information system on STRs came into operation.

20. Furthermore, as to domestic coordination, UIF, *Guardia di Finanza* and *Direzione Investigativa Anti-Mafia* (Investigative Anti-Mafia Directorate - DIA) stipulated *ad-hoc* memoranda of understanding in order to enhance domestic coordination in STRs analysis. DIA signed protocols with *Agenzia delle Entrate* (Italy's Inland Revenue Office) to easily access to the bank accounts and deposits database section on taxes.

21. Eventually, Italy adopted *ad-hoc* measures to combat specific emerging threats. In May 2010, the Bank of Italy, in collaboration with UIF, issued Operational Guidelines on proliferation finance. In full compliance with international obligations (entity and activity-based controls), the Guidelines require financial intermediaries under Bank of Italy's supervision to implement risk-based checks to proliferation finance, applying enhanced CDD measures for high risk situations. A list of red flag indicators is annexed to the Guidelines to assist intermediaries in the evaluation process.

Specific CFT Legislation, Regulations and Guidance

22. Legislative Decree n. 109 of 22 June 2007 provides, amongst others, for specific provisions in the freezing of assets, including detailed procedures for the freezing of economic resources (companies, real estate, vehicles, etc.). Their management and custody are assigned to *Agenzia del Demanio* (the Government Agency in charge of administrating State property assets), and their freezing is registered in *ad-hoc* public registers in order to make aware of the measures in place for *bona fide* third parties. Legislative Decree n. 109/2007 also provides for detailed discipline of the 2001-established FSC. The FSC is Italy's competent authority in charge of monitoring how the freezing system operates and how sanctions are imposed.

23. Legislative Decree n.109/2007 was amended by Legislative Decree n. 54 of 11 May 2009. Mostly innovative was the provision that freezing measures also apply to assets owned by a third person – i.e. by the wife of a listed individual. Such provision has been already applied.

24. Article 4 of Legislative Decree n. 109/2007 provides for measures for direct implementation of UN Security Council Resolutions (UNSCRs) to counter the financing of terrorism and the activities of Countries threatening international peace and security. Fund-freezing measures established by UNSCRs may be directly applied by Italy, waiting for EU decision to be taken. Such provision was applied in 2009 (Decree of the Minister of the Economy and Finance and the Minister of Foreign Affairs, upon FSC proposal, issued on 1 Sept. 2009).

25. On 20 October 2010, the Minister of the Economy and Finance issued Decree n. 203, upon FSC proposal, in order to regulate all FSC proceedings of listing, delisting, and exemptions from freezing measures. Specific rules made also clear the denial to access to all

the documentation held by the FSC. Contents of such Decree were anticipated by the FSC's Guidelines issued in December 2009. Decree n. 203/2010 is not innovative but provides for important systematisation of rules and procedures.

26. The FSC has been working to promote more consistent application of freezing measures. In light of such mandate, a Circular Letter by the FSC President was issued on 22 December 2009 to make all Italian Public Offices aware of freezing measures. The FSC also stipulated covenants with *Unioncamere* and *ACI* (the Authorities in charge of companies and vehicles' Public Registers, respectively) to speed up the process of registering freezing measures. Consultations with *Agenzia del Territorio* (the Government Agency in charge of real estate Public Register) have also been put in place.

27. At January 2011, freezing funds amount to €173,576.05 and \$11,707.10, respectively. Three individual frozen companies are under the management of *Agenzia del Demanio*.

28. Furthermore, the FSC is responsible for the review of all the individuals/entities in the UN Consolidated List, pursuant to Resolution 1822 (2008). Information on the individuals/entities designated by Italy to the UN was updated, and the requirements set for their confirmation in the above List were also duly verified.

III. Information and data

Suspicious Transaction Reports (STRs), analysis, UIF activities and initiatives

29. In 2009 and 2010, UIF registered an outstanding increase in incoming flow of STRs. The number of STRs filed to UIF in 2010 amounted to 37,114 (higher than the number of STRs UIF received both in 2008 and 2009). So as to cope with the outstanding increase in the incoming flow of STRs, UIF produced a substantial effort to enhance the effectiveness of its procedures and their speediness whereby STRs are furthered to law enforcement agencies (*Guardia di Finanza* and *DIA*). The outflow of STRs more than doubled over 2009 and 2010, whilst the number of STRs shelved by UIF tripled over the same period.

Table 1
STRs Flows

Year	No. of STRs		Change versus previous year	
	Filed to UIF	Furthered by UIF to law enf. agencies (of which shelved by UIF)	Filed to UIF	Furthered by UIF to law enf. agencies (of which shelved by UIF)
2009	21,066	18,838 (3,796)	44.3%	40.7%
2010	37,114	26,810 (3,535)	76.2%	42.3%

Source: UIF

30. Since 2008, a steady decline in the amount of STRs filed by banks has been observed, mostly as a result of the surge in the STRs filed by the Italian Post Office and by Non-Banking Financial Companies (mainly those providing money transfer services). Reporting activity by other types of financial intermediaries requires further improvements.

Table 2
STRs from FIs – AML-related only (%)

Type of Institution	2006	2007	2008	2009	2010 (1st half)
Banks	82.8	81.5	78.5	65.1	69.8
Post Office	6.2	8.8	11.5	18.4	11.7
Non-Banking Financial Companies	8.9	7.5	8.7	15.1	17.5
Insurance Companies	1.6	2.0	1.1	1.1	0.4
Others	0.5	0.2	0.2	0.3	0.7
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: UIF

31. An increase in the total number of STRs transmitted by DNFBNs was recorded in 2010: the decrease in STRs transmitted from notaries is more than balanced by the increase in STRs transmitted by Public or Professional Accountants and by Casinos. The quality of received reported transactions is still improving, also thanks to several training initiatives conducted by UIF. In 2008 and 2009 the shelved STRs were 66 and 32, respectively.

Table 3
STRs from DNFBPs

Type of Business/Profession	No. of STRs				
	2006	2007	2008	2009	2010
Notaries	170	127	103	69	66
Public Accountants	24	37	17	28	43
Professional Accountants or Commercial Assessors	15	21	19	10	23
Real Estate Agents	6	11	13	3	3
External Audit Firms	9	2	2	2	6
Lawyers	3	8	6	3	12
Auditors	2	4	3	7	12
Casinos	0	0	4	6	34
Others	9	6	6	8	24
TOTAL	238	216	173	136	223

Source: UIF

32. A decrease in total TF-related STRs was recorded in 2010. TF-related STRs sent to law enforcement agencies for further investigations were 397 in 2008, 501 in 2009 and 205 in 2010, among them 33 were shelved in 2008, 228 in 2009 and 49 in 2010, respectively.

Table 4
TF-related STRs

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
No. of STRs	545	912	321	294	478	484	342	360	406	274	4,416

Source: UIF

33. UIF sends STRs and their technical-financial analysis to *Nucleo Speciale di Polizia Valutaria* of the *Guardia di Finanza* and DIA. Further paragraphs provide details on their activities. Such law enforcement agencies inform the National Anti-Mafia Attorney whenever the suspicious transactions reports reveal links to organised crime.

34. **STRs related to the Italian Tax Repatriation/Regularisation Programme.** UIF received approx. 640 STRs related to Italy's Tax Repatriation/Regularisation Programme (in force 15 Sept. 2009 - 30 Apr. 2010) by 31 Dec. 2010 (provisional data). All the STRs have either been analysed or are still under analysis.

35. Data show that:

- The amount of disclosures is significantly higher than that of the STRs filed in 2001 and 2003, under similar Programmes.
- Often subjects performing transactions under the Programme were not already customers of the intermediaries filing the STRs.
- Most recurrent jurisdictions in STRs related to executed transactions are Switzerland and the San Marino Republic. Other jurisdictions (Monaco, Luxembourg, Bahamas, British Virgin Islands, Dutch Antilles, France, Germany, Gibraltar, Lichtenstein, Malaysia, Panama, Romania, Saudi Arabia, Singapore, Spain, United Kingdom, Uruguay) were also identified during the analysis.
- In some cases, assets derive from jurisdictions other than the one related to the concerned legal entities.

36. Major reported anomalies identified as triggering the suspicions are:

- Repatriated/regularised amounts not consistent with the customer's economic profile.
- Investigations into the customer or his/her close relatives.
- Anomalous movements following assets repatriation (mainly partial or total cash withdrawal).
- Mismatches between the subject requesting assets repatriation and the beneficiary of the transferred amount (anomaly reported by banks providing payment services of *tramitazione*⁸).
- Cash deposits whose declared origin is the repatriation.

37. **UIF inspections and cooperation with Judicial Authorities.** UIF inspection activity is directed, towards the financial analysis of STRs and other suspicious transactions not reported but nonetheless raising attention. Furthermore, inspections are conducted to verify compliance with the reporting duty. A specific Inspection Guide was drawn up to provide a methodological path aimed at ensuring necessary uniformity. Criteria for selecting intermediaries to be inspected keep account of various factors (indices of collaboration provided through STRs; STRs deserving additional analysis; anomalies highlighted by the analysis of aggregate data monthly transmitted to UIF; information sent by foreign FIUs; communications from judicial authorities, investigative bodies and sectoral supervisors).

38. In 2010, UIF carried out 25 inspections against 18 in 2009. Inspections included non-bank intermediaries, in particular fiduciary companies. Inspections and prudential checks revealed irregularities of penal relevance, reported to the competent judicial authorities, as well as administrative violations resulting in sanctionatory proceedings.

39. UIF is required by law to provide judicial authorities with support and collaboration. In the last two years this activity has considerably expanded: UIF received 94 requests from

⁸ *Tramitazione*: Activity performed by "intermediary banks, namely Italian banks having an agreement with the Supervisory Authority, which provide, on an agreement basis, payment services to San Marino banks and customers thereof" (Article 1 Law Decree n. 65 of 14 May 2009 on Intermediation of the Central Bank for the purposes of interbank data transmission between San Marino and Italy).

public prosecutors and *antimafia* offices in 2009, and 118 in 2010. In 2009, judicial authorities received 89 communications from UIF on cases of possibly penal relevance, of which 14 following inspections.

40. **UIF international cooperation.** In 2009 and 2010, cooperation with foreign FIUs played an important role in UIF's activities. Information was exchanged through the Egmont channel or FIU.NET, the FIU European Channel dedicated to information exchange.

41. In several cases, the information received from foreign FIUs tallied with the findings of investigations either underway or in previous STRs, thus providing the basis for further enquiries. When collaboration with foreign counterparts allowed for the identification of possibly criminal activity, the competent investigative bodies were informed; in some cases, funds were blocked by the relevant foreign FIU to allow for subsequent intervention by the competent authorities.

42. The increase in number of requests for information from foreign FIUs led to UIF paying special attention to the related operating procedures. In turn, this led to more intense relations with judicial authorities whereby the information in question was relevant for investigations already underway. The information exchange with the investigative bodies was also strengthened, both to obtain more complete information to pass onto foreign FIUs and, subject to the latter's consent, to share data notified by them with competent law enforcement agencies.

Table 5
FIU international exchange of information

	2008	2009		2010		Tot./year
		I semester	II semester	I semester	II semester	
Requests sent	97	46	33	46	80	126
• On behalf of the Judicial Authority		37	23	32	57	89
• For STRs analysis		9	10	14	23	37
Requests received						
Egmont Secure Web	544	241	320	245	237	482
Fiu.Net		136		96	47	143
		TOT.: 697		TOT.: 625		

43. **Analysis of aggregate data.** UIF receives aggregate data on transactions higher than €15,000. The main categories of reporting entities include banks, post offices, fiduciary and asset management companies, securities firms and insurance enterprises. A very large part of reported data comes from banks and *Poste Italiane S.p.A.* (more than 99 per cent of the total number of records and about 92 per cent of the total amounts). The data source is *Archivio Unico Informatico*. Data on individual transactions recorded in the *Archivio* is aggregated, anonymised and reported to UIF in a format taking into account a number of variables. The information includes the reporting entity, the town where the transaction took place, the transaction nature, the economic sector of the client's activity, the total amount transacted and the corresponding cash component, plus the number of transactions aggregated. On 27 April 2010, a regulation issued by UIF updated the criteria for aggregating data to be reported as of 1 June 2010.

44. Aggregate data are used to carry out analyses aiming at identifying individual anomalies and broader phenomena that potentially relate to ML/TF activities. Such analyses are usually targeted at particular geographical areas (i.e. Italian regions at risk of criminality, provinces located close to the Italian borders), economic sectors at risk and specific types of payment instruments (i.e. cash, credit transfers). As regards credit transfers, attention is paid constantly to payments involving counterparties or financial intermediaries based in geographical areas deemed "sensitive" as to the fight against financial crime. Aggregate data are also used to perform statistical and descriptive analyses regarding specific areas or relevant intermediaries to support inspections and STRs analysis. Occasionally, this data is employed to fulfill requests for information from other competent authorities, such as *Guardia di Finanza* and judicial authorities.

Actions taken in the banking, insurance and securities sectors

45. Since Italy's latest Report to the FATF, Italian supervisory authorities have devoted a relevant number of resources to inspection activities.

Actions taken by the Bank of Italy

46. Following the new AML on-site visit methodology introduced in 2008, in 2009 the Bank of Italy conducted 181 general on-site inspections and 4 AML specific inspections on supervised entities (i.e. banks, investment firms, collective funds and non-banking financial institutions). In 2010, the Bank of Italy conducted 175 general on-site inspections and 9 AML specific inspections on supervised entities (i.e. banks, investment firms, collective funds and non-banking financial institutions). Between October 2008 and February 2009, the Bank of Italy also conducted 78 on-site visits on high risk bank branches (located in the area neighbouring the San Marino Republic); further 120 high risk bank branches were inspected between October 2009 and February 2010.

47. In the framework of AML off-site controls, in 2009 and 2010 the Bank of Italy received numerous reports by board of auditors as well as by external auditors on internal structural deficiencies and/or violations of legal AML requirements. Following these reports, the Bank of Italy required intermediaries to adopt specific corrective measures. When infringements of criminal law were detected, the Bank of Italy reported them to Italy's Public Prosecutor Office.

48. Since 2009, controls on AML compliance have been fully integrated in the Bank of Italy administrative supervisory procedures. This implies the examination of AML profile

for all supervisory procedures that require Bank of Italy authorisation (e.g. M&A, amendments to corporate statutes, etc.).

49. Bank of Italy's collaboration with the Judiciary and law enforcement agencies in the AML/CFT area has been intense. In 2009, the Bank of Italy received 620 requests for assistance by the Judiciary. Since January 2009, a permanent task-force staffed by Bank of Italy has assisted Milan's Public Prosecutor Office competent for economic crimes. In 2009, *Guardia di Finanza* transmitted 466 requests for assistance to the Bank of Italy.

50. Bank of Italy constantly monitored the implementation by supervised financial intermediaries of adequate CDD measures toward non-equivalent third countries. Taking into account intense financial relationships with San Marino (RSM), in 2008 the Bank of Italy issued a set of circulars addressed to supervised entities aimed at recalling the need to apply CDD measures on RSM intermediaries, pursuant to Italy's AML Law. Specific notices were also formulated in December 2009 and September 2010 on the appropriate AML regime to be applied in the relationships with the Vatican financial institution known as *Istituto per le Opere di Religione* (IOR).

51. **Sanctions and prudential interventions.** In 2009, the Bank of Italy administered pecuniary sanctions for €1.6 mln against 15 banks and one collective fund for failure to comply with AML Law requirements. Following the results of AML (on-site and off-site) controls, in 2009 and 2010 the Bank of Italy adopted a number of prudential interventions: 4 intermediaries were placed under special administration procedure due, *inter alia*, to AML infringements; the activities of two credit card companies were suspended due to failures to comply with AML Law requirements.

Actions taken by ISVAP

52. *Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo* (ISVAP) is the body entrusted under Law 576 of 12 August 1982 to supervise insurance and reinsurance undertakings, as well as all the other bodies subject to the regulations on private insurance, insurance agents and brokers. ISVAP is responsible for ensuring stability of the insurance market and undertakings, as well as the solvency and efficiency of market participants, in the interest of policyholders and consumers.

53. ISVAP conducted the 19 AML inspections in 2009 and 20 in 2010, directed to companies, agencies and brokers. Such inspections resulted, respectively, in 5 notified violations in 2009 and in 2 sanctioning procedures in 2010.

Actions taken by Consob

54. In 2009, Consob set up three inspections into SIM (*Società Intermediazione Mobiliare*) also including AML checks on establishment and updating of the *Archivio Unico Informatico*, and verification of correctness of communications transmitted to the Ministry of the Economy and Finance (performed by the same inspected subjects), and relatively to the violations perpetrated by own financial intermediaries as to the thresholds set for use of cash and bearable instruments.

55. As many as 43 administrative proceedings were set up against financial promoters, *inter alia* due to contestation of irregularities for acceptance of not allowed means of payment. Out of such proceedings, some resulted in sanctions ranging from exclusion (9 cases) to suspension from the National Chart of financial promoters (4 cases), and pecuniary administrative sanctions (1 case).

56. Eventually, 106 administrative proceedings were set up for illicit acquisition of clients' funds, as ML could also underlie misappropriation.

57. Within the surveillance performed for ML prevention in financial markets, Consob reported 35 STRs to UIF for an amount higher than €3 mln. Further 16 STRs were reported in November 2009 for an amount higher than €300,000.

58. In 2010, Consob carried out no. 33 on-site inspections. On the basis of the outcome of its supervisory activities, Consob sent no. 4 reports to the UIF concerning possible AML violations. In one case, Consob started directly an administrative proceeding and charged the investment firm and one of its clients with AML violations.

Actions taken in law enforcement sectors

Actions taken by Guardia di Finanza - GDF

59. In the field of AML/CFT controls on non-prudentially supervised entities as per Article 106 Banking Law on Financial Intermediaries, Bureaux de Change, money remitters and loan and financial brokers, in the 2009-2010 period, GDF carried out over 1,057 AML/CFT on-site inspections, of which 761 related to money transfers. For the current year, GDF has planned to conduct more than 400 AML on-site inspections. With regard to cash couriers, GDF controls passed from 2,273 in 2008 to 6,115 in 2010.

60. Regarding STRs, GDF received more than 45,700 STRs from UIF in the 2009-2010 period, of which more than 41,400 were analysed.

61. In the same period GDF carried out 873 criminal investigations into ML cases, reported 2,297 individuals to the Judicial Authorities, and seized cash and other assets for more than €669 mln.

Actions taken by DIA

62. In 2010, DIA received 27,029 STRs from UIF, and examined 25,347 of them. DIA's analysis of the above reports, aiming at establishing any connection to illegal activities of mafia-type organised crime (Article 416 Criminal Code), resulted in the monitoring of the position of 32,903 individuals and 4,330 corporations, as well as of the connected 6,588 individuals and 6,405 corporations. Hence 363 STRs were identified, on which further and accurate investigative checks were conducted as suspected to be linked to organised crime activities.

Table 11

STRs - Criminal organisations ex Article 416-bis	N.
MAFIA	91
CAMORRA	103
‘NDRANGHETA	137
APULIAN ORGANISED CRIME	16
OTHER ITALIAN MAFIA-TYPE CRIMINAL ORGANISATIONS	12
FOREIGN CRIMINAL ORGANISATIONS OPERATING IN ITALY	4
Total	363

Source: DIA

Sanctionary activity carried out by Italy's Ministry of the Economy and Finance for infringements of AML/CFT preventive measures.

63. Italy's Ministry of the Economy and Finance is in charge of imposing the administrative and pecuniary sanctions provided for some violations of the AML Law and relatively to cross-border transfer of cash and bearable instruments (Legislative Decree n. 195/2008).

64. The number of sanctions issued for violations of the AML Law amounted to 5,775 in 2009-2010. The related administrative pecuniary sanctions inflicted in the same period to FIs, natural persons and legal entities were almost €98 mln (2009: €48 mln; 2010: €50 mln). In addition, the number of potential infringements notified to violators (of formal or substantial rules in AML Law) were 9,755 in 2009 and, after reducing the threshold set for cash transactions (from less than €12,500 to less than €5,000) in June 2010, the number of infringements notified in 2010 reached 15,955.

65. In 2010, 4 sanctionary decrees were issued for violation of freezing measures in accordance with Legislative Decree n. 109/2007, and resulted in €4,600.00 administrative pecuniary related fines.

66. Sanctions issued in 2009 for illegitimate cross-border transfer of cash were 224 and resulted in €9 mln administrative pecuniary fines. Sanctions issued in 2010 were 68 and resulted in approximately €6.5 mln administrative pecuniary fines of which approximately € 815,000 were willfully paid with a reduced amount (it refers to the "*oblazione*", the willful payment of fines resulting in their reduced amount).

ANNEXES

LIST OF SUPPORTING MATERIAL

1. LEGISLATIVE DECREE n. 231 of 21 November 2007 (updated version at 31 January 2011) – *Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and of Directive 2006/70/EC laying down implementing measures for Directive 2005/06/EC.*
2. DECREE OF THE MINISTER OF THE ECONOMY AND FINANCE n. 203 of 20 October 2010 – *Regulation on the Financial Security Committee functioning discipline.*

- OMISSIS -