

ANNEX n. 1

The Italian System for Anti-Money Laundering and Countering the Financing of Terrorism

1. The Italian Anti-Money Laundering system (AML/CFT)

1.1. The Italian regulatory framework and practices for combating ML and FT

Italy has been at the forefront in preventing and combating money laundering since the early 1970s; indeed, the crime of “money laundering” was introduced in 1978 in the Italian legislative framework. In the following decades, the Italian anti-money laundering system has been progressively refined and expanded.

A comprehensive and risk-sensitive AML/CFT framework. Italy set up a fully-fledged preventive AML system in May 1991; it predates the first AML European Directive 91/308/EEC and goes far beyond that. “Know Your Customer” measures were introduced, alongside record keeping obligations to ensure paper trails and duties to detect and report suspicious transactions.

The scope of AML preventive measures was extended to entities beyond the banking and financial sector in 1999, again before the corresponding European (and FATF) provisions (Second AML Directive 2001/97/EC) and with a broader reach. The range of obliged entities and professions has subsequently been further enlarged, on a risk-sensitive basis; additional non-financial businesses and legal professionals have been included, ensuring an adequate balance between “professions” and “cooperation”. An adequate balance between confidentiality and disclosures has been pursued through a constant dialogue with the private sector.

The national AML/CFT legislative framework was overhauled in 2007 with the transposition of the Third European Directive (2005/60/EC). A comprehensive risk-based approach underpins the compliance of obliged entities and the supervision by competent authorities. The UIF (Unità di Informazione Finanziaria per l’Italia) was set up as the national Financial Intelligence Unit.

Legislative Decree 231/2007 and its subsequent amendments is the Italian AML/CFT Law (primary legislation reference point), which reflects the numerous developments carried out by EU legislation so far (primarily the AMLD, last revised in 2019). It should be recalled that Italian lawmakers have always adopted a strongly proactive role in this field: indeed, Italy has always ensured the transposition of EU rules on AML/CFT matters in a timely fashion and, on some occasions, it has even anticipated the EU legislator, providing for solutions and arrangements eventually adopted at European level (for example, the Italian framework included crypto-wallet providers well before the EU decided to do so). The dedication of Italian authorities to swiftly transposing EU AML/CFT standards at national level regards not only the

AML directive itself ('level 1' legislation), but also the technical standards and guidelines issued by the European Banking Authority ('level 2' regulation).

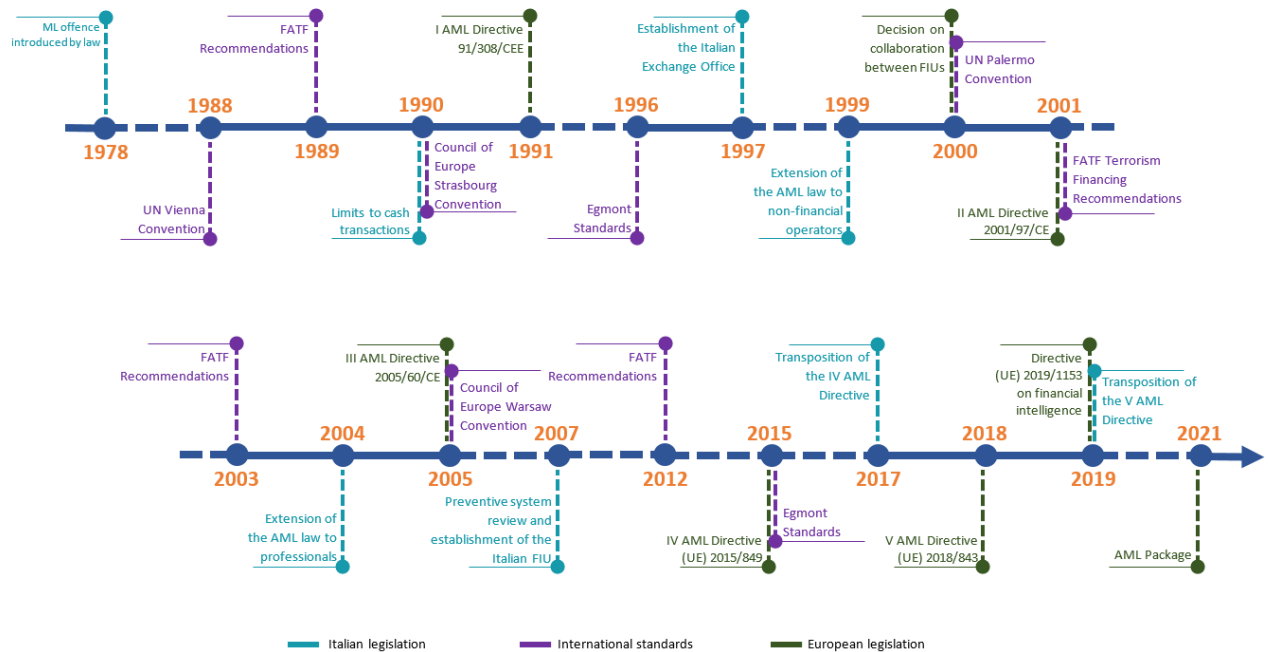
The regulatory framework has been constantly updated, to keep up with evolving risks and taking account of the EU and international landscape. To ensure completeness and flexibility, different and complementary instruments are used: primary laws, by-laws, technical standards, other implementing provisions and guidelines provided by the competent authorities.

“Follow the money” This is the long-established approach in Italy to combating organized crime. Insightful prosecutors understood early on that to fight mafia organizations effectively it is essential to act preventively, by detecting their assets and disrupting their financial and economic operations where they first take place, i.e. in the financial marketplace and in other exposed sectors of the economy. Depriving criminal organizations of their means and profits is key to dismantling them. Fighting crime in the economy triggers a new and collective commitment to follow ill-gotten money: other authorities and new, healthy parts of civil society become active contributors. Private entities, first banks and financial intermediaries, then non-financial businesses and professions are entrusted with the task of actively collaborating with the authorities.

“Mind the cash”. The Italian AML/CFT system has always been particularly attentive to the risks associated with cash. While this issue has now finally been tackled at the EU level in the new harmonized approach in the AML Package, limits on the use of cash for any type of transaction between private parties have been set by law in Italy and enforced since 1991. These limits have contributed to focusing early on cash transaction risks, to drive transactions towards the regulated financial sector and to contain underground financial businesses. Correct incentives have also been provided in recent years to move towards a less cash-based society and to an increased use of non-cash payment instruments.

Other regulatory instruments. The attitude of the Italian legislator and the authorities in charge of issuing secondary regulation to introduce innovative regulatory instruments can be observed in several cases: a) Central registries - such as the national Register of bank accounts - were established several years ago, before the Fifth AML Directive set that register as an obligation for the EU Member States; and b) in Italy, a specific AML regulation regarding the organization and internal controls of supervised intermediaries has been issued by Banca d'Italia since 2011, thus allowing the Italian banking system to be ready well in advance to comply with the provisions of the EBA Guidelines, issued in 2022.

A broad range of obliged entities cooperating with the AML/CFT authorities. The range and types of entities subjected to AML/CFT obligations in Italy has constantly been updated over the years, taking account of evolving risks and the shift of the criminal economy across different sectors. The categories of obliged entities in Italy go beyond those included in the harmonized lists that, from the First to the Fifth Directive, have been set out at the EU level. To tackle risks effectively and comprehensively, monitoring and reporting measures have been extended, for example, to financial brokers, public administration offices, and businesses providing cash-related services or gambling activities.



A robust criminal system against money laundering. In Italy, the crime of “money laundering” has rapidly developed from a closed “list approach” to predicates to being a wide-ranging and all-encompassing offence: it is not limited to a set of underlying offences associated with drugs but is geared towards any illicit profits deriving from individual, occasional or organized crime. Essentially all crimes generating profits become relevant predicate offences to money laundering.

The range of predicate offences has been extended to all serious crimes; the conviction for money laundering is not conditioned to a prior conviction for the predicate crimes; furthermore, money laundering also remains relevant in cases where the predicates have been committed abroad or can no longer be prosecuted. The broad scope of the money laundering offence has been conducive, over the last thirty years, to a highly effective preventive and repressive AML/CFT system. Notably, the range of the suspicious transaction reporting regime has always been significantly wide, producing important results in terms of detection and disruption of illicit economic behaviours.

1.2. A multi-agency public and private network

a) Public Authorities

Italy has a comprehensive system of public authorities/institutions aimed at fighting money laundering from all relevant perspectives (further details in Annex 2):

- The **Ministry of Economy and Finance** (“MEF”), via the Department of the Treasury, has a role in the prevention of the use of the financial system for illegal activities, including money laundering and the financing of terrorism. Its activities include policy setting, drafting regulatory proposals, and implementation measures; generally monitoring compliance through the feedback of AML supervisors and imposing pecuniary sanctions on certain

violations of the AML Law. In its efforts to counter money laundering, the MEF collaborates with other national authorities, also including the Italian Financial Intelligence Unit (UIF) of Banca d'Italia, and the Guardia di Finanza. The MEF also coordinates AML/CFT policies and represents Italy in the international fora, both at EU level and at FATF and other FATF-style international bodies (e.g. MONEYVAL).

- The **Comitato di sicurezza finanziaria (CSF)** (Financial Security Committee) was set up at the MEF in compliance with the obligations undertaken by Italy in 2001 as part of the global international strategy to combat the financing of terrorism and proliferation. The FSC is also responsible for drawing up strategies for the prevention of money laundering and terrorist financing and coordinates the measures to contain the related risks. Moreover, the FSC is the Italian authority for implementing the freezing of funds and economic resources held, either directly or indirectly, by individuals and entities included in the sanction lists of the European Union and the United Nations or issued at national level. Furthermore, the FSC may propose the listing/delisting of individuals or entities to the relevant UN/EU Authorities. The FSC is chaired by the Director General of the Treasury Department and composed of representatives of 14 national Administrations and Authorities. The FSC acts as a focal point in the sectors of competence, and is endowed with particularly penetrating powers, such as that of acquiring information held by the participating Administrations and Authorities, even in derogation to official secrecy. The FSC is also responsible for drafting and adopting the ML/TF National Risk Assessment on Money Laundering and Terrorism financing and the correlated strategies to address such kind of risks, and it is also in charge of the coordination of the national AML/CFT policies.
- **Italian AML supervisory authorities**, namely Banca d'Italia (the banking and financial supervisor), IVASS (the insurance sector supervisor) and Consob (the financial market supervisor) issue the necessary AML secondary legislation and guidance (within the regulatory framework) and evaluate the adequacy of the organization and the procedures of supervised intermediaries for AML purposes. **Banca d'Italia** and **IVASS** are responsible for the AML/CFT supervision of banking and financial intermediaries (e.g. credit institutions, investment firms, asset management companies) and insurance sector operators (undertakings and intermediaries) respectively. **Consob** exercises AML supervision on auditors and auditing companies in charge of auditing “public interest companies” (e.g. listed companies, intermediaries and stock exchange companies).
- The **Unità di Informazione Finanziaria (UIF)** is the Italian Financial Intelligence Unit (FIU). It is an independent, highly professionalized unit within Banca d'Italia. It has been operational since January 1, 2008 as the national authority that receives and analyses suspicious transaction reports and other information relevant to ML and TF and disseminates the results of that analysis to LEAs. In detail, the UIF receives Suspicious Transaction Reports (STRs) from a wide range of obliged entities, analyses them, ranks them and transmits them to the Nucleo Speciale di Polizia Valutaria of Guardia di Finanza, to the Direzione Investigativa Antimafia (DIA), and to the Direzione Nazionale Antimafia e Antiterrorismo (DNA), together with a technical report outlining the outcomes of financial analyses. Operational and strategic analyses carried on by the UIF are a high-quality contribution to effective investigations and prosecutions. The UIF also engages extensively in international cooperation.
- The **Guardia di Finanza (GdF)** is the Italian law enforcement body responsible for

combating tax and financial crimes and also tasked with ad hoc AML/CFT supervisory responsibilities. The GdF plays a leading role in protecting the legality of money flows, movements of securities and valuables in the national economic and financial market, by virtue of the dedicated institutional tasks assigned by the law. The Guardia di Finanza constitutes the link between the prevention and the crime detection perspective. It exercises its duties as a specialized Police Force for economic - financial investigations by performing both **judicial police investigations and preventive administrative investigations**, the latter resulting from the processing of suspicious transaction reports and through **inspections** of intermediaries, professionals and other non-financial operators to verify compliance with anti-money laundering obligations

- The **Direzione Investigativa Antimafia (DIA)** (Anti-Mafia Investigation Directorate) is an investigative body, composed of specialized personnel drawn from the Police Forces, which is entrusted with specific containment action on the expansion of criminal organizations and mafia phenomena in the economy, implemented by combining law enforcement activities with targeted preventive investigations aimed at avoiding the risks of possible infiltration into the financial national system. By virtue of its peculiar attributes, the DIA therefore assumes an important role based on the investigative activities triggered by suspicious transaction reports (STRs) and by information acquired in international cooperation relations or in national information exchanges.
- The **Direzione Nazionale Antimafia e Antiterrorismo (DNA)** (National Anti-Mafia and Anti-Terrorism Directorate) is the judicial coordinating body which enforces the anti-mafia legislation and anti-terrorism prosecutions. It comprises the National Anti-Mafia Prosecutor (Procuratore Nazionale Antimafia) and deputy prosecutors. A specific Service within the DNA carries out functions of impetus and investigative coordination of the activity of the District Prosecutor's Offices, to which the STRs received by the UIF are sent, for the subsequent repressive action, after a previous analysis phase consisting in the matching of suspected subjects with the names in the registers for criminal and prevention proceedings. These analyses are also performed with the support of automated matching procedures. A very effective exchange of information is in place between the UIF and the DNA. in the very first phase of the suspicious transactions' analysis.
- The **OAM (Organismo Agenti e Mediatori)** is the national body exclusively and autonomously competent for the management of the Register of financial agents and credit brokers. It is a private foundation with functions of public relevance. Established pursuant to Legislative Decree 141, the OAM has legal personality under private law, in the form of a non-profit association, with organizational, statutory and financial autonomy. The OAM is also endowed with sanctioning powers towards its members as required for the performance of its institutional tasks. It is subject to the supervision of Banca d'Italia.

b) **Private sector**

An essential role in preventing and combating money laundering is played by the **private sector**. Obligated entities are of course an integral part of the AML framework. They act as "gatekeepers" and proactively cooperate with the supervisory authorities and the FIU by assessing risks, vetting customers and detecting suspicions. Over more than thirty years of

expansion and refinement, the scope of private sector stakeholders now ranges from banking and financial intermediaries to different types of non-financial businesses, from legal professionals to agents providing a range of diversified services, all exposed to different degrees to the risk of being used for money laundering or terrorist financing purposes. To pursue proximity, efficiency and granularity, self-regulatory bodies for certain categories of non-financial businesses are involved in oversight and suspicious reporting procedures.

The private sector has always maintained a high level of commitment to the effective application of AML/CFT safe- guards. Obligated entities have implemented updated tools, policies and procedures to identify and review threats, mitigate risks, detect and report cases for appropriate analyses and investigations. Customer due diligence, screening of activities and STRs reporting have steadily improved, also benefiting from feedback from the competent authorities and from advanced IT tools.

Notaries. It should be noted that the category of professionals that institutionally plays the role of official gate-keeper of economic transactions is represented by notaries; they actually intervene with a third party role; this is demonstrated by the number of STRs issued by notaries which amount in Italy to 90% of the STRs filed by legal professionals. Moreover, notaries are entrusted with anti-money laundering control over all real estate and corporate transactions that are in contractual form, while the other European legal systems see the notarial control of these transactions on a non-exclusive basis, or exclusively but only in some fields.

Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili. The national body that represents its members (professional accountants), has taken several initiatives/measures to ensure awareness and proper assessment of the major ML/TF risks, including the Adoption of AML-CFT Technical rules (subject to the opinion of the Financial Security Committee) and of AML-CFT Guidelines.

The National Lawyers Council (Consiglio Nazionale Forense - CNF) and the local Bar Associations are making a continuous and ongoing effort to develop the awareness of lawyers regarding the ML/TF risks, the financing of terrorism and the innovative criminal conduct through training programs in the form of workshops or seminars. The CNF and most local Bars have an AML Commission, organizing such events through the year.

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Italy has a longstanding AML/CFT experience of **cooperation and exchange of information at domestic level**, amongst the relevant national authorities, law enforcement agencies and prosecutors. All the relevant Authorities are coordinated and are all part of a network of swift and constant cooperation: to assess risks, to work jointly in international fora, to update regulations, to enforce them, to analyse and prosecute suspicions, and to share practices and experiences. For the Administrations and Authorities, this network is established by the general coordination of the FSC, both at the official representatives level and at technical working level, the latter being represented by a network of experts. The bilateral or multilateral cooperation between the interested Administrations and Authorities is instead ensured by

specific Memoranda of Understanding (MoUs) such as, for instance: the MoU between the UIF and the Guardia di Finanza, the MoU between Banca d'Italia and the Guardia di Finanza, the MoU between Banca d'Italia and Consob, the MoU between the Direzione Nazionale Antimafia (DNA) and the Guardia di Finanza and the MoU between the Guardia di Finanza, the Polizia di Stato and the Carabinieri. These agreements pursue the objective of fully exploiting the institutional synergies between the competent authorities of the anti-money laundering prevention system, according to logics based on the effective protection of the security and integrity of data, the protection of investigative secrecy and the identity of the reporter, stimulating, inter alia, the active cooperation of the obliged entities and setting themselves the objective of ensuring timely information sharing.

Italy has also developed a wide-reaching and well-functioning **international network for cooperating and exchanging information cross-border** over the years (see section 3)

2. The Italian AML-CFT environment: approach and tools

Over the last three decades, Italy has built a conducive environment for the development of an effective AML/CFT strategy and approach, at the level of both AML/CFT authorities and private stakeholders (e.g. industry and professional associations, obliged entities). This has indeed been recognized by the FATF (see section 5).

2.1 Approach and methodologies

2.1.1 National Risk Assessment

Italy conducted its first AML national risk assessment (NRA) in 2014 - soon after the 2012 revision of the FATF Recommendations and the introduction of the 2013 Methodology for the country assessments - well in advance of the EU legislation introducing the obligation to conduct NRA at national level (the EU obligation was transposed into the national laws by the majority of EU Member States between 2017 and 2018).

2.1.2 AML/CFT risk-based supervisory methodologies

Banca d'Italia

Since 2015, Banca d'Italia has informed its supervisory priorities over the banking sector following a dedicated AML/CFT risk-based model (later extended to other supervised entities), developed in cooperation with the UIF. In line with international standards, the model provides residual ML/FT risk scores for supervised banks, based on automated inherent risk scores and vulnerability assessments by supervisors. Inherent risk is computed using indicators capturing the potential exposure to ML/FT and exploiting data flows transmitted to Banca d'Italia and the UIF by obliged entities.

Ongoing initiatives at the EU level indicate that the development of risk assessment methodologies is a key challenge going forward. In line with this goal and in compliance with EBA Guidelines, Banca d'Italia is finalizing an ambitious project to revise its AML/CFT risk-based model, which leverages on the strong and effective cooperation between Banca d'Italia AML and prudential supervision functions, and the UIF. The aim of the project is to: *i)* develop a data-rich methodology to assess the inherent and residual risk of all supervised entities; *ii)* fine-tune the understanding of ML/TF risks at sectoral level; and *iii)* provide the supervisor with a powerful, yet flexible support tool. The model uses a large number of indicators based on data sourced from prudential and suspicious transaction reporting, as well as AML/CFT information obtained from intermediaries through a dedicated survey.

After an experimental trial, the tool will be put into full operation by May 2023.

IVASS

Since 2017, IVASS has developed a methodology to assess the AML/CFT risk of insurance undertakings based on which IVASS has realized a risk-based supervisory model.

It consists in identifying how the threats - identified in general for the insurance sector in the National Risk Assessment - also affect each insurance undertaking in relation to the scope of the activity actually carried out, as well as to what extent the undertaking's controls - organizational structure and system of internal controls - are vulnerable to previously identified threats. The assessment is carried out through a set of quantitative data, requested through a standardized spreadsheet containing information relating to the organization, management and control, and risk factors relating to premiums and paid services.

IVASS processes all the data received through the abovementioned standardized excel sheet, creating a basic risk index as the ratio between the average premium of the company and the average premium for the system, taking as reference the data on gross premiums of new business greater than €250K. This result is adjusted taking into account a series of indicators relating to premiums, paid services and the control structure put in place by the company.

From 2023, the described procedure will be automated; in fact, a dedicated tool is being tested.

Consob

Consob performs AML/CFT supervision of auditors (natural persons) and auditing firms of Public Interest Entities,¹ which must identify and assess the risks of ML and TF to which they are exposed at least annually.

This supervisory activity is focused on the systematic analysis of the data and information submitted every year by the auditing firms through the risk self-assessments. The AML/CFT risk-based model takes into account the total number of customers of each auditing firm with high-risk factors, the size of the auditing firm and the amount of the revenues generated by non-auditing services at higher ML/TF risk.

On the basis of the above-mentioned criteria, the model provides the level of inherent risk for each auditing firm. In addition, Consob examines the qualitative information about the

¹ The definition of Public Interest Entities (PIEs) includes listed companies, financial intermediaries, issuers of financial instruments widely distributed among investors, regulated markets, central counterparties and depositories, etc.

vulnerabilities of the mitigation procedures (organization, internal procedures and internal controls) collected through the risk self-assessments submitted by the auditing firms. As a result of the vulnerability assessment, the inherent risk associated with the auditing firms can be confirmed or increased. On the basis of this risk ranking (residual risk), Consob schedules the priorities in terms of on-site AML/CFT inspections and manages off-site supervision (e.g. requests for data and information).

2.1.3 Financial analysis based on STRs

The UIF receives suspicious transaction reports (STRs) and other information from obliged entities and collects direct or indirect information from an extensive range of sources. A thorough research analysis leads to generating sophisticated financial intelligence reports. The UIF has developed different techniques such as data mining, machine learning and network analytical tools to analyse STRs.

2.1.4 AML and tax compliance

Strong synergies and interconnections are in place between AML and tax information, most notably for beneficial ownership. Excellent reviews embedded in both AML and Tax Information Reports consistently show an effective and robust framework in Italy in this area. The centralized Register of Bank Accounts and the “Anagrafe Tributaria” are mainly tax evasion mechanisms of investigation, also used for anti-money laundering purposes.

2.1.5 The enforcement of targeted financial sanctions against Russia and Belarus

Another field of effective Italian action is represented by the constructive and coordinating approach adopted by Italy – through the FSC - to enforce the financial sanctions decided by the European Union against Russia and Belarus. The UIF and the Guardia di Finanza are the agencies in charge of the implementation and enforcement of the sanction regime. The UIF facilitates the dissemination and awareness of the subjects listed in the European measures (in two Statements published in March 2022, the UIF, alongside Banca d’Italia, IVASS and Consob, called for the operators to comply with sanctions, urging them to notify the restrictive measures applied before the end of the maximum period allowed). The UIF also facilitates compliance in the financial sector, particularly by notifying designations, receiving communications of freezing and related assets, and assisting in interpretations. The UIF is also committed to developing intelligence aimed at tracing targeted assets and identifying cases of sanctions evasion; intense international cooperation is also carried out to that end.

One of the points of strength of the Italian system is the fact that, for enforcing the European financial sanctions, the UIF and the Guardia di Finanza are allowed to use the same set of powers they have for the prevention of money laundering and terrorist financing. This approach has enabled not only the timely and effective implementation of European sanctions, resulting in the freezing of assets and economic resources of significant amounts, but also the implementation of a national freezing measure.

In addition, the Italian approach has proven particularly effective as regards the ability to reconstruct corporate chains that allowed the direct or indirect imputability of economic

resources to the entities designated by the EU, even in cases where the imputability was hampered by the presence of corporate schemes or tools, such as trusts, used to circumvent the European sanctions framework.

2.2 Registers and procedures

2.2.1 Registers

Italian AML authorities can rely on a range of effective databases, including:

- 1) Register of financial accounts held in Italy at the Revenue Agency is a database, managed by the Italian Tax Administration, uploaded with financial information regarding bank accounts and other financial relationships held or controlled by natural or legal persons. The Register is used for financial analyses by the UIF as well for investigative purposes by the Guardia di Finanza, in the course of criminal proceedings and for the application of preventive measures.
- 2) The registers of beneficial owners. A Public Business Register that is designed to host data on beneficial owners of companies and entities, such as private legal persons, as well as trusts and legal arrangements similar to trusts. The Register is fully operational, thus companies, legal persons, trusts and other legal arrangements similar to trust are required to communicate their beneficial ownership to the central Register.
- 3) The Virtual Assets Service Providers (VASP) Register (at OAM) contains data collected by VASPs and Wallet Providers on the virtual currency activities and transactions they have performed and carried out in respect of Italian clients.

2.2.2 Procedures

The main procedures and tools supporting AML/CFT activity are the following:

- the MOLECOLA is an electronic tool used in financial investigations by the Guardia di Finanza for the identification of the real beneficial owner of legal persons and arrangements in Italy.
- the SIVA (Sistema Informativo Valutario) is an intelligence management and analysis system developed by the Financial Police Special Unit of the Guardia di Finanza in order to manage all phases of the investigation of STRs disseminated by the UIF.
- the EL.I.O.S. (ELaborazioni Investigative Operazioni Sospette) is a procedure used by the DIA to manage data flows of STRS.
- the RADAR is a financial analysis tool aimed at supporting the collecting and managing of all reports (including STRs) to the UIF.
- the GIANOS is a software application used by the private sector (banks, insurance companies, etc) to manage AML/CFT obligations.
- The Notaries' procedures. Notaries use one software for the transmission of the STRs to the UIF in an anonymous and encrypted form and another software for assessing the risk of the transaction, which allows the obliged entity to get a report to graduate the level assessment

so as to focus attention on transactions actually at risk.

3. Italy's role in international cooperation and contribution to policy making through participation in multilateral fora

3.1 International Cooperation

The Ministry of Economic and Finance, all the AML supervisory authorities, the UIF and the Italian LEAs (law enforcement/judicial authorities: GdF, DIA, DNA, Carabinieri, Prosecutors) have a strong track record of cooperation with their counterparts at international level. Such authorities, also on the basis of Memoranda of Understanding (MoUs), notably provide information, including evidence, financial intelligence, supervisory information related to AML, TF, or associated predicate offences, and assist with requests to locate and extradite criminals as well as to identify, freeze, seize and confiscate assets.

The **UIF** has an extensive network of domestic and international cooperation. The exchange of strategic and operational information and experience always goes together with the utmost protection of confidentiality. IT tools are employed to channel data. Ad hoc agreements or memoranda of understanding set out tailored modalities and conditions for cooperation, taking account of the nature of the counterpart, the type of information exchanged and the objectives respectively pursued. To date, the UIF has entered into 27 Memoranda of Understanding with foreign counterparts. Last year, the UIF engaged in cooperation with all EU FIUs and with 120 foreign FIUs globally. The UIF has also provided technical assistance, bilaterally or within EU or international programmes, to foreign agencies for developing AML/CFT operational capacities and tools.

The exchange of information with foreign FIUs continues to be significant, providing substantial aid to both financial analysis and cooperation requests from the investigative bodies and the judicial authorities. In September 2021, the migration of the FIU.NET network from Europol to the European Commission was completed, opening up a planning phase for the development of an infrastructure able to sustain both the increasing information flows exchanged and more advanced forms of cooperation, such as joint analysis.

To implement the effectiveness of the international anti-money laundering cooperation, it is also appropriate to recall that the **Guardia di Finanza**, in addition to having stipulated, over time, numerous bilateral agreements with analogous foreign law enforcement agencies, has developed a network of 23 Guardia di Finanza (continuing to increase in numbers and countries) attachés deployed at the main Italian diplomatic representations abroad, in order to promote and implement forms of operational cooperation, at a transnational level, with foreign counterparts, useful to strengthen, monitor, facilitate and, if necessary, speed up the exchange of information with the competent authorities of the countries of accreditation.

In order to make the fight against economic and financial crimes on a global scale constantly effective, the Guardia di Finanza has implemented forms of cooperation with foreign collateral bodies, through a network of institutions or opportunities offered by the traditional channels of information exchange made available, for example, by Interpol and Europol, as far as police cooperation is concerned or by the network of Financial Intelligence Units in the fight against money laundering.

The **Direzione Investigativa Antimafia (DIA)** carries out its investigative action also through extensive international police cooperation, at bilateral and multilateral levels, in which the DIA is internationally recognized as a key partner, due to the profound experience gained in investigations of a preventive and judicial nature, aimed at the aggression of assets of illicit origin accumulated by criminal organizations and the mafias.

In this context, in 2014, Italy (DIA) promoted – and the European Council approved - the initiative to establish the Operational Network @ON, whose purpose is to strengthen transnational police cooperation against the main organized crime groups (top level OCGs) and mafia-type groups impacting EU Member States.

The importance of such a network is confirmed in the "EU Strategy for Combating Organized Crime 2021-2025" which, in the context of combating organized crime structures posing a risk to Europe's security, stated that: "At the European level, operational cooperation against mafia-style organized crime groups implemented through the @ON Network facilitates the field deployment of specialized investigators in all member states to assist in the investigation of cross-border organized crime groups."

Italy is one of the leading countries in the governance of the @ON Network, being part of the "Core Group" (overall, the police forces joining the network represent 30 countries).

The network - funded by the EU Commission (which recently received €2 million for performing its activity up to January 2024) - supports the Investigative Units of the Member States in 112 investigations, and, since the start of the activity, has funded 424 missions in support of more than 1,446 investigators that have led to the arrest of 556 people, including 6 fugitives in addition to the seizure of approximately €151.4 million of drugs and weapons.

The international activity of the **Direzione Nazionale Antimafia e Antiterrorismo (DNA)** is also of considerable importance.

The DNA maintains direct relations with numerous judicial offices at European and non-European level as regards the fight against terrorism, thus allowing significant international results related to coordination and timely circulation of information to be achieved.

The volume of reports received by the foreign FIUs is increasing; this information is examined and processed by crossing it with the data available in the DNA databases, in order to verify its usefulness for investigations already underway by the District Prosecutors or with a view to providing impetus to them for the start of investigation activities.

3.2 Contribution to international policy making through participation in multilateral fora

Italy is extremely active internationally (both at EU and FATF level) in promoting and supporting new policy and technical AML/CFT initiatives. Italy participates in several AML/CFT global and regional bodies and expert groups, both at policy and technical level, namely: FATF, Moneyval, EU Expert Group on Money Laundering and Terrorist Financing, Egmont Group, EU FIUs' Platform and the FIU.NET Project. Italy is one the founding members of the FATF (1989 – G7 Paris).

Due to this strong commitment and support for the Singapore presidency's strategic priorities, Italy recently hosted the 'First international learning and development forum on asset targeting and recovery systems' co-organized by the FATF and the Guardia di Finanza, during which 200 foreign delegates, from 67 countries and 11 international bodies/organizations, and about 200 national representatives, learned and shared experiences to improve and make a difference in the fight against financial crime.

As far as the EU forum is concerned, Italian Authorities maintain constant dialogue with the Commission and the other European Institutions; they are actively involved in collegial bodies and working groups and provide an extensive contribution to the negotiation for the adoption of European AML rules. Thanks to the impetus given by the Italian Presidency and to the fruitful cooperation with the Commission and the EU Parliament, in 2015 the Fourth AML Directive (EU) 2015/849 was adopted, which introduced several key changes into the AML.

Banca d'Italia participates in the AML Standing Committee (AMLSC) at the European Banking Authority, whose main task is ensuring coordination of AML/CFT policies among EU Member States.

The **UIF** has: a) promoted and strongly supported the operation of the EU FIU Platform in 2006, (the forerunner of the EU coordination and support mechanism for FIU); and b) promoted and coordinated the “Mapping Exercise and gap analysis on FIUs’ powers and Obstacles for obtaining and exchanging information”. In this regard, those analyses and proposals have now underpinned the sweeping reform under way of the EU AML framework, of which the AMLA is a key element (e.g. in the EGMLTF, in the EU FIUs’ Platform, in the EBA and in the supervisory framework); joint analyses and controls on compliance with AML rules in general and specifically on suspicious cases have been facilitated. This is complemented by the private sector’s increased awareness of ML/TF risks and capacity to detect and report suspicious transactions – a feature fostered by a consolidated virtuous engagement between the AML supervisory authorities, the UIF, and obliged entities.

The FIUs’ Platform now acts as an incubator for projects and solutions aimed at laying the foundations for the future work of the AMLA. In this context, the UIF is actively working on the preparation of common formats and contents that can be used for suspicious transaction reports and for FIU-to-FIU exchanges. These will provide the AMLA with a suitable starting point for issuing tools and guidance to enhance convergence toward common approaches across the EU. The UIF is also contributing to the work under way, with the European Commission, to overhaul the FIU.net, the exchange network that provides the backbone of FIUs’ operational cooperation.

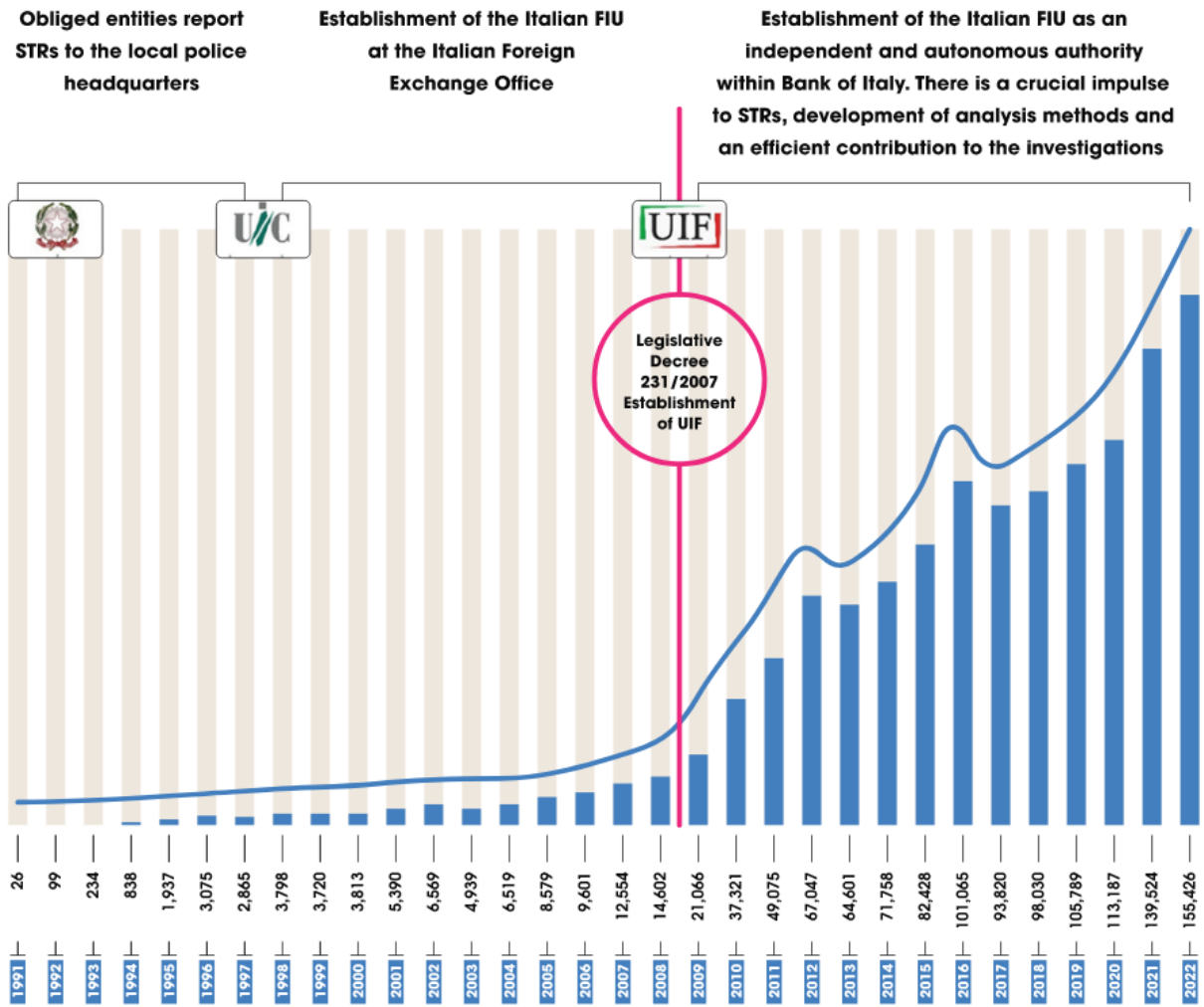
4. A track record of demonstrated effectiveness: main results of the Italian action to contrast ML-FT

Activity of the UIF: analysis of STRs

The growth in the awareness of operators and the ability of the Authorities to intercept illegal conduct have allowed the national anti-money laundering system to obtain results that are also exceptionally important: irregular situations consolidated over time and new methods of money laundering have come to light thanks to the information contained in the suspicious transactions reports. The system has therefore won the trust of citizens and institutions and is now internationally recognized as an Italian excellence.

The capacity of obliged entities to detect and report STRs has markedly increased over the years. Over the last three years, the volume of disclosures has risen dramatically, from about 113,000 in 2020 to about 155,400 in 2022 (see chart below; for more detailed data, for the UIF and other Authorities’ activity, see also Annex 3). The quality and timeliness of the information have grown at the same pace, allowing for more effective analyses and investigations.

NUMBER OF “SUSPICIOUS TRANSACTION REPORTS” (STRs) RECEIVED BY UIF



Activity of Banca d’Italia: inspections, request for information, letters of interventions, sanctions

Banca d’Italia carries out a wide-reaching and in-depth supervisory activity in the AML sector. Over the period 2020-2022, the number of wide-spectrum and targeted on site-inspections were, overall, respectively 142 and 39; the requests for information and letters of intervention were 446 in total; 46 sanctions were imposed, for an overall amount of €7.3 million.

Activity of IVASS: off-site reviews, inspections, requests for information, letters of interventions and sanctions

Over the period 2020 -2022, IVASS performed 211 off-site reviews, 18 on-site inspections and 15 letters of intervention on supervised insurance companies. 4 cease and desist orders were issued and sanctions for an overall amount of €180,000 were enforced.

Activity of Consob: inspections, request for information, letters of interventions, sanctions

Over the period 2020-2022, Consob carried out on-site AML/CFT targeted inspections on 7 supervised auditing firms for Public Interest Entities and sent 60 requests for information and 33 letters of intervention for the adoption of corrective measures. In the same period the Consob applied monetary sanctions for a total amount of €854,000

Activity of the Guardia di Finanza: inspections, sanctions, persons reported to Judicial Authorities, seizures

The investigation activity of the GdF is wide-reaching and it has intensified over the last 3 years. A sharp increase in all kinds of activity and the subsequent results has been recorded: a) the total performed inspections (wide-spectrum/targeted/checks) increased from 689 in 2020 to 1,711 in 2022; b) the imposed sanctions (administrative and penal) increased from 365 in 2020 to 1,347 in 2022; c) the number of persons reported to the judicial authorities increased from 2,300 in 2020 to 3,549 in 2022; and d) the amount of seized assets have increased from €525 million in 2020 to €1,335 million in 2022.

Activity of the DIA: confiscations and seizures

As a result of the DIA's preventive action, over the period 2020-2022, confiscations and seizures of assets enforced by the DIA by virtue of the investigations whose inputs were STRs increased sharply (from €121 million in 2020 to €217 million in 2022). The same trend has been recorded as regards the results of repressive action: the seized assets have increased from €19 million in 2020 to €207 million in 2022).

Over the last 30 years the DIA has carried out 1,135 activities that have led to the arrest of 11,478 persons and seized assets from criminal associations worth more than €7.5 billion.

Activity of the DNA: coordination and input to the activity of District Prosecutors' Offices

With reference to the period 2020-2022, the Direzione Nazionale Antimafia e Antiterrorismo (DNA) sent a total of 11,016 STRs related to ML/TF to the District Prosecutor's Offices, in relation to criminal proceedings underway; furthermore, 45,197 STRs have been forwarded for deeper analysis, in order to carry out activities in the first pre-investigation phase.

Targeted sanctions against Russia and Belarus

As at 31 December 2022, Italy had frozen economic and financial assets with an estimated value of about €2.7 billion against more than 40 listed individuals and entities.

5. International assessment of the Italian AML/CFT regime and of correlated matters (tax evasion, corruption)

5.1 The FATF MER of Italy (2016-2019)

The 2016 FATF Mutual Evaluation Report (MER) on Italy and the related 2019 Follow-up Report draw a complete picture of the effectiveness of the Italian AML system, stating that *“Italy has a*

*mature and sophisticated AML/CFT regime, with a correspondingly well-developed legal and institutional framework ...” and that “Italy has a **strong framework for cooperation** and provides constructive and timely assistance when requested by other countries”.*

In particular, the MER states that:

“All the main authorities have a good understanding of the ML and terrorist financing (TF) risks, and generally good policy cooperation and coordination” (2016 MER Italy, page 5).

“The authorities have largely succeeded in identifying, assessing, and understanding the ML and TF risks. A risk-based approach (RBA) has been applied to varying degrees, and a nationally coordinated AML/CFT strategy informed by a national risk assessment (NRA) is being developed” (2016 MER Italy, page 31).

“The MOLECOLA platform used by the GdF, has proven very useful in facilitating and accelerating the consultation of a range of sources of information, thus cutting down the amount of time needed to identify the real beneficial owner” (2016 MER Italy, page 116).

“In general, the UIF and LEAs collect and use a wide variety of intelligence and other relevant information to investigate ML, associated predicate offences, and TF.omissis... UIF, the GdF, and the DIA have the necessary resources and skills to use the information to conduct their analysis and financial investigations, to identify and trace the assets, and to develop operational analysis. omissis.... The UIF is a well-functioning financial intelligence unit. It produces good operational and high-quality strategic analyses that add value to the STRs. Its technical notes serve the GdF-NSPV and DIA in launching ML, associated predicate crimes, and TF investigations” (2016 MER Italy, page 47).

“The reporting and management system RADAR is very advanced and allows a classification of STRs by risks, cross checking, and tracking them until they are disseminated”. (2016 MER Italy, page 42).

“LEAs and prosecutors are able to successfully undertake large and complex financial investigations. The authorities have been successful in a number of high-profile cases, and in some of have successfully disabled criminal enterprises (2016, MER Italy, page 37).

“The confiscation of criminal proceeds, instrumentalities, and property of equivalent value is a clear policy objective that the Italian authorities pursue to a large extent omissis... notably highlighted by the large amounts and variety of assets seized and confiscated. The authorities take a “follow the money” approach based on a comprehensive framework ...omissis..” (2016, MER Italy, page 59).

As regards cooperation and Italy’s assistance to other countries the MER states that *“Competent authorities notably provide information, including evidence, financial intelligence, supervisory information related to AML, TF, or associated predicate offences, and assist with requests to locate and extradite criminals as well as to identify, freeze, seize and confiscate assets.” (2016, MER Italy, page 122).*

Overall, Italy is compliant or largely compliant with 38 out of the 40 Recommendations (Follow-up FATF 2019).

It is worth mentioning that, since the last MER assessment, Italy has taken additional action to further strengthen the measures to combat money laundering and terrorism financing, so as to ensure that the legal, regulatory and operational framework is in line with the standards required by the FATF.

5.2 The 2017 Peer Review Report of Italy issued by the Global Forum on Transparency and Exchange of Information for Tax Purposes

The Global Forum (GF) monitors the implementation of the international standards on transparency and the exchange of information for tax purposes, and reviews the effectiveness of their implementation in practice. To that end, the GF carries out peer review processes in relation to members and non-members of the GF.

The 2017 Report on Italy regarding the Exchange of Information on Request (EOIR), consistently with the new 2016 Term of References (“ToRs”), paid special attention to: i) the availability of and the access to beneficial ownership information; and ii) the existence of enforcement measures and record retention periods for ownership, accounting and banking information. The 2012 FATF definition of beneficial owner has been incorporated into some elements of the ToRs (specifically A.1, A.3 and B.1). The review is performed using the findings of FATF MERs as well as other mechanisms existing in the assessed jurisdiction to ensure that beneficial ownership information is available for tax purposes. In order to draft the 2017 Report on Italy, an on-site visit to Italy was performed by the GF assessment team. **Italy was found Compliant in all three relevant elements.**

“Italy has in place robust regulation requiring availability of all relevant information including on beneficial owners of all relevant entities and arrangements...omissis...Italy also carries out robust supervisory and enforcement measures to ensure that the relevant information is available in practice as required. A vast amount of ownership, accounting and banking information is already at the disposal of the tax administration and all the relevant information is accessible to the Competent Authorities when requested...omissis.... Accordingly, the overall rating is Compliant” (page 10, par. 6 of the GF 2017 Report on Italy).

5.3 Implementation by Italy of the United Nations Convention against Corruption (UNCAC), 2019

A Mechanism for the Review of the Implementation of the UNCAC Convention has been established to assist UNCAC State parties in the implementation of the Convention.

The 2019 Country Review Report of Italy highlights that *“Italy has a sound legal framework for international cooperation as well as a network of bilateral and multilateral agreements to accelerate cooperation. The authorities undertake a range of activities on behalf of other countries for AML/CFT purposes”* (Country Review Report of Italy, para. 1283).

The abovementioned Report also highlights the efficacy of Italy’s approach in the fight against organized crime: *“Italy has established an effective legal regime in the fight against organized crime, including the introduction of preventive measures on assets (i.e., seizure and*

confiscation), the main purpose of which is to recover illicitly gained assets” (Same source, para.1479).

5.4 STR analysis: international rewards (2018-2022)

The quality of the analyses of STRs developed by the UIF has been internationally praised: the UIF received the Award of Excellence 2018 from the World Bank, acknowledging the successful international analyses performed and the level of cooperation ensured, in the context of the Project STaR - Stolen Asset Recovery. The UIF has also ranked among the best FIUs globally in the Egmont Group’s 2022 competition for the “Best Egmont Case Award” (BECA).