



*Ministero dell' Economia e delle Finanze*

**Financial Security Committee**

**National Analysis of the risks of money laundering and terrorist financing**

**2014**

***Synthesis***

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## Introduction

In the framework of the powers provided in Article 5 of Legislative Decree n. 231/2007 the Financial Security Committee (FSC) has developed the analysis of national risks of money laundering and terrorist financing. This analysis ( *National Risk Assessment*) It was carried out for the first time in a systematic way, in application of the new <sup>1</sup> Recommendation. <sup>1</sup> *Financial Action Task Force - Financial Action Task Force (FATF)*, with the aim to identify, analyze and evaluate the threats of money laundering of money and terrorist financing, identifying those most relevant, the methods of carrying out such criminal activities, vulnerabilities national system of prevention, investigation and prosecution of such phenomena, and therefore the sectors most exposed to such risks. The exercise aims to work out courses of action to mitigate the risks, according to the approach *risk-based* in the activity of AML / CFT (anti-money laundering and financing of terrorism). This approach foresees that the policies and measures in dell'AML / CFT are implemented in proportion to the risks they face <sup>2</sup>.

The assessment, developed on the basis of a specific analysis model, was conducted by a working group composed of the authorities involved in the CSF (ministries, supervisors, Financial Intelligence Unit - FIU, Police Forces), by other administrations with specific skills on topics of interest and representatives of the Presidency of the Council of Ministers. significant moments were the meetings with scholars and representatives from academia and the private sector, comparisons that have enriched the analysis through confirmations and / or additions. Several associations and private institutions have shared their experience in the field and their assessments of specific topics identified during the meetings that took place with them.

The conclusions reflect a shared assessment of phenomena, both threats and vulnerabilities, reached on the basis of information, data and evaluations from heterogeneous information assets, and are the basis for strategic coordination of *policy* the competent authorities.

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<sup>1</sup> The new ones *standard* FATF have been approved under the Italian Presidency, in February 2012.

<sup>2</sup> Recommendation # 1 of the *Financial Action Task Force - Financial Action Task Force (FATF)*.

## 1. Description of the analysis model

The first assessment is of an experimental nature and will be updated after three years in order to take into account the imminent evolution from a side of the Community legislative framework and national, the other of the indications arising from the supervision of the supervisory authorities, from the investigation of police and the investigations conducted by the FIU.

Subsequently, the national analysis will be updated every five years. The analysis could also be conducted in case of emerging threats or vulnerabilities of particular importance.

The exercise is conducted distinguishing assessment for recycling from that for the financing of terrorism, although the latter methodology is borrowed from that for recycling and modified where necessary to take account of regulatory and sectoral processes. In both cases, the exercise is developed at national level. The methodology consists of identifying, analyzing and evaluating the main domestic risks, through the examination of the causes or threats from which they derive, vulnerabilities that allow the occurrence and consequences that determine. Starting from this premise the analysis is divided into the following phases:

- evaluation of the risk of money laundering and financing of terrorism inherent in the system;
- evaluating the effectiveness of the prevention structures, investigation and repression.

The inherent risk of the system is evaluated through the analysis of threats and analysis of the critical issues of social economic system identified in the informal economy and in the use of cash. In the analysis of money laundering threats are represented by the assumption of money laundering offenses; analysis of the financing of terrorism, the phenomenon is seen as a complex process during collection, transfer and use of funds and economic resources.

With regard to money laundering the aim is to identify the most significant threats also, wherever possible, a quantification of the proceeds of criminal activities, and mainly recycling methods used and any economic sectors in which the proceeds of crime are invested made in Italy or abroad. The next step is to analyze the effectiveness of the prevention structures, investigation and repression of money laundering. In this part we appreciated the main vulnerabilities to prevent and combat system, which, exploited by the threats, allowing the latter to result in money laundering and terrorist financing. The effectiveness of the prevention structures is analyzed in reference to places garrisons in place by the obligated parties, the adequacy of the measures provided for cross-border controls, the transparency of **legal persons and trust, and the adequacy of the activities related to the analysis of suspicious transactions**. In particular, the obliged subjects are divided into macro-categories: financial intermediaries, non-financial professionals and operators. For them it appreciates the ability to fulfill its anti-money laundering obligations with respect to the level of specific risk that is associated with risk to each category as a function of the structural characteristics and activities carried out.

The effectiveness of the investigative phase is appreciated by distinguishing between the activities related to the deepening of suspicious transactions and the independent investigative activity, taking into account in both cases the adequacy of resources, investigative techniques,

access to information, international cooperation and the results of the activities.

The effectiveness of the sanctions repressive assesses the adequacy of the system and through the correct identification of the offenses and any authors, both in terms of legal assistance of the national **authorities to foreign authorities, and also appreciates the ability seizure and confiscation of *asset* criminals** involved in these phenomena.

specific measures are adopted finally evaluated with reference to the contrast of the financing of terrorism.

In short, the objective effectiveness analysis of prevention structures, investigation and repression is to understand the extent to which the system of prevention and contrast is able to mitigate the inherent risk of money laundering / financing of terrorism. In particular, given the inherent risk, as there are fewer vulnerabilities found in prior stages, investigative and repressive, the more safeguards in place are effective in mitigating the inherent risk.

### **1.1 Money laundering: Threat Analysis**

The threats are identified on the basis of money laundering offenses included among the offenses **FATF -FATF<sup>3</sup> and more criminals identified by the competent authorities in this case.**

In this phase is carried out one of the threats ranking depending on the seriousness of the consequences resulting therefrom (cd strength indicator). The consequences are estimated based on the following parameters:

- financial estimate: measuring the financial importance of the threat and thus constitutes an essential reference in the assessment of the threat as a prerequisite of money laundering;

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<sup>3</sup> The list includes:

conspiracy and mafia-type association; terrorism, including financing of terrorism; trafficking in human beings and trafficking in migrants;

sexual exploitation, including sexual exploitation of children; illicit trafficking in drugs and psychotropic substances; illicit arms trafficking;

illicit trafficking in stolen property and other assets;  
corruption and bribery; fraud;

false money;  
counterfeiting and piracy of products;  
environmental crimes;  
murder, grievous bodily injury; kidnapping, illegal restraint and hostage taking; robbery or theft;

contraband (including that relating to customs duties, excise duties and taxes); tax crimes (related to direct and indirect taxes); extortion; forgery; piracy;

*insider trading* and market abuse.

- punishment prescribed by law: measures the negative social value attributed to the event-threat and, consequently, the political sensitivity of the topic. To determine the value refers to the norms of the Criminal Code or special laws criminalizing;
- complaints: they measure the actual occurrence of the threat on the territory.

If no significant data were acquired on one or more than one of the three analytical elements taken as a reference, do not proceed to the determination indicator of risk. In these cases it shall be determined solely on the basis of assessments by the competent authorities.

The list is divided into bands according to the reported scores. The judgment "significant" does not make sense to non-existent or irrelevant but which is of very low threat.

*Table 1 - Effect of internal threat*

Threat Relevance	indicator of intensity values
not meaningful	1
Shortly significant	2
fairly significant	3
Very significant	4

#### **1.2 Analysis of the critical issues related to economic and social system**

For the purposes of the inherent risk assessment system analysis also it takes account of the critical economic and social system such as the informal economy and the use of cash. In the national reality these contextual factors are considered the most significant in terms of their ability to influence the level of risk inherent in the country. The cash is used in particular to build two provincial risk indicators for the private sector and the authorities.

*Table 2 - intensity of vulnerabilities related to socio-economic system*

Relevance vulnerability indicator of intensity values	
not meaningful	1
Shortly significant	2
fairly significant	3
Very significant	4

### 1.3 Matrix for the determination of the inherent risk

The inherent risk is estimated through a combination of threats and system criticality.

*Table 3 - inherent risk*

Threat	Very significant				Very <u>significant</u>
	fairly significant			Enough <u>significant</u>	
	Shortly significant		Shortly <u>significant</u>		
	not meaningful	Not <u>significant</u>			
		Not <u>significant</u>	Shortly <u>significant</u>	Enough <u>significant</u>	Very <u>significant</u>
Critical System					

## 2. Summary of the main outcomes national analysis of risks of money laundering and terrorist financing

The national assessment of the risks of money laundering and terrorist financing on the basis of the methodology described in brief lines produced the results that are shown below.

### 2.1 Analysis of threats and critical economic and social system

#### 2.1.1 Critical of the economic-social system

The characteristics of the socio-economic system can amplify or help contain the threat that the proceeds of illegal activities can be reintegrated into the formal economy.

There are two factors used in the analysis: the use of cash and the underground economy <sup>4</sup>.

Both factors are critical elements with an influence **very significant** the level of risk in the country.

Cash is considered to be the preferred means of payment for the informal economy related **transactions and illegal as it guarantees no traceability and anonymity of trade** <sup>5</sup>. The comparison with other advanced economies shows that the use of cash in Italy is particularly high: according to a study by the European Central Bank 2012, in our country the volume of transactions settled in cash is 85% of the total, against an EU average of 60% <sup>6</sup>. In addition to suffer from different degrees of development of the financial system and spread on the national territory of alternative payment instruments, especially electronic ones, this may reflect the heterogeneity among European Union countries in the size of the shadow economy that, by some estimates <sup>7</sup> in 2012 in Italy it reached a share of 22% of GDP, compared with 19% of the European average. The underground economy is fertile ground on which criminal activities are favored <sup>8</sup>.

In recent years the use of cash has suffered a steady decline due to both the growing use of alternative instruments, both to the effect of the restrictive policies on currency circulation. This element does not mitigate the judgment on its criticality. The effects on the relationship between the informal economy and illegal and *proxy*

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<sup>4</sup> For "informal economy" refers to the production of goods and services which, although in itself legal, escapes direct observation because affected by tax and / or tax evasion. It does not include nor the proper criminal activities, or those whose production or sale is effected in violation of criminal laws (eg. Drug trade) or activities in itself legal, but illegal if carried out without the proper authorization or competence (eg. smuggling, arms trafficking, etc.).

<sup>5</sup> See. Eg Ardizzi, Petraglia, Piacenza and Turati, *Measuring the underground economy with the currency demand approach*, Discussion topics n. 864, Bank of Italy (April 2012).

<sup>6</sup> See. European Central Bank, *The Private and Social Costs of Retail Payment Instruments. A European Perspective, Occasional Paper Series 137* (September 2012).

<sup>7</sup> *The Shadow Economy in Europe (Visa, 2013) - Using electronic payment systems to combat the shadow economy*. However, there are different estimates of the underground economy. Istat (2010, The size of the underground economy), for example, estimated that in 2008 the added value produced in the black economy was between 255 and 275 billion euro, equal values, respectively, at 16, 3 and 17.5% of GDP.

<sup>8</sup> See. F. Schneider and Enste, DH (2000), ' *Shadow Economies: Size, Causes, and Consequences*, *Journal of Economic Literature* and, Vol. XXXVIII, March.



represented by cash they appear indeed potentially ambiguous: on the one hand it is believed that the increased use of payment instruments other than cash may have also affected the criminal economy; on the other hand the high level of traceability of the new payment instruments as well as the use of cash constraints, which discourage mainly uses 'lawful', suggest that as a whole the robustness of cash as *proxy* the underground economy and illegal has been strengthened.

### 2.1.2 Excessive use of cash: risk indicator

The use of cash in the country is uneven. On the basis of the assumption that the cash is a measure - even partial - of the risk of money laundering, it presents a risk indicator processed at the provincial level. *These are preliminary results of an ongoing study*<sup>9</sup>.

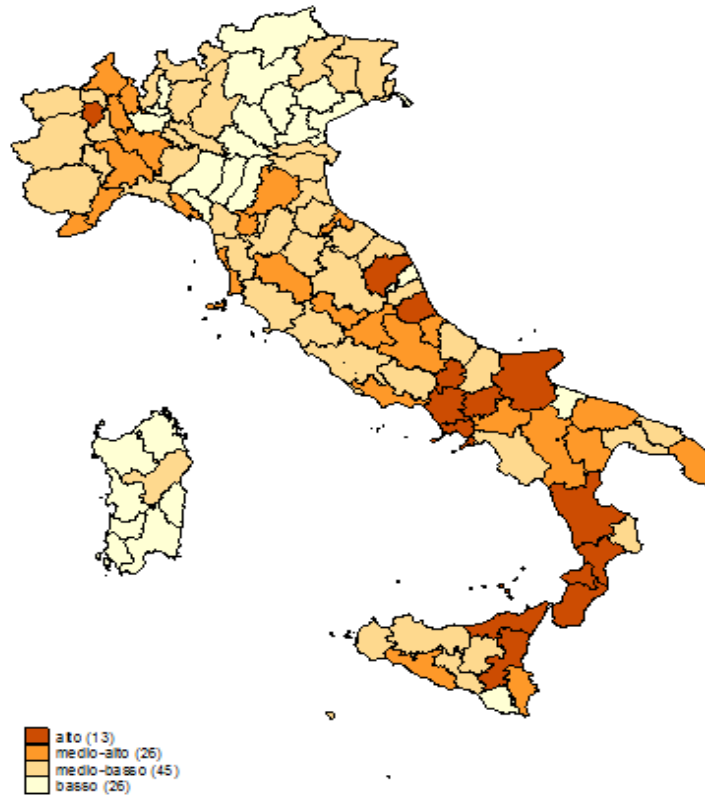
This indicator is based on the incidence of abnormal relative basis, which indirectly indicates the likelihood that operations are conducted in cash recorded in a certain province is potentially due to criminal activity. The use of 'excessive' cash is estimated at municipal level based on a statistical model that takes into account the determinants 'physiological' (socio-economic and financial) than cash. The indicator is constructed considering the provincial average of uses excessive cash at the municipal level. The provincial mapping of this risk measure is represented in Figure 1, which distinguishes four levels of risk: high, medium-high, medium and low. The complete lists of the corresponding provinces are contained in Table 1. From the methodological point of view it is important to note that the division of the provinces in the four bands, as well as the large number of each band, is not based on predetermined thresholds but is determined 'endogenously' from standard stratification algorithms that group the observations into sets as homogeneous as possible on the basis of the values of the indicator. The provinces marked by higher risk level ('high') are concentrated, with a few exceptions, in regions with high criminal infiltration of the South. The risk category immediately below ('medium-high') includes, in addition to other southern provinces especially areas of Central and North-West. The results are still preliminary. They are in progress indicator refinements. The developments include the development of specific risk measures for different categories of crimes and comparing various methods of aggregation of the results at the provincial level<sup>10</sup>.

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<sup>9</sup> Indicators are processed UIF and facts from their CSF.

<sup>10</sup> The study is being organized by the FIU as part of its strategic analysis.

Figure 1 - Geographical distribution of risk excessive cash Purposes



Source: FIU (preliminary results)

Table 1 - Provincial Risk classes. excessive cash Purposes

Risk Class	Provinces
high risk	Benevento, Biella, Caserta, Catania, Catanzaro, Cosenza, Foggia, Isernia, Macerata, Messina, Naples, Reggio Calabria, Vibo Valentia.
medium-high risk	Agrigento, Alexandria, Avellino, Bari, Bologna, Imperia, La Spezia, L'Aquila, Latina, Lecce, Livorno, Matera, Novara, Pavia, Pescara, Pistoia, Potenza, Rieti, Rimini, Savona, Siena, Syracuse, Teramo, Terni, Varese, Verbano-Cusio-Ossola.
medium risk	Ancona, Aosta, Arezzo, Ascoli Piceno, Asti, Belluno, Bergamo, Brescia, Brindisi, Caltanissetta, Campobasso, Chieti, Como, Cremona, Crotone, Cuneo, Enna, Ferrara, Florence, Forlì-Cesena, Frosinone, Genoa, Gorizia, Grosseto, Lodi, Lucca, Nuoro, Palermo, Perugia, Pesaro and Urbino, Piacenza, Pisa, Pordenone, Meadow, Ravenna, Rome, Rovigo, Salerno, Sondrio, Taranto, Turin, Trapani, Udine, Vercelli, Viterbo.
low risk	Barletta-Andria-Trani, Bolzano, Cagliari, Carbonia-Iglesias, Stationary, Lecco, Mantova, Massa-Carrara, Middle Campidano, Milan, Modena, Monza and Brianza, Ogliastra, Olbia-Tempio, Oristano, Padua, Parma, Ragusa, Reggio Emilia, Sassari, Trento, Treviso, Trieste, Venice, Verona, Vicenza.

Source: FIU (preliminary results)

## 2.2 Money laundering: criminal activities carried out in Italy

The influence of the Italian economy illegal activities is to secure relief. Although there is no single official estimate and the economic value of criminal activity, the various assessments (which vary **between 1.7 and 12% of GDP depending on the underlying definition and methods used**<sup>11</sup>) They combine to support a judgment of absolute significance of the threat that illicit proceeds are produced in the country and are put back in the Italian and foreign economic and financial circuits. And if the consequence analysis expands the economic cost of crime, or to compression of the total income caused by crime, especially organized, imposed because of costs, resources allocated inefficiently, **investment discouraged or prevented activities, however, the judgment is even more severe**<sup>12</sup>. This opinion, expressed by the academic world, is shared both by government authorities responsible for combating these phenomena and the private sector. The current economic crisis has offered additional opportunities to crime to fit into the economic fabric. For example, financial difficulties, particularly liquidity, can induce the growth of usury, making it more vulnerable companies and individuals to the attempts of crime to extend the legal and formal control over the economy. The current threat of money laundering of money affect our economy is therefore judged **very significant**.

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<sup>11</sup> The estimate of the criminal economy can be carried out following direct and indirect estimation methods. The former are based on household surveys and on indicators related to crimes and crime, while the latter argue the scale of the phenomenon by comparing the macroeconomic indicators. The first group estimates made by SOS Impresa, which in the thirteenth report of 2012 and reported to the 2010 estimated turnover of the mafia in 138 billion, corresponding to 8.7% of GDP. Using the same method Transcrime part of the National Security Project 2007-2013, it produces very different results: the turnover of illegal activities would amount on average to 1.7% of GDP in 2010, representing a turnover of between 17, 7 and 33.7 billion. A study conducted by the Bank of Italy in collaboration with **researchers from several universities (Ardizzi and others) uses a variant of the *currency demand approach* to separately estimate the component of submerged connected economy to classifiable activities such as legal, but exercised irregularly (for tax evasion, tax or contributory), from the illegal component in the strict sense (excluding the violent crimes, theft, extortion, robberies, wear; it is therefore especially prostitution and trade in illicit drugs). In the four years 2005- 2008 undeclared tax is estimated at 16.5% of GDP and inherently illegal to 10.9%. Another academic study (Argentiero to others, 2008) proposed a macroeconomic estimate of money laundering in Italy in the period between 1981 and 2001. The adopted model suggests that in the period considered the recycling activity was approximately 12% of GDP. The study also shows that recycling has anti-cyclical nature, increases in times of crisis (cf.. Signorini intervention, BDI 2012). Recently Istat has published new estimates of GDP for 2011-2013 in which, consistent with the guidelines shared at European level, has introduced the production value relative to three illegal activities (drug trafficking, prostitution, smuggling). The published estimate is consistent with the values used in the definition of this ratio and is equal to approximately 0.9% of the new level of GDP.**

<sup>12</sup> A recent econometric analysis conducted by the Bank of Italy (Pinotti, 2012) proposes an overall estimate of the losses, in terms of gross domestic product, which can be attributed to organized crime in southern Italy. The work compares the economic development of the two regions being the most recent criminal infiltration, Puglia and Basilicata, in the decades before and after the spread of mafia contagion, which occurred in the late 70s, with that of a group of regions of central North who had similar initial socio-economic conditions. If the assumptions are valid, as a result of the infection the two regions have undergone a curtailment of the GDP per capita growth of the order of 20 percentage points in thirty years; the main direct causes are minor private investment.

### 2.2.1 Analysis of pipelines that produce income from recycling

Based on the analysis of the conduct offenses on the basis of relevant indicators, considered *proxy* economic, territorial and social non-value diffusion attributed, was expressed an opinion on the relevance of threats from various criminal behavior. This judgment reflects the perception of both operational experience based gravity of prevention and combating money laundering authorities, both on the **private sector. There corruption It is a criminal phenomenon of great significance, although the figure** for the financial estimate reported by the institutional sources of 50/60 billion euro per year is deemed not sufficiently reliable. The perception of the phenomenon is still very high and this assumption is confirmed by the significant number of people reported for corruption in Italy, while taking into account that it is a crime subject to phenomena of *Under-reporting*. As shown by a recent analysis of the World Bank <sup>13</sup> in terms of cost, every drop point in the ranking of perceptions of corruption *Transparency International* It causes loss of 16% of foreign investments.

A recent study by Unimpresa <sup>14</sup> It indicates that the phenomenon of corruption in Italy is 20% increase in the overall cost of the contracts. Between 2001 and 2011, corruption has consumed 10 billion Euros a year gross domestic product totaling 100 billion over ten years. Companies operating in a corrupt environment grow by an average of 25% less than the competitors operating in the area of legality. In particular, small and medium enterprises have a sales growth rate of more than 40% lower than the big ones. the systems of social control are also ineffective. The current economic crisis has also heightened **criminal forms such the bankruptcy and corporate crimes is wear. The usurious phenomenon related to loans made by individuals without authorization is submerged (the emergence of the subject follows the worn complaint) and is characterized by a marked territoriality. It is most prevalent in southern and central Europe, though hardly circumscribed. With the economic downturn <sup>15</sup> He has witnessed the evolution of the figure of the user that fits between the "white collar" or between professionals (sometimes organized).**

This phenomenon can generate contiguity with criminal forms of credit improper exercise. Finally, bankruptcy and corporate crimes are conducted instrumental in the commission of other crimes **including, of course, recycling. Very significant are valued I ' evasion is The tax crimes, also considered** the close connection between evasion and recycling in the operating mode used to conceal, transfer or re-utilize the legal economy illicit availability <sup>16</sup>.

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<sup>13</sup> See. Garofoli 2013.

<sup>14</sup> See. Unimpresa " *Expo. Unimpresa with corruption in 10 years - 100 billion GDP in Italy*" May 12

2014, in <http://www.unimpresa.it/expo-unimpresa-con-corruzione-in-10-anni-100-miliardi-di-pil-in-italia/9241>.

<sup>15</sup> In 2013 almost doubled compared to 2012, the reports related to usury (over

2.000), mainly related to the serious economic and financial crisis of recent years that has made it more permeable to the social fabric in criminal activities.

<sup>16</sup> The applicants found ways of recycling are:

- false invoicing;
- use of shell companies;
- interposition of nominee or corporate schemes;
- transfer abroad of availability;
- banking or triangular trade;

As to the mode of implementation of criminal behavior, the **organized crime** Italian but also foreign institution in the territory, remains the predominant mode and more worrying. With the exception of tax evasion almost all criminal behavior is for large part and, in some cases exclusively, due to organized crime (eg. Drug trafficking, extortion, gambling, illegal traffic of waste, smuggling and counterfeiting). Even with regard to corruption, the criminal infiltration in politics - think of the 110 municipal councils dissolved by infiltration and conditioning mafia type in the 2001-2009 period <sup>17</sup> -

ie in procurement contracts, it has a key role.

Some reflections can be made with respect to certain conducted specifically attributable to organized crime. **The drug trafficking** It remains the main source of funding available to organized crime. **The criminal associations of local mafia** (the 'Ndrangheta *primarily*, followed by the Mafia and the Camorra) continue to play a crucial role in trafficking in drugs. Through the activities of brokers have developed a progressive internationalization of its criminal structures in perfect synergy with the components of the main Colombian and South American cartels, which allows the supply of goods aimed at the next **sorting retail of drugs**. **The fund's game**, both illegal and legal, it is of the highest interest for organized crime, for which it has historically been an important form of a grant. Currently the mafia crime invests in the gaming industry by acquiring and intestando a figurehead gambling halls, both to perceive substantial gains quickly (especially if the rules are altered to clear the players winning chances or to reduce the amount of central government withdrawals) both to launder illegally acquired capital.

Of particular interest of organized crime it is also the management of the **Illegal waste traffic**.

It is believed that the offense **sexual exploitation** generate criminal proceeds primarily reinvested outside the Italian economy. This offense is in fact essentially practiced by foreign criminal organizations, mostly Romanian or other Eastern Europe, which generally reinvest profits from criminal activities in their country. Except in special cases (if the mafia ran the sidewalk rent), local criminal organizations have shown great interest in this illicit phenomenon. **The human trafficking** It is run almost entirely by foreign criminal organizations: they are more accurately individual organizations each of which has organized structures, associated and dependent on a summit which remains abroad. **These criminal gangs, known as "new mafias", run by the new market with a *modus operandi*** Typical of foreign mafias. Consequently, in Italy and Europe will manage to hit only the last links in the chain.

- 
- real estate investments;
  - use of cash;
  - use the banking channel.

<sup>17</sup> See. Ministry of the Interior, " *Statistical analysis on the recommendations of local authorities dissolved in Italy since 1 January 2001 to 31 December 2009* "Nov.2010, in <http://ssai.interno.it/download/allegati1/scioglimenti.pdf>.

**2.2.2 Conclusion: summary assessment of the inherent risk of money laundering system**

Overall, taking into account the predominant profiles related to the proceeds of criminal activity products in the country and how a large part - although not specifically measured - both replaced in the economic-financial domestic circuit, the laundering threat is considered very significant. Consider also the very significant critical economic and social system, the final assessment of inherent risk is that this assumes the maximum value attributable within the model (called inherent risk **very significant**).

*Table 4 - Summary assessment of the inherent risk of money laundering system*

Threat	Very significant				inherent risk related to money laundering
	fairly significant				
	Shortly significant				
	not meaningful				
		Not significant	Shortly significant	Significant enough	Very significant
System Critical: use of cash and informal economy					

- Legend:*
- not significant inherent risk insignificant inherent risk
  - significant enough inherent risk very significant
  - inherent risk
  -

## 2.3 Financing of terrorism

The definitions of terrorism, terrorist, terrorist aims and the related financing terrorism are strongly debated in doctrine. Internationally it prefers to opt for the identification of a series of acts, activities and behaviors that have to find adequate response criminal penalties under national law. The legislative decree 109 of 2007 defines the financing of terrorism (FT) as "*.. any direct activity, by any means, to the collection, provided, intermediation, to the warehouse, to the custody or disbursement of funds or economic resources, carried out in any way, intended to be, in whole or in part, used in order to commit one or more crimes of terrorism or in any case designed to encourage the fulfillment of one or more crimes of terrorism under the criminal code, regardless of the actual use of the funds and economic resources for the commission of the aforementioned crimes*".

The terrorist organizations finance their activities through legitimate sources and legitimate channels, which makes it particularly relevant prevention activities. The landscape is extremely complex: if on one hand must be constantly improved means to detect sophisticated forms of handling and re-use of criminal proceeds, on the other attention must remain on maximum even less modern methods that individual groups continue to adopt, because it more closely to the needs and socio-economic structures of the areas concerned.

### 2.3.1 Context Analysis: evolution of the threat relating to terrorism

**Domestic Terrorism.** The current Italian socio-economic context addresses among other issues related to job insecurity, illegal immigration and the challenge of the construction of major works. It is a significant increase of counter-activities and protest actions in key antagonist, often characterized by forms of violence, with significant participation of anarchist groups. On the side of the matrix brigatista terrorism must be considered, in a long-term perspective, the propaganda activism meager and minority circuits MarxistLeninist extremism committed to preserve the memory of the past season of the armed struggle.

More concrete, present and presents the threat refers to the anarcho-insurrectionist inclined to promote, in place of an organizational structure and top-down structure, the establishment of "informal groups", "affinity", which - as "basic autonomous units , self-managed "- the practice " direct action 'or the' immediate and destructive" attack against the state and capital.

The main threat is represented by the Informal Anarchist Federation / International Revolutionary Front (FAI / FRI) that could return to manifest itself by adopting more violent modes of operation. The recent trend anarchist action aims to internationalization of the insurrectional struggle, to form a common front of struggle with operational groups in those countries traditionally interested in libertarian radicalism.

In recent years there have been several investigations of operational cells of FAI that led to the arrest of numerous elements anarcho-insurrectionist.

It can not therefore be ruled out that in Italy the phenomenon of terrorism array of **anarcho-insurrectionist** persist in the near future. In the course of 2013 *trends* relating to acts of violence based on such a threat as well as the signals of a transnational coordination of the area groups, they are in fact maintained at a level almost comparable to previous years. On the other hand, they were not detected elements that lead back to a collaboration between anarchists and organized crime groups. The view of the far right is very fragmented and does not, at present, specific terrorist risks. In summary, with respect to:

- **domestic terrorism of brigatista matrix**, currently there are no significant evidence informative or judicial findings and the related risk of terrorist financing is therefore not significant;
- **anarcho-insurrectionist area**, it is estimated that it expresses a very significant terrorist threat. In this regard, the low operational profile of the action does suggest a reduced need to raise funds and, consequently, a risk of significant funding;
- **'Right subversion**, the competent authorities consider that the relative terrorist threat is at present insignificant.

***Terrorism denominational matrix.*** The evolution of the terrorist threat to qaidista inspiration finds significant evidence, with reference to the country, in the findings of investigations conducted by the late '90s until 2007, which have highlighted among other things the existence of structured networks jihadist linked to *Al Qaeda* Also routing of active militants to training camps and jihad theaters. The progressive decline in military *Al Qaeda Core* which is the historical nucleus of the organization founded by bin Laden stood for over the years the dynamism of the affiliated regional organizations ( *Al Qaeda in the Islamic Maghreb / AQIM, Al Qaeda in the Arabian Peninsula / AQAP, Al Qaeda in Iraq / AQI*) or ideologically contiguous ( *Islamic State in Iraq and the Levant / ISIL, al Shabaab, Boko Haram*).

Meanwhile, the propaganda on qaidista *web* continued and continues to represent a primary source of inspiration and instigation to the impression jihadist terrorism aiming to make converts in both the Arab-Israeli context is affected by tensions and conflicts among Muslims in the West, the latter urged - in the name of jihad individual - to travel to the theaters of battle or to make direct attacks in the countries of residence. Since 2007 in Italy enforcement activities have begun to turn to individual terrorists and micro-groups with no specific links with structured organizations often self-radicalizzati of *Internet*.

At this stage the terrorist threat of jihadist in Italy as in the rest of Europe is related mainly to developments in North Africa to the widespread activism-inspired movements Salafist-jihadist, and the Middle East for the development of the Syrian crisis, and the growing phenomenon of the cD. **extremism *home grown***, expression with which they are conventionally defined Muslims born or grown or radicalizzati in the West, including converted.



That being the **threat of confessional terrorism is considered insignificant in Italy** <sup>18</sup>.

**Terrorism not confessional.** The activity of terrorist organizations not confessional, most of which has an agenda separatist or nationalist (the Basque *ETA / ETA*, Sri Lankan *Liberation Tigers of Tamil Eelam / LTTE*, Kurdish *Partiya Karkerên Kurdistan - PKK / KCK*) today represent a **threat nonsignificant** in Italy. The following table illustrates what has just been described.

*Table 5 Importance of terrorism threat*

Threat	Relevance appreciated / perceived the threat of terrorism
<b>internal terrorism</b>	
to. Eversion left	
a1. Brigade Area	not meaningful
a2. anarcho-insurrectionist Area	Shortly significant
b. Eversion right	not meaningful
<b>international terrorism</b>	
c. Terrorism matrix confessional	Shortly significant
d. Terrorism matrix non-denominational	not meaningful

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<sup>18</sup> This assessment was made before the recent developments concerning the Islamic terrorism.

### 2.3.2 Origin, transfer and use of funds

**Source of funds.** With regard to terrorist financing methods the series so far emerged from the insights experienced by the police throughout the country has revealed the existence of different ways of supporting a terrorist, yet converging towards the same goal, achieved through licit and illicit activities .

**As for legal activities It is detected:**

a) profits and gains derived from the operation of small and medium-sized enterprises constituted and operating in various economic sectors, used as a source of legitimate income in whole or in part declared to the tax authorities;

b) donations and donations given by members of the Islamic community in charitable and relief organizations of which it is sometimes detected distorted use of part of the sums;

c) remittances, which, as always, have the need to convey to their home countries a part of their earnings for the sustenance of their families. The remittances are mainly transferred through the use of *money transfer* which they are capable of transferring large sums of money everywhere and at low cost. In addition, alongside the regular financial and banking intermediaries, there are also pseudo banking systems that offer an alternative to official channels for the movement of money and other illicit origin, the cc.dd. *Informal Value Transfer Systems (IVTS)*. These service companies and / or individuals who, without specific authorization:

- are preferred by migrant workers, especially those without a residence permit, because of failure to comply with regulations such as those relating to the identification of the settlor the operation;
- provide services essentially based on trust, have developed due to the needs of immigrants and **traders who settled in other countries. With reference to illegal activities, These range from drug trafficking to illegal immigration, counterfeiting of trademarks at the illegal labor exploitation, illegal collection of bets abusive exercise of financial assets.**

The pipelines emerged with specific regard to the financing of terrorism have highlighted the use especially in circuits of the illegal economy, such as drug trafficking, to provide the resources needed to meet the operational requirements of the terrorist organization.

It is also reported breaches of the provisions on illegal immigration to provide, for a fee, misrepresentation for the legalization of labor in Italy. Among other systems recorded less frequently, and the appropriation of stolen vehicles whose possession is justified by way of finance lease to export and sell obtaining large sums of money, receiving counterfeit documents, receiving stolen property and trademark counterfeiting.

**Transfer of funds and transfer mode.** The need to identify the payer of every transfer of funds remains a priority and the effectiveness of law enforcement measures depends largely on the active cooperation of the financial and banking sector in the phase of the phenomenon prevention mainly through the identification requirements, recording and reporting of operations suspicious. Follow and putting together seemingly unrelated information that reveal related to complex financial transactions, may prove crucial to understanding how terrorists procure and transfer the funds necessary for their activities and to identify the leaders and members of groups linked to terrorist activities. **THE Funds raised in Italy can:**

**a) linger in national territory.** In this case the flows generated in Italy feed terrorist activities that take place in our area. This operation is typical of anarchic-insurrectionist groups, such as the FAI;

**b) be transferred abroad.** In this case the cash flows generated in Italy fueling terrorist activities developed outside the national borders. In line with types highlighted internationally recognized in the Italian mode during investigations they are through *money transfer*, the payment remittance system *cash courier*.

This threat is assessed as insignificant. As for **tales funds transferred abroad and in our country** ( or funding from sources abroad to terrorist organizations active on the national territory) is provided below.

The flows generated abroad come to power organizations, more rarely individual terrorists, active in the country. In Italy this form of loan is less common because on the one hand tracing the flow is more effective, the other is usually easier to find the resources within them rather than come from less economically developed countries.

Finally it should last reported case of funding from **sources abroad to terrorist organizations / terrorists individual assets abroad** which, however, threaten the interests of Western countries. This is the case of those cash flows that feed the wire Qaedist organizations active in jihadist theaters, such as Iraq or Afghanistan, where there are military contingents or other national interests threatened by possible terrorist attacks.

Of the transfer categories identified above funds (national / foreign origin; maintenance in national / transfer abroad) the first three boundaries are amenable to intervention by the national authorities because for them it is possible to develop preventive and repressive activities can to mitigate their financial risks. Regarding the fourth category, this is in fact impervious to any national interventions, requiring synergistic actions at the supranational level.

**Use of funds.** The reconstruction of the cash by the Italian authorities is affected by the difficulty of ascertaining the existence of an actual causal link between the transfer of funds and the economic support associations criminal terrorists, especially when operating in foreign countries thus making it difficult to attach financial flows to specific uses by terrorists and / or terrorist groups.

The person who uses money to fund terrorism not always occult and transforms the resources that it intends to allocate for the purpose but rather endeavor to conceal and disguise the ultimate goal it intends to pursue.

### 2.3.3 Conclusion: summary assessment of the inherent risk of terrorist financing

It is necessary to distinguish between the terrorist threat and the terrorist financing threat: only this last, the Working Party considers **insignificant**, It is the subject of analysis in this seat. As described earlier are valued very significant critical issues of economic and social system, so the final evaluation of inherent risk **quite significant**.

Table 6 - Summary assessment of the inherent risk of terrorist financing

Threat	Very significant				
	fairly significant				
	Shortly significant				inherent risk the financing of terrorism
	not meaningful				
	No significant	Shortly significant	fairly significant	Very significant	
Critical economic and social system: use of cash and informal economy					

Legend:

- not significant inherent risk insignificant inherent risk
- significant enough inherent risk very significant
- inherent risk

### 3. Analysis of vulnerabilities

The vulnerability analysis was conducted dislocating the system into the following phases: prevention, investigation and repression. The analysis is common to money laundering and terrorist financing, except for the principals specifically designed to combat this phenomenon. As a whole, **the system of prevention and contrast appears adequately respondent** compared to the threat that the proceeds of criminal activities can be reinserted into the financial and economic system.

#### 3.1 Deans prevention

As part of the prevention system analysis it includes the safeguards applied by the obligated parties, the **analysis of transparency of legal persons and trust, cross-border controls and the analysis of suspicious transaction reports**. In reference to persons obliged vulnerability analysis is carried out for the sectors required to apply the anti-money laundering legislation on the basis of their ability to fulfill their obligations therein and the specific risk associated to their operation. An important element of this assessment is the **degree of oversight which they are subjected: the methodology provides that in the absence of control activities of the vulnerability is assigned the maximum value.**

Compared to the complex of preventive AML analysis system it focuses mainly on three pillars:

- the customer due diligence;
- registration of reports and material transactions. In the case of such registration financial intermediaries shall take place in the Centralized Computing (AUI);
- the reporting of suspicious transactions (SOS).

Where possible they have also analyzed profiles linked to the organization and internal controls.

**For some subjects <sup>19</sup> The current legislation requires only the reporting of suspicious transactions but not those due diligence and recording.**

##### 3.1.1 Principals applied by obligated parties

The anti-money laundering safeguards are applied by the private sector unevenly. Such heterogeneity, of which for example the dissimilar degree of active collaboration can be considered a signal, determines a different impact on system reason in the scope of operation of each category.

The private sector has been analyzed based on two dimensions: the size relating to operations related to the structural characteristics and activity carried out (specific risk cd) and the size relating to vulnerabilities in the application of measures

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<sup>19</sup> Offices of the Public Administration; merchants trade in goods of significant value (trade, import and export of gold, manufacturing mediation and trade of precious objects of antiquities trade, auction houses or art galleries); management companies of regulated markets, the settlement of transactions in financial instruments, the clearing and settlement of such transactions and central depository management services.

money laundering. The joint assessment of these two areas allows us to appreciate the vulnerability to **specific risks detected (cd relative vulnerability)**. For the **financial intermediaries** They do the following critical issues:

**to) delays in the implementation of measures to meet their obligations diligence of the**

customers are more frequently found in banks, as well as in the securities market intermediaries (SIM and, especially, SGR). In particular, it notes that intermediaries must on the one hand to solve remaining problems in the identification and verification of the beneficial owner called and, secondly, fully internalize the so-called risk-based approach for modular extension and depth of the obligations in relation to the concrete risk of recycling tied to the customer;

**b) Failure to comply with the obligations record keeping and registration of the**

AUI transactions, such as omitted or late registrations, duplication or incorrect charges causal or ownership of operations, or failure or misrepresentation of personal data. In most cases, the dysfunction is attributable to technical and procedural issues; It has also been reported in some cases the violation of conservation obligations of the information collected to comply with the customer due diligence obligations;

**c) critical evaluation procedures and report possible suspicious transactions**

(SOS) have emerged as well as at banks even in some of the SGR at entrances and IMEL / IP;

**d) infrequent (and related only to banks and finance companies) anomalies concerning usage restrictions cash and bearer bonds.**

Below are some reflections on vulnerability of the categories of liable parties.

**Banks and Italian Poste** They have a high specific risk. The size of the sector, the broad spectrum of its activities, the use of cash, the interconnection with foreign financial systems make them very exposed to the risk that they are used as a vehicle for money laundering and / or terrorist financing. The insistent principals on the sector also benefit from the pervasiveness of prudential supervision mechanisms help to reduce these risks greatly: an incisive supervision, together with the level of awareness of the phenomena category (whose active cooperation is an indicator), impacting positively on the ability to average in a manner appropriate to apply the measures provided by the sector regulations. The resulting picture is that of a fairly significant relative vulnerability. Adequate safeguards are also present for **securities firms**

**( SIM), the asset management companies (SGR) the investment company with variable capital (SICAV) is non-bank financial intermediaries under Articles. 106 and 107 of the Banking Law, compared to a significant operational risk, but not most. The analysis of the activities of Cassa Depositi e Prestiti is parties pursuant to art. 10, paragraph 2 a) b) c) d) Legislative Decree no. 231/2007 and the nature of the subjects which they are intended their services, do not give rise to specific areas exposed to the risk of money laundering and / or terrorist financing. Suitable are also principals in place. With regard to the insurance sector it is appropriate to make a distinction between companies and intermediaries, with a diversification of both its specific risk profiles (greater in the case of companies) and vulnerability (higher in the case of intermediaries), considered that intermediaries are currently supervised through**

the examination of *policies* group rather than directly. The judgment on the relative vulnerability, even with the above distinctions, it is not significant in either case.

The life sector is characterized by a concentration of products with medium-term substantial investment purposes, with a poor dissemination of content in social security products (annuities). The **trust static cd**, throughout operability linked to shield the property and ownership rights, objectively they have a high level of risk. The sector is still guarded by the authorities even if it is considered appropriate for further strengthening the application of the principals. This results in a highly significant relative vulnerability.

very significant relative vulnerability is also that due to **electronic money institutions (IMEL) is payment institutions (IP)** primarily due to a Community regulatory framework in which, through the free provision of services and relocation processes, the agents can operate in our territory outside of an appropriate framework of regulation and control. investigative activities were detected as such a distribution network may be unable to create adequate barriers with respect to illicit financial flows.

**BOX 1 - The activities *money transfer (MT)* and the risk of money laundering.** The activities of *money transfer* It is closely related to the presence of large numbers of migrant workers who send part of their earnings to families in countries of origin. While acknowledging the high benefits in terms of financial inclusion that this activity provides, it takes note that the evidence emerging of supervisory framework of the financial system, show elevated risks of money laundering and **financing of terrorism-related activities *money transfer*. These risks result from the predominant use of cash and the mode of service delivery that is realized by the almost exclusive use of a network of points of sale spread throughout the country.** The management of money-laundering risk on the network is made particularly difficult by the composition of the distribution network, represented by traders carrying on their main activity in the non-financial sector (travel agencies, bars, **tobacco shops, service centers and *Internet cafes*, telephone centers and exchange offices** <sup>20</sup>) and from operations characteristics (occasionality of transactions, transfer of modest amounts value which is deemed not high merit attention,

transfer of funds in countries without strong safeguards AML).

.....  
<sup>20</sup> This can help, for example, to have less focus regarding fractional transfers of substantial availability made it through dummy.

**BOX # 2 - The electronic money and the risk of money laundering.** The use of electronic money instruments has in recent years increased very pronounced, even in the face of a use of cash contrary to policy.

The same characteristics that make for efficient and competitive electronic money instruments compared to traditional means of payments will also increase the attractiveness for the purpose of using them for illicit purposes<sup>21</sup>.

Given these risks supervisors have adopted appropriate mitigation measures, waiting for EU legislation to be revised in a more restrictive sense.

The major market players have introduced amount thresholds on both the available balance on each card, as a total of total refills CARRIED on letterheads to the same subject.

**With reference to financial agents ( art. 128 *quater*, paragraph 1, of the TUB) and brokers ( art. 128 *e*, paragraph 1, of the TUB), the incisive forms of control in terms of both access to the profession of both the course of business, together with the joint liability intermediary principal agent in relation to the work in financial activity, constitute elements of the specific risk containment, which is evaluated as the mean. The vulnerability is deemed insignificant in light of the outcomes of the inspection and the few investigative evidence. Therefore, this vulnerability is deemed insignificant. As for moneychanger specific risk is negligible given the nature of the operations as well as the low value in unit terms of foreign exchange transactions. The vulnerability is assessed very significant, in application of the methodological rule for which in the absence of controls the vulnerability is considered maximum. The relative vulnerability therefore insignificant. THE professionals in general, they do not respond satisfactorily to the needs of the system prevention, for a still not always adequate training on these issues. Considering himself instead relevant knowledge on the part of these professional categories of objective and subjective elements of their operations customers, this translates into a relative vulnerability very significant for notaries, the lawyers, the Chartered accountants and Accountants.**

There has been progress made by notaries, both in due diligence processes in both the active collaboration obligations, such as to enable a more satisfying ability to comply with anti-money laundering rules.

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<sup>21</sup> These characteristics are listed below:

1. the management of electronic money instruments typically involves numerous operators and intermediaries of various kinds, not all will be inspected or a 'culture' established anti-money laundering; Furthermore, the information on the customer are fragmented between different operators;
2. Prepaid given the nature of the funds, issuers may have less incentive to require complete and accurate information about the customer and the nature of the business relationship, because these checks may be too onerous, both in economic terms and procedure, not only for the operator, but also for the customer;
3. transactions are executed and funds much faster than the size withdrawn or converted into cash through traditional channels; this can complicate the monitoring flows;
4. currently, the cards are rechargeable and can be used indefinitely without geographical restrictions (Thanks to the international dimension of the payment networks which are affiliated), guaranteeing that, as well as an unlimited marketability, even the ability to move funds anywhere, including by facilitating the transfer to follow.



**THE auditors of public interest entities** benefit from a pervasive supervision and show a good level of adequacy of principals, with a specific negligible risk. With reference to **other statutory auditors**, enrolled in the Register provided for by Legislative Decree no. 27 January 2010, n. 39, the control system recently implemented, despite having to compare with a high number of professionals, is distinguished by the articulation and the pervasiveness of the information collected to monitor the proper application of the anti-money laundering regulations. Therefore, the relative vulnerability are not significant. **THE labor consultants** play a type of activity that, apart from any contiguity with other risk certain professions - such as that of accountant - it is not considered problematic present refer specifically to recycling (rather to any irregular work problems). Its vulnerability is of little significance in a context specific risk negligible. The analysis on **non-financial agents** has been focused on the categories on the basis of the investigative findings have revealed more sensitive to phenomena of organized crime infiltration (gaming industry, buy gold) or operability have this more asservibile (estate agents). The interest of the **mafia to the the gaming industry not just about illegal gambling but also significantly extends the scope** of legal activities of the game. Given this premise context the various game types (not all currently included in the scope anti-money) differ in their specific risk profiles and vulnerabilities. Among the forms of gambling **online gaming platforms other Community countries operating in free provision of services** involve very significant relative vulnerability because the related cash flows completely beyond the monitoring authorities. Among the forms of physical network game should be reported with very significant relative vulnerability (relevant specific risks and vulnerabilities very significant) cd VLT gaming machines and betting on fixed fee because you may well pay for recycling operations. The economic crisis has led, among other things, to increased adoption of **I buy gold**,

heterogeneous category of operators currently holding the sole obligation to report suspicious transactions. Several investigations so they confirm the high specific risk because the high vulnerability and suggest the need for an intensification of principals.

The real estate sector is one of the privileged areas for the re-employment of illegal revenues of mafia criminal organizations and capital illegal aliens. Although trades are then intercepted by other more mature categories in the application of the principals, the **estate agents** They have not yet aware of their role in anti-money laundering supervision in a significant risk environment. Its vulnerability is very significant. There **Public administration** while if it is kept to the reporting requirements of suspicious transactions it has not been the object of analysis. Some reflection may, however, be reported. To date the industry has not generally aware of its own potential role in this area. It is a vulnerability is not insignificant when you consider the importance of the phenomenon of corruption, or the presence of highly attractive areas for crime as the field of public procurement or of Community funding.

### 3.1.2 Analysis of the transparency of corporate structures and trusts

The analysis of seized property crime and investigative experiences show how the criminal infiltration in businesses, although not generalized throughout the national territory and in all economic sectors, appears to be a significant component of national criminal. The mafia does not prefer sophisticated corporate structures but often limited liability company in which conceal their presence with the use of nominees.

This assessment does not conflict with that of a system that does not show significant intrinsic and critical **issues related to transparency: the stringent statutory regulations governing the *governance* and the vast information assets, also conveyed by notaries and accountants, available through the company registration mean that the problem of access to information on beneficial ownership can ask for about 1% of the 6 million registered companies.**

Profiles of possible haze remaining indeed for those legal persons that may establish links or tools that can screen the properties (eg. with *trust* "National" and trust) or foreign corporate entities, especially in jurisdictions that allow forms of corporate anonymity or fail to appropriate forms of collection of information, or even that they are little or no collaborative than any swap requests 'information.

The most significant vulnerabilities of the system can therefore be traced to deficiencies in the application of appropriate safeguards and verification of customers, together with a significant risk **specific, result in quite significant vulnerabilities. In our country there is growing spread of *trust*, situation creates several problems in terms of transparency. This is in view of the fact that the institution is not specifically governed by Italian law, is the gradual spread in Italy to persons who perform functions *trustee*, excluded from any type of census, although usually professionals and therefore obligated parties. But even if that does not seem to be clear to them that the performance of the role of *trustee* provide for the fulfillment of anti-money laundering obligations.**

In addition to these issues of discipline, investigation and analysis of suspicious transactions reveal a **frequent use of *trust* for illegal purposes, in particular for committing tax crimes, money laundering, bankruptcy, market abuse and to shield the illegal assets of organized crime.**

These elements combine to suggest maximum in the vulnerability to be attributed to such an instrument (cd relative vulnerability very significant).

### **3.1.3 border controls**

This oversight has considerable strategic importance to both the light use of cash in the country is of illicit capital flows - usually of Italian origin - inbound or outbound. It is an area adequately manned.

### **3.1.4 Analysis of STRs**

The process of analyzing the SOS overall effectiveness: the significant increase in reports from the obligated parties, albeit unevenly across all categories, and the increasing quality of FIU reports offer a vital information assets. These assets are managed effectively through the use of integrated information systems and procedures for the allocation of risk levels. The growing increase in SOS with relevance in court proceedings can be a good indicator of that judgment.

### 3.2 Investigative Deans

**in-depth activities of suspicious transaction reports.** Reports of suspicious transactions also represent for the Guardia di Finanza and the Anti-Mafia Investigation Department (DIA) a major information assets, as evidenced by the significant number of reports related to criminal proceedings or withholding of investigative interest. The deepening process of reporting is considered effective.

**Forensics in combating money laundering.** In general, the institutions and the judicial police tools let you give remarkably effective investigative action (wiretapping, searches, undercover operations, shutdown of circumstantial, protective measures). More pervasive investigative tools can then be used when the offense of money laundering or reinvestment of illegal capital is connected to one of the organized crimes.

In light of the high number of investigations successfully concluded the process can be considered overall effectiveness.

**Forensics in fighting the financing of terrorism.** The investigative experience does not detect the presence of particular vulnerability with a negative impact on the effectiveness of the process in question, which is therefore effective. In the various types of investigations identified a common element is the absence of appropriate cooperation by countries undergoing periods of social and political instability that is institutional. This has led in practice to restrict the capture areas of the tests or fall back on the assessment of other types of crimes compared to the terrorist financing offense.

Cooperation between the Italian authorities in both sectors is generally positive and is a special highlight, especially among those traditionally engaged authorities in combating these phenomena: the Financial Intelligence Unit (FIU), the Financial Police, the supervision Authority, the judiciary have effective channels for collaboration also able to mitigate some regulatory shortcomings.

### 3.3 Deans repressive

**Ability to punish perpetrators in combating money laundering.** The current criminal prosecution of money laundering provisions - excluding the offense of laundering of those who have contributed to the predicate offense - appear not at all suited to today's scenarios as introduced since the '80s, were modified. In the current environment have changed the ways in which the parties operate on money laundering.

In the experience of the specific contrast to the forms of organized crime, money-laundering activities take away from the competition in the recycling from the author of the predicate offense. The greatest difficulties arise rather precisely in terms of verification of money laundering made by third parties. From this point of view the introduction of self-laundering case would allow an easier punishment of laundering offenses.

The process in question is judged to suffer from quite significant vulnerabilities.

**Ability to punish perpetrators in contrast to the financing of terrorism.** With reference to crimes related to terrorist financing the small number of judgments passed, no state allows a proper assessment of the

sanctioning system prepared by the law. However the experience of the police force and in particular the assessment of the impact caused by the difficult international cooperation lead us to express a fairly significant vulnerabilities judgment, even if exogenous with respect to our system.

**seizure and confiscation of assets in combating money laundering.** The preventive measures and specific regulations for the fight against organized crime provide a massive capacity of aggression of criminal assets. It is therefore considered that the process is effective.

**3.4 Specific measures relating to combating terrorist financing freezing measures.** The enforcement system of terrorist financing makes use of preventive activities, investigation and repression of typical anti-money, and the application of specific measures arising from the resolutions of the UN Security 1267 (1999) and 1373 (2001) and the Community framework for transposition, with nationwide additions. At the organizational level the cornerstone of the implementation of the measures is the Financial Security Committee (FSC). During the three years, 2010-2012, all communications relating to the freezing of funds were made by financial intermediaries. In most cases, the freezing referred to the failure to perform wire transfers or funds transfers sent or received by listed entities, or bank accounts frozen following the listing. In some cases, the use of international cooperation between FIU has solved cases of mere homonyms avoiding the adoption of the freezing measures against individuals do not undergo any sanctioning measures. The

contrast to the system financing Terrorism detects certain critical / vulnerable in relation to the reluctance of professionals and non-financial companies to engage in communications regarding freezing of funds.

**The non-profit sector.** Because of the heterogeneity of the sector, the system of prevention of terrorism financing acts not through direct prescriptions held by such institutions, but indirectly through the measures put in place by the obligated parties: due diligence and report suspicious transactions. The evidence is resulting from the analysis of suspicious transactions by the investigative not have elements such as to indicate that the involvement of the Italian non-profit organizations for terrorist financing activity is a present threat. The audits carried out in various ways by the competent public authorities are pervasive, and although relating to different and multiple aspects, are able to guarantee an adequate level of transparency of the sector. In light of these elements, the specific risk is assessed negligible and insignificant assessed vulnerability. This results in a relative vulnerability insignificant.

**4. Conclusions and lines of action**

In analyzing the threat assessment fails to be translated into a unique summary judgment on the risks of money laundering and terrorist financing which are respectively defined **very significant** is **quite significant**.

In the case of the analysis of vulnerability it is not easy to summarize in a synthetic judgment the overall vulnerability of the system, therefore, the final choice is not to deliver an aggregate judgment.

**4.1 Deans prevention**

**Deans applied by obligated parties.** In relation to the relative vulnerability level identified with respect to the specific risk profile of each operator, the desirable interventions are marked with different priority levels (v. Table 7).

*Table 7 - Pr iorità of int is related to rventi the The esa categories mined*

	Analysis Activities	dialogue and training activities	Operational input / regulatory / legislative	Strengthening surveillance and control activities
<b>Intermec <u>DIARIES AND FINANCIAL IARI</u></b>				
Banks and Bancoposta IMEL and IP (including distribution networks)				
Financial Company under Articles. 106 and 107 SIM and SGR				
Cassa Depositi e Prestiti and other				
insurance companies				
<u>insurance Intermediaries</u>				
Trusts agents, brokers and money changers				
<b><u>PRO fessionals</u></b>				
Lawyers				
notaries				
Bookkeeping and accounting experts External auditors of				
legal entities of public interest Reviewers ordinary cd				
Consultants				
<b><u>FANCY RI NOT FINAN CIAL</u></b>				
Operators in the business of gaming and betting operators				
buy gold Real Estate Agents				

Legend on the levels of priority of the interventions:

- Background Background medium-medium-high high Priority
- Priority
-

## financial Intermediaries

As for financial intermediaries generally understood the system of supervision and prevention is robust to deal with a customer volume and operation of considerable scope and territorial spread. For internal controls required by law and to the supervision of the Bank of Italy and Consob alongside the work of the FIU and the Nuclei of GdF that, as part of the institutional activity, identify and challenge the committed administrative violations. Looking ahead *They must be kept current tools of ede enforcement control and human resources devoted to them* It is seen that a large part of the financial flows pass through the channels of this type. It is also necessary, in collaboration with trade associations (eg. ABI) *continue to develop appropriate interventions and pervasive training and clarification* the recent regulatory provisions, as well as continuing to update and expand the use of *fault patterns* provided by the FIU arising from the study of specific types.

For subjects such as SIM and SGR is necessary to maintain existing principals with a focus on the highest risk operations, like the one that involves the transfer of property, which is necessary to consider the specific controls.

With regard to the IMEL and IP must be balanced the risk inherent in the activity of remittances ( *money transfer*) by type of customer and operations (cash) and the need for financial inclusion of vulnerable individuals at risk of being *target of clandestine networks*. With the entry into force of the Fourth Directive calls for the creation of a greater harmonization in order to avoid controls and procedures *soft* in other EU countries permit unequal treatment likely to distort competition and to attract less guarded place of business systems. The *trust companies* by the nature of their activities with a high risk of opacity, already considered by the system of prevention, which must continue to be vigilant with a high rate of attention this category.

The agents, brokers and money changers, although subject to a regulated access system, however *They shall be subjected to more pervasive control tools*.

As for the insurance industry it believes that it is quite guarded. As regards insurance intermediaries, albeit with due considerations relating to the number of inspection checks carried out during the reference period, it is considered necessary an extra effort, especially in view of the risk-based approach. In this regard it is noted that the bill still under discussion, if approved, would leave the institute supervised the agents and *broker insurance*, creating a legal vacuum. In this regard, the FATF recommendations provide that such entities are among the subjects obliged<sup>22</sup> to implement the anti-money laundering legislation and to fight the financing of terrorism.

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<sup>22</sup> The Glossary of the FATF, in fact, covers the definition of financial intermediaries, including agents and *broker insurance*.



### **non-financial operators**

For non-financial operators being subject to potential and also concrete infiltration by organized crime, should be pursued further regulatory interventions that harmonization of supervision.

In this sector it is also important to underline the need to intensify the active collaboration. The reports from persons other than financial intermediaries offer some insights in terms of better understanding and knowledge of a category of persons obliged on which it is desirable not only a strengthening of supervisory measures, but above all a greater understanding of the characteristics of the sector.

As for gaming operators, in view of the risk of cross-border, is calling for greater harmonization through the entry into force of the Fourth Directive and, for the supervisory activities, existing controls can be improved in fields major vulnerability.

In particular for buy-gold action you are required by law to regulate the sector and to raise awareness of the role they play on the market, including the provision of guidelines.

### **Professionals**

The perception of the authorities is that professionals do not have a proper awareness of their role as persons required to play an active role in combating money laundering and terrorist financing. The dialogue with the professionals is therefore needed. The due diligence carried out by professionals is a strategic element on which insist.

The regular dialogue with these professions should be aimed at:

- deepen better the relevant areas of operation in order to better orient interventions;
  
- develop guidelines for the customer due diligence;
- increase the quality and quantity of SOS;
- **Finding mechanisms *ad hoc* to ensure the confidentiality of reporting;**
- increase in general awareness of the role reference professional associations.

In addition more the inspection activity. As for employment experts,

the sector has to date not received any inspection for checking the application of money laundering legislation and, although the specific risk associated with it is considered negligible, it is appropriate to provide a part of the supervisory control system.

As regards statutory auditors, particularly those supervised by the Ministry of Economy and Finance, integrate their monitoring activities with the typical inherent in anti-money laundering obligations in charge to professionals. As for the auditors with assignments of Bodies Public Interest (EIP), compared to a comprehensive regulatory framework and appropriate regulatory safeguards, it reveals a need for principals of dialogue and education, in light of the possibility of access to the category by subjects usually settled in a different way, where EIP acquire assignments.

**Legal entities and *trust***

In relation to the level of relative vulnerability identified with respect to the specific risk profile, interventions are marked with different priority levels (v. Table 8).

*Table 8 - Priority interventions for legal entities and trusts*

	Analysis Activities	dialogue and training activities	Operational input / regulatory / regulatory	Strengthening supervisory activities and control
<b>People</b>				
<b>legal</b>				
<b><i>Trust</i></b>				

*Legend on the levels of priority of the interventions:*

Background Background medium-medium-high high Priority  
 Priority

With regard to the critical issues noted in the category of legal persons and *trust* it is necessary:

- the systematic identification of the ultimate beneficiary related businesses, and the necessary European and international collaboration, enabling timely access to such information by the authorities. This target is intimately tied to a desirable Community intervention, this mainly in order to harmonize and interconnect the registers of Member States companies;
- the strict application of controls related to the adequate verification of customers by obligated parties (professionals) when providing services to businesses.

Such considerations apply for both categories examined with a greater emphasis on the sector *trust* more and more frequently used for illegal purposes, in particular for committing tax crimes, money laundering and bankruptcy. In this regard the need to gather information concerning both professionals who have played a role in the establishment and / or management of *trust* domestic and foreign, both with *trustee* resident, legal-administrative headquarters or center of its activities in Italy and abroad, is vitally important in order to mitigate the critical issues related to institute transparency. The due diligence requirements where scrupulously fulfilled allow crosswise collect information *trust* costitutiti both in Italy and abroad.

## 4.2 Investigative Deans

### International cooperation

In a strategy of integration of international news channels you favor a strengthening of internal cooperation procedures, for example with a protocol *ad hoc*, aimed at defining a procedure for the exchange of information between GdF, DIA and FIU.

In judicial Italy it is able to provide extensive cooperation and assistance to asylum countries in the fight against international crime.

## 4.3 Deans repressive

### Set a statistical data system and relevant information concerning judicial activity

You must set of statistical systems to better understand the repressive capacity of the national system which is likely, without adequate and updated information in this regard, to be distorted or underestimated.

### Criminalization dell'autoriciclaggio

The absence of criminal cases in the forms of "self-laundering" and "self-reuse" seriously compromises the ability to punish perpetrators for the consequences that can result in the prescribing and international cooperation. This is the process that suffers the most significant vulnerabilities. However, it is true that over the years the development of other mechanisms, such as preventive measures or application of confiscation for the equivalent to a wider number of offenses, in a context in which they are massive criminal conduct involving organized crime and to 'tax evasion, it has supported the effectiveness of the investigative phase including the seizure and confiscation activities.

### Transposition of Community legislation *Joint investigation teams*

Crucial will be the transposition of EU legislation *Joint investigation teams*: given the transnational nature of many of the crimes the opportunity to strengthen cooperation between investigative and then the acquisition of the evidence in the process is important profile.

Table 9 - Lines of intervention for principals

	Analysis Activities	operational Interventions	Interventions <u>regulations</u>	regulatory actions
<b>investigative Deans</b>				
Deepening of SOS investigative				
activities:				
<i>recycling Contrast of money</i>				
<i>Contrast funding of terrorism</i>				
<b>Deans repressive</b>				
Ability to punish the perpetrators:				
<i>recycling Contrast of money</i>				
<i>Contrast funding of terrorism</i>				
seizure and confiscation of assets				

*Legend* on the levels of priority of the interventions:

Background Background medium-medium-high high Priority  
 Priority

#### 4.4 Specific contrast Deans terrorist financing Listing, *de-listing* and

##### frostbite

In order to the detected criticality it is necessary:

- define operational and procedural lines making it possible to promptly transpose on a national basis, if it deems it necessary, the *listing* defined by the UN.
- promote the necessary initiatives within the EU on the revision of Reg. (EC) No. 881/2002 in order to include in the definition of freezing the funds and resources owned or controlled in part by designated individuals and the funds and resources of persons or entities acting on behalf or at the direction of designated persons.
- encourage the reporting of activities related suspicious transaction by the most wanted professions, including specific training activities.



##### Sector *no profit*

With regard to critical issues should be more coordination between the competent authorities that oversee the industry in various capacities in order to promote dissemination of information on the specific issue of the financing of terrorism and abuse of the sector risks involved.

Table 10 - Lines of intervention

	Analysis Activities	operational Interventions	Interventions <u>regulations</u>	regulatory actions
<b>Listing, <i>de-listing</i> and frostbite Sector <i>no</i></b>				
<b><i>profit</i></b>				

Legend on the levels of priority of the interventions:

	Background Background medium-medium-high high Priority
	Priority
