

ITALY FATF MUTUAL EVALUATION

SECOND BIENNIAL UPDATE

Report from Italy

I. Introduction

1. Italy is pleased to provide the FATF with updated information on the actions undertaken from 2011 to improve its AML/CFT system in compliance with FATF Recommendations.
2. The MER of Italy, adopted in October 2005, was based on a Detailed Assessment Report by the International Monetary Fund (IMF). Italy was rated partially compliant (PC) on Recommendations 5 (Customer Due Diligence), 13 (Suspicious Transaction Reporting) and Special Recommendation IV (Suspicious Transaction Reporting) and, as a result, was placed on the regular follow-up process.
3. While subject to regular follow-up, Italy reported back to the Plenary in October 2007 and October 2008. At the October 2008 Plenary meeting, Italy stated that sufficient actions for removal from the follow-up process had been taken. Hence, the Plenary decided that Italy could apply for removal from the regular follow-up process in February 2009.
4. The FATF Plenary in February 2009 concluded that, in respect of the FATF core and key Recommendations on which Italy was rated as NC or PC, Italy took sufficient actions to resolve the deficiencies identified in the MER adopted in 2005 (Third Follow-up Report). The deficiencies related to other (Special) Recommendations rated PC or NC were also addressed. For such reasons, the FATF Plenary agreed that Italy should be moved from regular to biennial follow-up, requesting an updated report to be submitted in February 2011.
5. In February 2011, Italy presented its first Biennial Update, by providing the FATF with information on recently adopted AML/CFT legislative and regulatory provisions, and with information and data on Suspicious Transaction Reports (STRs), actions undertaken in the banking, securities, insurance and law enforcement sectors; sanctionary activity for infringement of AML/CFT preventive measures.
6. Since 2011, the most important changes have been referred to the on-going fine-tuning of Legislative Decree n. 231 of 21 November 2007 (hereafter Italy's AML Law) in order to take into account the evolution of Italy's financial legislation and update processes and procedures. Additional regulatory measures have been adopted as well. Such information is reported in Section II.
7. Eventually, Italy is providing the FATF with information and data on the following issues (Section III):
 - a) STRs received by *Unità di Informazione Finanziaria* (UIF – Italy's FIU);
 - b) Information on domestic cooperation;
 - c) Actions undertaken in banking, securities and insurance sectors;
 - d) Actions undertaken in the law enforcement sectors;
 - e) Sanctionary activity carried out by Italy's Ministry of the Economy and Finance for infringement of AML/CFT preventive measures.

II. AML/CFT Legislation, Regulations and Guidance adopted since February 2011

AML/CFT Legislation

8. Legislative Decree n. 231 of 21 November 2007 (hereafter Italy's AML Law) was slightly amended in 2012¹ in order to take into account the evolution of Italy's financial legislation (i.e. regulation of micro-credit institutions, subjects performing mediation activities and agents of payment institutions), and to update processes and procedures. In particular:

National and international coordination

- The scope of national cooperation was extended. National cooperation and exchange information waiving secrecy laws amongst supervisors and between supervisors and Italy's UIF and law enforcement agencies (*Guardia di Finanza* and DIA) were reinforced or introduced².
- The duties of cooperation and information exchange of Italian supervisors with their European counterparts were strengthened³.

CDD and recording provisions

- The procedure applying when returning the funds to the customer whereby the obliged entities are unable to comply with the CDD requirements was defined, so that the obligation to refrain from accepting the customer and executing the transaction is applied, whilst ensuring the traceability of financial flows.
- The possibility of applying simplified CDD was extended to micro-credit institutions, and guarantee cooperatives and credit consortia (*Confidi*), while the possibility of applying simplified CDD was denied to currency exchange companies⁴.
- Stricter recording obligations were introduced for Financial Intermediaries (FIs) using agents⁵.

Suspicious Transactions Reporting (STRs)

- Some STR-related aspects were improved, by detailing STR procedures for some insurance intermediaries and EU payment institutions' and electronic money agents. Financial agents, loan brokers, and insurance intermediaries will report suspicious transactions directly to UIF when their relevant/reference FI is not regulated under the Italian law. Agents acting in Italy on behalf of EU payment institutions or electronic money institutions are required to transmit STRs directly to UIF or through a "centralised point of contact". The establishment of a point

¹ Legislative Decree n. 231 of 21 November 2007 was amended by: Law Decree n. 16 of 2 March 2012 as converted into Law n. 44 of 26 April 2012; Legislative Decree n.130 of 30 July 2012 (amendments to Article 1(1) and Article 2(2bis)); Legislative Decree n. 169 of 19 September 2012.

² Legislative Decree 231/2007 (Article 9 (2)), as amended by Legislative Decree 169/2012 (Article 18 (1)).

³ Legislative Decree 231/2007 (Article 7 (2-bis)), as amended by Legislative Decree 130/2012 (Article 7 (2)).

⁴ Legislative Decree 231/2007 (Article 25 (1)), as amended by Legislative Decree 169/2012 (Article 18 (1)).

⁵ Legislative Decree 231/2007 (Article 36 (2-bis)), as amended by Legislative Decree 169/2012 (Article 18 (1)).

of contact is always required when the payment institution or the electronic money institution provides payment services through more than one agent⁶.

Limitation to the use of cash and measures to combat tax evasion

- In order to curb the use of cash in circulation, further limitations between individuals were introduced. The threshold for the use of cash and other bearer instruments was first reduced from €5,000 to €2,500 and secondly to €1,000⁷. Payment institutions (provided that they do not perform money remittance services) are included in the list of entities authorised to carry out transactions in cash above the threshold of €1,000. However, a waiver to such limit was introduced for purchases of tourism-related goods and services made by non-European individuals at retail outlets and the like, and at travel agencies⁸.
- The obligation for financial operators to notify Italy's *Anagrafe dei Conti e dei Depositi* (within the *Agenzia delle Entrate*) of all the movements on the accounts held with them and any other information on such accounts required to carry out tax controls. An exception is made for transactions of less than €1,500 carried out using the *ad-hoc* postal current account in-payment form⁹.

Sanctions

- The sanction framework was partially reviewed to rationalise the sanctions applied to those institutions recently placed under the scope of the AML Law (see Italy's First Biennial Update), and namely:
 - o More dissuasive sanctions were introduced for agents of payment institutions¹⁰ and prohibition of doing business for EU payments agents in case of serious AML/CFT violations¹¹.
 - o Deletion from their respective registers for subjects performing mediation activities, micro-credit institutions, guarantee cooperatives and credit consortia (*Confidi*), and agents, was provided instead of pecuniary sanctions¹².
 - o Instead of the simple deletion from their registers, the same procedures applied to banks were introduced for fiduciaries under the supervision of the Bank of Italy.
 - o Stricter sanctions were introduced in case of violations of the provisions on cash limitations¹³.

⁶ Legislative Decree 231/2007 (Article 42 (3)), as amended by Legislative Decree 169/2012 (Article 18 (1)).

⁷ Legislative Decree 231/2007 (Article 49 (1)), as amended by Law Decree 201/2011 (Article 12 (1)).

⁸ Article 3 of Decree Law 16/2012, converted by Law 44/2012. In the above mentioned cases the limit is equal or above €15,000, provided the seller of the goods and services fulfills specific requirements to ensure that the buyer is identified and the cash flow is traceable. Such payments must be made by crediting the current or payment accounts of the beneficiary or using other electronic payment instruments chosen by the latter.

⁹ Decree Law 201/2011(Article 11(2)).

¹⁰ Legislative Decree 231/2007 (Article 55 (9-bis)), as amended by Legislative Decree 169/2012 (Article 18 (1)).

¹¹ Legislative Decree 231/2007 (Article 56 (2-bis)), as amended by Legislative Decree 169/2012 (Article 18 (1)).

¹² Legislative Decree 231/2007 (Article 56 (2)), as amended by Legislative Decree 169/2012 (Article 18 (1)).

¹³ Legislative Decree 231/2007 (Article 58 (1-2-3)), as amended by Legislative Decree 169/2012 (Article 18 (1)).

9. **Fighting corruption.** In 2012 Italy introduced major legislation to fight corruption both through preventive and corrective measures. To such end, Law n. 190 of 6 November 2012 brings a comprehensive set of actions aimed at preventing and repressing corruption and illegality in the Public Administration and tries to make them more efficient and effective. The Law thus aligns the Italian legal system to the indications of the main international instruments to which Italy subscribed (1997 EU Convention against Corruption, 1997 OECD Convention against Bribery in International Business Transactions, 1999 Council of Europe Criminal Convention against Corruption, 2003 UN Convention against Corruption – UNCAC) and implements the recommendations addressed to Italy by the competent OECD and Council of Europe bodies on the occasion of the mutual evaluation procedures so far conducted.

AML/CFT Regulations and Guidance

General regulations

10. Since 2011 Italy has issued *ad-hoc* regulations to enhance its AML Law implementation effectiveness – namely:

- **Red flag indicators for non-financial operators to identify suspicious transactions** (17 February 2011)¹⁴. A decree issued by the Ministry of the Interior, upon UIF proposal, provides for indicators addressed to some categories of non-financial operators (such as dealers in precious metals and antiques, persons performing real estate broking, credit recovery on behalf of third parties, transport of cash and securities, management of casinos, offer of games through Internet or other electronic networks). Such Decree was amended on 27 April 2012 to also include on-line gambling and betting operators.
- **Instructions on AML organisational and internal controls set up for financial intermediaries** (Bank of Italy, March 2011). The document provides guidelines for supervised entities in defining AML responsibilities and designing AML controls and procedures. In particular, intermediaries shall introduce procedures designed to ensure full knowledge of the customer, traceability of financial transactions, and detection and reporting of suspicious transactions. FIs are required to institute a dedicated AML function. A specific section is dedicated to AML compliance at group level by cross-border financial groups.
- **Instructions on data and information to be included in STRs** (UIF, 4 May 2011). Such instructions govern the new system for collecting and handling STRs (RADAR), launched on 16 May 2011 to support the entire cycle of receipt, analysis and dissemination of reports, thus improving the quality of STRs financial analyses and timeliness of information flows. The new report format – the same for all reporting entities, and entirely electronic – increases the amount of structured information available. Reporting entities are called upon to provide a more detailed and complete description of transactions, the parties involved, their interactions/links and the reasons for their suspicion. Such structured information is improving UIF’s analysis and research.
- **Implementation of measures on internal organisation, procedures and controls of auditors**¹⁵ (Stock Exchange Commission – Consob, June 2011 and November 2012). Such

¹⁴ For a thorough description of red flag indicators in the Italian AML/CFT system, please see Italy’s first Biennial Update WGEI(2011)22.

¹⁵ By Resolution no. 17836 of 28 June 2011 Consob provided measures on internal organization, procedures and controls of independent auditors registered in the Special List pursuant to art. 161 of the Consolidated Law on Finance and registered in the Auditors Register pursuant to art. 7(2) of the AML Law. Following the entry into force of Legislative Decree no. 39 of

guidance aims at preventing auditing firms with appointments for entities of public interest, from being used for purposes of money laundering and terrorist financing.

- **Implementation of measures on internal organisation, procedures and controls of insurance undertakings in order to prevent their misuse for purposes of ML/TF** (May 2012, Insurance Supervisory Authority – IVASS).
- **Decree on the identification of non-EU jurisdictions that have introduced requirements equivalent to those provided for by EU AML/CFT Directive 2005/60/EC** (February 2013, Italy’s Ministry of the Economy and Finance). The Decree, which replaces the Decree dated 28 September 2011¹⁶, states the list of equivalent jurisdictions; it is guidance for FIs and DNFBPs and does not override their risk analysis of transactions.
- **Implementing Instructions for EC Regulation 1781/2006 on information on the payer accompanying transfer of funds** (September 2012, Bank of Italy). The Instructions intend to provide intermediaries with operational rules to correctly implement the requirements set by Regulation 1781/2006; specific provisions concern the controls on cover payments, along the lines defined by the Basel Committee on Banking Supervision paper of May 2009.
- **Indicators of anomalies for auditing firms and auditors who are responsible for statutory audits of entities of public interest**, as defined in Article 16 of Legislative Decree 39 of 27 January 2010 (February 2013, Bank of Italy upon UIF proposal).
- New regulations are expected to be shortly issued. The public consultation on Bank of Italy’s draft document containing **Instructions on CDD measures** was concluded in March 2012. The text aims at helping banks define their internal CDD policies according to the introduced Risk-Based Approach. The Instructions provide guidance on means and terms/conditions for proper identification and verification of client and beneficial owner. The Instructions require intermediaries to have in place a risk management system that defines procedures for applying simplified and enhanced CDD measures consistently with the client’s risk profile; they cover specific provisions for CDD measures to be applied in the case of financial or other qualified intermediaries (e.g., fiduciaries).

27 January 2010, as amended by Legislative Decree no. 169 of 19 September 2012, auditors and audit firms must be entered in a national register of statutory auditors and audit firms. On 13 September 2012 the Register of Statutory Auditors (held by the Ministry of the Economy and Finance) was set. It will also include audit firms previously registered in the Special Register of Audit Firms held by Consob. Consob is the oversight body in charge of supervising statutory auditors and audit firms on financial statements issued by so-called Public-Interest Entities (PIEs). The Ministry of the Economy and Finance is in charge supervising auditors and audit firms on the financial statements issued by non-PIEs companies. The conditions for authorization of statutory auditors and audit firms are established in accordance with the provisions set out by the EU Auditing Directive and include criteria on educational qualifications, examination of professional competence, theoretical instruction, practical training and life-long education. In line with the EU Auditing Directive, special provisions (i.e. publication of annual transparency reports, the obligation to set up an *ad-hoc* audit committee in charge, *inter alia*, of monitoring the statutory audit and the independence of the statutory auditor or audit firm, stricter independence rules and quality assurance requirements) apply to the statutory audits of PIEs – the definition of PIEs implemented at national level is broader than as provided by the Directive. In accordance with the new legislative context, Consob (i.e. Resolution no. 1832 of 21 November 2012) confirmed the applicability to PIE auditing firms of the regulations set out by Resolution no. 17836 of 28 June 2011.

¹⁶ In 2008 the Decree identifying the so-called equivalent jurisdiction listed Argentina, Australia, Brazil, Canada, Japan, Hong Kong, Mexico, New Zealand, Russian Federation, Singapore, United States, South Africa, Switzerland, and Netherlands Antilles, Aruba, Mayotte, New Caledonia, French Polynesia; Saint-Pierre e Miquelon; Wallis e Futuna. The 2011 Decree excluded Argentina and added India and South Korea, and instead of the Netherlands Antilles included Curaçao, Sint Maarten, Bonaire, Sint Eustatius, Saba. The 2013 Decree has excluded Russia.

Operative guidance: models and patterns representing anomalous conduct

11. In order to properly detect suspicious transactions, reporting institutions are required to refer to anomalous conduct patterns and models. Since September 2009, UIF¹⁷ has developed and published such tools on the basis of STRs' analysis, typologies identified and outcome of on-site inspections. UIF has drawn attention to both subjective and objective elements potentially related to specific criminal activities. Following up previous indications (i.e., on corruption, VAT frauds, phishing), in 2011 and 2012 UIF highlighted usury, leasing and factoring fraud, and, in cooperation with *Guardia di Finanza*, international tax fraud and invoicing fraud.

12. On 27 February 2012, UIF issued a notice regarding the anomalous use of payment cards for cash withdrawals to increase intermediaries' awareness of this phenomenon.

Specific guidance

13. Competent Authorities have also continued to raise the attention of Financial Institution (FIs) and Designated Non-Financial Bodies and Professions (DNFBPs) to specific situations, and namely:

- **Guidelines for the Abruzzo post-earthquake reconstruction of public/private sector buildings** (3 March 2011, UIF). The Guidelines take into account the intervening legal and operational developments in the traceability of financial flows for the purpose of combating organised crime. The statement invites intermediaries to make a careful assessment of the transactions on accounts used for business and to take note of any anomaly that might be the signal of a suspicious transaction.
- **Guidelines on transactions and dealings with Politically Exposed Persons (PEPs)** (9 February and 1 March 2011, UIF) in order to ensure proper application of EDD for PEPs and to meet the requirement of careful analysis of transactions with members of the Gaddafi family and the Libyan Government.
- **Guidelines on AML measures to be applied by supervised entities in the relationships with the Vatican financial institution *Istituto per le Opere di Religione (IOR)*** (April 2011, Bank of Italy). Confirming previous Guidelines on the topic, such Guidelines require the implementation of enhanced CDD measures, as the Vatican City is not an equivalent jurisdiction; enhanced CDD measures are also justified by IOR particular status and activities.

Specific CFT Legislation, Regulations and Guidance

14. Following the amendments to Legislative Decree 109 of 22 June 2007 (by Legislative Decree 169 of 19 September 2012), the Financial Security Committee (FSC), Italy's competent authority coordinating the implementation of financial sanctions and monitoring how the overall freezing system works, has been integrated, in its composition, with representatives from the Ministry of Economic Development and the Customs' Agency in the field of countering the proliferation of weapons of mass destruction.

15. In order to implement relevant UNSCRs on CFT and promote further consistent application of freezing measures, the FSC stipulated *ad-hoc* covenants with Italy's *Agenzia del Territorio* (the Government Agency in charge of real estate Public Register) on 5 October 2012, after valuable

¹⁷ Article 6(7)(b) of Legislative Decree 231/2007.

experience with *Unioncamere* and *ACI* (the Authorities in charge of companies and vehicles Public Registers, respectively).

16. To date (January 2013) suspected terrorist related frozen funds amount to EUR 102,969.17 and USD 11,707.10. Two individual frozen companies are currently under special management by *Agenzia del Demanio* (the Government Agency in charge of administrating property assets) – a third individual frozen company was discharged from special management regime following the delisting of the individual concerned.

III. Information and data

Suspicious Transaction Reports (STRs)

17. In 2011 and 2012, UIF registered an outstanding increase in incoming flows of STRs. The number of STRs filed to UIF in 2012 amounted to 67,047. The large growth of incoming reports was accompanied by a rise in the number of reports examined and transmitted with their financial analysis to the investigative bodies, especially in the second half of the year. In 2012 overall 60,813 reports were analysed and transmitted to the Special Foreign Exchange Unit of the *Guardia di Finanza* and DIA, with a 98.8% increase versus the previous year.

Table 1 – STRs Flows

Period	No. of STRs		Change versus previous year	
	Filed to UIF	Furthered by UIF to LEAs (shelved by UIF)	Filed to UIF	Furthered by UIF to LEAs (shelved by UIF)
2008	14,602	13,382 (969)	16.4%	14.2% (0.7%)
2009	21,066	18,838 (3,796)	44.3%	40.7%
2010	37,321	26,963 (3,560)	77.2%	43.1%
2011	49,075	30,596 (1,271)	31.5%	13.4%
2012	67,047	60,813 (3,271)	36.6%	98.8%

Source: UIF

18. UIF identified and activated appropriate regulatory and organisational measures to cope with the growing inflow of new reports and reduce the backlog of those to be processed. In particular, UIF is thoroughly revising its operating procedures both by exploiting the possibilities offered by the new RADAR system for collecting and handling STRs over the Internet and by starting the new data warehouse project, which will allow UIF's stock of information to be better exploited. Furthermore, a new method is being tested to facilitate the risk-based selection of reports and permit adequately prioritised and more thorough analysis, so as to increase UIF's overall productivity and improve its methods of financial analysis.

Table 2 - AML-related STRs by FIs(%)

Type of Institution	2006	2007	2008	2009	2010	2011	2012
Banks	82.8	81.5	78.5	65.1	73.1	79.9	74.9
<i>Poste Italiane</i>	6.2	8.8	11.5	18.4	9.3	7.6	16.1
Non-Banking Financial Companies	8.9	7.5	8.7	15.1	16.6	11	6.9
Insurance Companies	1.6	2.0	1.1	1.1	0.4	0.6	0.5
Others	0.5	0.2	0.2	0.3	0.6	0.9	1.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UIF

19. Banks and *Poste Italiane* transmitted the greatest number of reports. In 2012 the STRs filed by *Poste Italiane* doubled, mainly because of the anomalous use of prepaid credit cards issued by the above mentioned reporting entity.

20. The share of reports transmitted by non-banking FIs declined from 11% in 2011 to 6.9% in 2012, while the amount transmitted by insurance companies was basically steady. Reporting activity by FIs other than banks and *Poste Italiane* must enhance.

21. STRs transmitted by DNFBPs, mostly notaries, increased in 2012. As in past years, the most frequent reports originated from the signing of public acts (e.g. property sales and corporate acts such as company foundation, transfers of shareholdings and liquidations). Since 2011 a flow of reports transmitted through the National Council of Notaries has been added to those sent directly by individual notaries. The number of reports has increased, while their quality still requires improvement. Proper interaction between UIF and the National Council of Notaries can certainly enhance the overall adequacy of the reporting activity.

Table 3 -STRs from DNFBPs

Type of Business/Profession	No. of STRs						
	2006	2007	2008	2009	2010	2011	2012
Notaries	170	127	103	69	66	195	1876
Public Accountants	24	37	17	28	43	52	76
Professional Accountants or Commercial Assessors	15	21	19	10	23	30	12
Real Estate Agents	6	11	13	3	3	7	1
External Audit Firms	9	2	2	2	6	10	4
Lawyers	3	8	6	3	12	12	4
Auditors	2	4	3	7	12	15	1
Casinos	0	0	4	6	34	130	283
Others	9	6	6	8	24	41	113
TOTAL	238	216	173	136	223	492	2,370

Source: UIF

Table 4 - Terrorism and Proliferation Financing-related STRs

YEAR	2001	2002	2003	2004	2005	2006	2007	2009	2009	2010	2011	2012	TOTAL
No	545	912	321	294	478	480	342	365	408	274	239	192	4,850

Source: UIF

22. UIF transmits STRs and their technical-financial analysis to *Nucleo Speciale di Polizia Valutaria* of the *Guardia di Finanza* and DIA. Further paragraphs provide details on their activities. Such law enforcement agencies inform the DNA (National Anti-Mafia Directorate) whenever the suspicious transaction reports reveal links to organised crime.

Domestic Cooperation: Memoranda of Understanding

23. In the past two years the Italian competent authorities have set up procedures in order to enhance domestic cooperation:

- Memorandum of Understanding between UIF and IVASS (16 March 2011) to coordinate inspections, enhance exchange of information and sharing of analyses and studies.
- Memorandum of Understanding between the Bank of Italy and Consob (28 September 2011) providing rules on cooperation for anti-money laundering inspections.
- Memorandum of Understanding between UIF and Consob (7 June 2012) to coordinate inspections, enhance exchange of information and sharing of analyses and studies.
- Memorandum of Understanding between *Guardia di Finanza* and Consob (14 January 2013). The MoU updates and replaces the protocol dated 18 May 2006. According to the new regulations, *Guardia di Finanza* and Consob can collaborate with regard to the acquisition of data, news and information, hearings, inspections, seizures and searches under the scope of the activities "upon request" of the supervisory authority. The MoU also envisages suitable forms of sharing information of *Guardia di Finanza* potential interest, for the purpose of applying money laundering legislation, whilst *Guardia di Finanza* shall notify Consob of any useful information they may have acquired (also independently) in fulfilling their duties. The MoU also aims to make cooperation more fluid, through closer coordination, ensured by a permanent contact committee.

UIF activities

24. **UIF inspections and cooperation with Judicial Authorities.** In 2011 and 2012, UIF carried out respectively 20 and 17 inspections in banks, leasing companies, electronic money institutions and fiduciary companies. Inspections and prudential checks revealed irregularities of penal relevance, reported to the competent Judicial Authorities, as well as administrative violations resulting in sanctionatory proceedings. Operational dysfunctions and procedural anomalies were also detected. The related evidence was reported to the competent supervising authorities as to intermediaries compliance with anti-money laundering rules. In several cases, inspections highlighted failures to comply with the obligation to report suspicious transactions. They showed that some intermediaries had not yet properly implemented CDD obligations, especially as to the duty to obtain information on the purpose and nature of business relationships and to perform on-going monitoring.

25. UIF is required by law to provide Judicial Authorities with support and collaboration. In the last two years this activity has considerably expanded: UIF received 170 requests from public prosecutors and anti-mafia offices (DDA) in 2011, and 96 in the first semester of 2012. In 2011 and in the first half of 2012, UIF also transmitted 25 communications to the Judicial Authorities at its own initiative, partially based on the findings of inspections. In the same period UIF transmitted to the Judicial Authorities 152 communications concerning cases of possibly penal relevance.

26. **UIF international cooperation.** In 2011 UIF received 696 requests for information from foreign FIUs, of which 467 via the Egmont channel and 229 via the FIU.NET channel. In the same period the Unit transmitted 172 requests for information to foreign counterparts, of which 128 related

to collaboration with Italian Judicial Authorities, while 44 referred to the analysis of reports of suspicious transactions.

27. In 2012 the number of requests received from foreign FIUs was increased by 4% up to 723, of which 429 via Egmont (-9%) and 294 via FIU.NET (+29%). As to the requests transmitted by UIF, they amounted to 217 in 2012; 137 were filed in connection with prosecutorial activities to which UIF had been requested to provide assistance, while 80 derived from the analysis of suspicious transactions, including those not reported to UIF and identified elsewhere.

28. Furthermore UIF is engaged in other forms of bilateral cooperation with foreign counterparts, especially through activities of technical assistance and exchange of experiences.

29. **Analysis of aggregate data and new studies.** Aggregate data remain a valuable tool for UIF. As thoroughly described in Italy's first Biennial Update, aggregate data are used to carry out analyses aiming at identifying individual anomalies and broader phenomena that potentially relate to ML/TF activities. Such analyses are usually targeted to specific geographical areas (i.e. Italian regions at risk of criminality, provinces located close to the Italian borders), economic sectors at risk and specific types of payment instruments (i.e. cash, credit transfers). Currently, a new methodology based on cluster analysis has been devised in an attempt to single out municipalities with anomalous dynamics for incoming and outgoing wire transfers vis-à-vis the Italian regions most affected by the presence of organised crime.

30. In June 2011, UIF conducted an updating of the study published in 2009 on the use of large denomination banknotes as a means to favour ML and TF¹⁸.

Actions taken in the banking, insurance and securities sectors

31. Since Italy's first Biennial Update, Italian supervisory authorities have continued to devote a relevant number of resources to inspection activities.

Actions taken by the Bank of Italy

32. **ALM/CFT Controls.** Following the new AML on-site visit methodology introduced in 2008, the Bank of Italy conducts AML controls in the framework of general on-site visits, AML targeted inspections and on-site visits to high-risk bank branches.

33. In 2011, the Bank of Italy conducted 170 general on-site inspections and 6 AML targeted inspections on supervised entities (banking groups, banks, investment firms, collective funds and non-banking financial institutions). In 2012, the Bank of Italy conducted 184 general on-site inspections and 5 AML targeted inspections on supervised entities (banks, investment firms, collective funds and non-banking financial institutions). Between May and December 2011, the Bank of Italy also conducted 74 on-site visits on bank branches located in high-risk areas; between May and December 2012, further 82 high-risk bank branches were inspected.

34. From 2009, controls on AML compliance are fully integrated in administrative supervisory procedures of the Bank of Italy; this implies the examination of AML profile for those supervisory

¹⁸ As to the outcome of the study conducted by UIF, updated elaborations based on data published by the European Central Bank show that 500 euro banknotes still account for around 32% of the net value of euro banknotes in circulation. In Italy, such share has decreased since 2008 and is currently around 2%; the demand for 500 euro banknotes also features a decreasing trend. The drop has been more marked in branches of financial institutions situated close to the Italian borders, where high-denomination notes can be used to more easily transfer funds abroad, possibly as a result of the ever larger attention devoted to this phenomenon by law enforcement agencies and supervisory authorities.

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

35. In the framework of AML off-site controls, in 2011 and 2012 the Bank of Italy received numerous reports by board of auditors as well as by external auditors on internal structural deficiencies and/or violations of legal AML requirements. Following these reports, the Bank of Italy required intermediaries to adopt specific corrective measures. When infringements of criminal law were detected, the Bank of Italy reported the facts to Public Prosecutors.

36. **Bank of Italy cooperation with Judicial Authorities and law enforcement agencies.** Bank of Italy collaboration with the Judiciary and law-enforcement agencies in the AML/CFT area has so far been intense. In 2011, the total number of reports sent by the Bank of Italy related to possible criminal matters and of answers to requests for information by the Judicial Authorities amounted to 558; in 2012 the number increased to 780. Cooperation facilitated the supervisory activity: the information transmitted by the Public Prosecutors' offices, from the very first stage of investigations, made it possible to focus supervision and improve the timeliness of interventions. Furthermore, two task forces staffed by Bank of Italy have assisted Milan's (since 2009) and Rome's (since 2012) Public Prosecutor Offices competent for economic crimes.

37. Pursuant to the MoU signed in 2007, over the last two years the Bank of Italy has provided *Guardia di Finanza* with numerous reports on potentially anomalous cases (38 in 2011; 63 in 2012). Upon prior agreement with the Bank, *Guardia di Finanza* carried out anti-money-laundering inspections of intermediaries referred to in Article 106 of the Italian Banking Law (54 in 2011; 37 in 2012). *Guardia di Finanza* also sent the Bank of Italy numerous notifications of irregularities detected during their inspections on financial agents or loan brokers (490 in 2011; 360 in 2012).

38. **Sanctions and prudential interventions.** In 2011, the Bank of Italy administered pecuniary sanctions for €10.7 million against 56 intermediaries (43 banks, 5 investment firms, 3 collective funds, 1 IMEL (Electronic Money Institution) and 4 non-banking financial institutions) for failure to comply with AML requirements.

39. Following the results of AML (on-site and off-site) checks, in 2011 and 2012 the Bank of Italy adopted a number of prudential remedial actions: 9 intermediaries were placed under special administration procedure due, *inter alia*, to AML infringements.

Actions taken by Consob

40. In 2011 Consob set up 4 AML inspections into SIM (*Società Intermediazione Mobiliare*). In 2012 Consob carried out 3 specific AML inspections into SIM and SGR (*Società di Risparmio Gestito*). In the AML field, as many as 102 in 2011 and 83 administrative proceedings in 2012 were set up against financial promoters, due in particular to contestation of irregularities for acceptance of not allowed means of payment and illicit acquisition of clients' funds. Out of such proceedings, some resulted in sanctions ranging from exclusion (157 cases) to suspension from the National Chart of financial promoters (25 cases).

Actions taken by IVASS

41. *Istituto per la Vigilanza sulle Assicurazioni* (IVASS)¹⁹ is the body entrusted under Law Decree n. 95 of 6 July 2012 (converted into Law n. 135 of 7 August 2012) to supervise insurance and reinsurance undertakings, as well as all the other bodies subject to the regulations on private

¹⁹ On 1 January 2013, IVASS replaced ISVAP (*Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo*).

insurance, insurance agents and brokers. IVASS is responsible for ensuring stability of the insurance market and undertakings, as well as the solvency and efficiency of market participants, in the interest of policyholders and consumers.

42. IVASS conducted 10 AML inspections in 2011 and 6 in 2012, directed to companies, agencies and brokers. Such inspections resulted, respectively, in 4 high pecuniary sanctions and in 5 notifications to the relevant Judicial Authorities.

Actions taken in law enforcement sectors

Actions taken by Guardia di Finanza – GDF

43. In the field of AML/CFT controls on non-prudentially supervised entities (i.e. financial intermediaries, bureaux de change, money remitters, and loan and financial brokers) in the 2011-2012 period *Guardia di Finanza* carried out over 1,004 AML/CFT on-site inspections, of which 451 related to money transfers. For 2013, *Guardia di Finanza* has planned to conduct more than 350 AML on-site inspections. With regard to cash couriers, *Guardia di Finanza* carried out in the same period 9,357 controls with the seizure of cash for €7.4 million.

44. Regarding STRs, *Guardia di Finanza* received more than 85,400 STRs from UIF in the 2011-2012 period, of which more than 40,000 analysed.

45. In the same period *Guardia di Finanza* carried out 1,100 criminal investigations into ML cases, reported 2,356 individuals to the Judicial Authorities, and seized cash and other assets for more than €287 million.

Actions taken by Direzione Investigativa Antimafia – DIA

46. In 2011, DIA received 29,971 STRs from UIF and examined 21,548 thereof. DIA's analysis of the above reports, aiming at identifying possible connections with illegal activities of mafia-type organised crime (Article 416 Criminal Code), resulted in monitoring the position of 39,162 individuals (of which 25,522 signalled and 13,640 connected) and 11,133 corporations (of which 4,124 signalled and 7,009 connected).

47. Hence 445 STRs were identified, on which further and accurate investigative checks were conducted as suspected to be linked to organised crime activities. In particular: 99 cases are ascribable to Sicilian mafia organisation (*cosa nostra*); 145 cases to *camorra*; 186 to *'ndrangheta*; 9 to Apulia's organised crime; and, eventually, 6 to other national criminal organisations.

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

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

49. In 2011 sanction decrees for violations of the AML Law were issued for a total amount of €41,570,923 inflicted to FIs, natural persons and legal persons. In 2012, sanctions were issued for overall €73,263,628. Sanctions issued for illegitimate cross-border transfers of cash resulted in €7,727,116 administrative pecuniary fines in 2011 and €7,333,129 in 2012.

ANNEX

LEGISLATIVE DECREE 231/2007 – *Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and of Directive 2006/70/EC laying down implementing measures for Directive 2005/06/EC*

TECHNICAL ANNEX

NOTES

(consolidated 2012 text)

Legislative Decree 231/2007

Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and of Directive 2006/70/EC laying down implementing measures for Directive 2005/06/EC

published in *Gazzetta Ufficiale* no. 290 of 14 December 2007-
Ordinary Supplement no. 268/L

THE PRESIDENT OF THE REPUBLIC

Having regard to Articles 76 and 87 of the Constitution;

Having regard to Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering;

Having regard to Decree Law 143/1991, ratified with amendments by Law 197/1991, laying down urgent provisions to limit the use of cash and bearer instruments in transactions and prevent the use of the financial system for the purpose of money laundering;

Having regard to Law 52/1996 laying down provisions for the fulfilment of obligations deriving from Italy's membership of the European Community – 1994 Community Law, with special reference to Article 15;

Having regard to Legislative Decree 125/1997 laying down rules concerning the cross-border circulation of capital in implementation of Directive 91/308/EEC;

Having regard to Legislative Decree 153/1997 laying down supplementary provisions for the implementation of Directive 91/308/EEC;

Having regard to Legislative Decree 319/1998, reorganizing the Italian Foreign Exchange Office (UIC) in accordance with Article 1(1) of Law 433/1997;

Having regard to Legislative Decree 374/1999, concerning the extension of the provisions on money laundering and financial assets particularly susceptible to be used for the purpose of money laundering in accordance with Article 15 of Law 52/1996.

Having regard to Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 amending Directive 91/308/EEC;

Having regard to Law 14/2003 laying down provisions for the fulfilment of obligations deriving from Italy's membership of the European Community – 2002 Community Law, with special reference to Article 1 and Annex B;

Having regard to Legislative Decree 196/2003, containing the Personal Data Protection Code;

Having regard to Legislative Decree 56/2004, in implementation of Directive 2001/97/EC on prevention of the use of the financial system for the purpose of money laundering;

Having regard to Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;

Having regard to Law 29/2006 laying down provisions for the fulfillment of obligations deriving from Italy's membership of the European Community – 2005 Community Law, with special reference to Articles 21 and 22;

Having regard to Commission Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC;

Having regard to Legislative Decree 109/2007 laying down measures of a patrimonial nature to prevent, counter and repress the financing of international terrorism and the activity of countries that threaten international peace and security in implementation of Directive 2005/60/EC;

Having regard to the preliminary decision of the Council of Ministers adopted in its meeting of 27 July 2007;

Having obtained the opinions of the competent committees of the Chamber of Deputies and the Senate of the Republic;

Having regard to the measure adopted by the Governor of the Bank of Italy on 16 October 2007 providing for the assumption of the activities performed by the Italian Foreign Exchange Office (UIC) as an instrumental entity of the Bank of Italy;

Having regard to the resolution of the Council of Ministers adopted in its meeting of 16 November 2007;

Having heard the opinion of the competent financial sector supervisory authorities and interested administrative bodies;

Having heard the opinion of the Personal Data Protection Commission, expressed in its meeting on 25 July 2007;

Acting on the proposal from the Minister for European Policies and the Minister for the Economy and Finance, in agreement with the Minister for Foreign Affairs, the Minister of Justice and the Minister of the Interior;

ISSUES
the following legislative decree:

Title I
GENERAL PROVISIONS

Chapter I
COMMON PROVISIONS

Article 1
Definitions

1. In this legislative decree:

- a) “Personal Data Protection Code” shall mean Legislative Decree 196/2003;
- b) “Consob” shall mean the Commissione nazionale per le società e la borsa (Italian Companies and Stock Exchange Commission);
- c) “Private Insurance Code” shall mean Legislative Decree 209/2005;
- d) “Bureau of Antimafia Investigation” shall mean the Direzione investigativa antimafia (DIA);
- e) “Directive” shall mean Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005;
- f) “FATF” shall mean the Financial Action Task Force;
- g) “Isvap” shall mean the Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo (Supervisory Authority for the Insurance Industry);
- h) “EU country” shall mean a country belonging to the European Union;
- i) “Non-EU country” shall mean a country not belonging to the European Union;
- l) “Consolidated Law on Banking” shall mean Legislative Decree 385/1993;
- m) “Consolidated Law on Finance” shall mean Legislative Decree 58/1998;
- n) “Consolidated Law on Public Security” shall mean Royal Decree 773/1931;
- o) “Consolidated Law on Foreign Exchange” shall mean Presidential Decree 148/1988;

2. In this legislative decree:

- a) “interested administrative bodies” shall mean the authorities and governmental bodies competent to issue authorizations or licenses, receive declarations of commencement of activity referred to in Article 10(2)(e) and Article 14 or that supervise persons specified in Articles 12(1)(a), 12(1)(c) and 13(1)(b);
- b) “single electronic archive” shall mean an archive created and run using IT systems that provides for the centralized retention of all the information acquired in fulfilling the identification and regulation obligations in accordance with the principles laid down in this decree;
- c) “financial sector supervisory authorities” shall mean the authorities charged under current legislation with the supervision or control of persons specified in Articles 10(2)(a), 10(2)(b), 10(2)(c), 10(2)(d), 11 and 13(1)(a);

d) "shell bank" shall mean a bank or an entity engaged in equivalent activities that is incorporated in a jurisdiction in which it has no physical presence involving meaningful mind and management, and that is unaffiliated with a regulated financial group;

e) "customer" shall mean a person who establishes a continuous relationship or carries out transactions with persons subject to this decree specified in Articles 11 and 14 or a person to whom persons subject to this decree referred to in Articles 12 and 13 provide a professional service following the award of an engagement;

e-bis) "transaction accounts" shall mean bank accounts, typically bilateral in nature, used for the execution of inter-bank services (payment of bills, bank cheques and personal cheques, deposit orders, transfers of funds, documented payments and other transactions);

f) "payable-through accounts" shall mean cross-border correspondent banking relationships between financial intermediaries used to carry out transactions in their own name on behalf of customers;

g) "ID data" shall mean a natural person's first name and family name, place and date of birth, address, tax code and details of an ID document or, in the case of a person other than a natural person, its name, registered office and tax code or, for a legal person, VAT number;

h) "physical establishment" shall mean a place devoted to the performance of an institution's activity, with a stable address other than a simple electronic address in a country in which the person is authorized to perform the activity. In such place the institution must employ one or more persons full time, keep records of the activity performed and be subject to the controls carried out by the authority that issued the authorization to operate;

i) "means of payment" shall mean cash, bank and postal cheques, banker's drafts and the like, postal money orders, credit transfers and payment orders, credit cards and other payment cards, transferable insurance policies, pawn tickets and every other instrument available making it possible to transfer, move or acquire, including by electronic means, funds, valuables or financial balances;

l) "transaction" shall mean the transmission or movement of means of payment; for persons referred to in Article 12, it shall mean a specified or specifiable activity directed towards an objective of a financial or patrimonial nature modifying the existing legal situation, to be carried out by way of a professional service;

m) "split transaction" shall mean a single transaction from the economic standpoint whose value is equal to or higher than the limits established by this decree that is carried out by way of more than one transaction, each with a value lower than such limits, effected at different moments and within a fixed lapse of time set at seven days, without prejudice to the existence of a split transaction when there are elements for considering it to be such;

o) "politically exposed persons" shall mean natural persons residing in other EU countries or in non-EU countries who are or have been entrusted with prominent public functions, as well as the immediate family members and persons known to be close associates of such persons, identified on the basis of the criteria referred to in the technical annex to this decree;

p) "trust and company service providers" shall mean any natural or legal person which by way of business provides any of the following services to third parties:

1) forming companies or other legal persons;

2) acting as or arranging for another person to act as a manager or director of a company, a partner of a partnership, or a similar position in relation to other legal persons;

3) providing a registered office, business address, correspondence or administrative address and other related services for a company, a partnership or any other legal entity;

4) acting as or arranging for another person to act as a trustee of an express trust or a similar legal entity;

5) acting as or arranging for another person to act as a nominee shareholder for another person other than a company that is listed on a regulated market and subject to disclosure requirements in conformity with Community legislation or subject to equivalent international standards;

q) “professional service” shall mean a professional or commercial service related to the activities performed by persons specified in Articles 12, 13 and 14 that, at the time it starts, is presumed to be of a certain duration;

r) “general government” shall mean all central government bodies, including schools of all kinds and levels, educational institutions, public enterprises and autonomous government bodies, the regions, the provinces, the municipalities, the mountain communities and their consortiums and associations, the universities, the NHS agencies and entities, and the agencies referred to in Legislative Decree 300/1999 as amended;

s) “continuous relationship” shall mean a long-term relationship consisting in performing the activity of institutions referred to in Article 11 that gives rise to a number of transactions involving the deposit, withdrawal or transfer of means of payment and that is not completed in a single transaction;

t) “customer register” shall mean a paper-based register containing the ID data referred to in subparagraph g), obtained in performing the identification obligation in accordance with the procedures provided for in this decree;

u) “beneficial owner” shall mean the natural person on behalf of whom a transaction or activity is conducted, or, in the case of a legal entity, the natural person or persons who ultimately own or control said entity, or are the resulting beneficiaries of it on the basis of the criteria referred to in the technical Annex to this decree;

v) “bearer instrument” shall mean a credit instrument that legitimates the holder to exercise the right referred to therein merely by presenting it and whose transfer is achieved through the delivery of the instrument;

z) “FIU” shall mean the Financial Intelligence Unit, i.e. the national structure charged with receiving information from persons obliged to provide it on suspected money laundering or terrorist financing, requesting it from same, analyzing it and transmitting it to the competent authorities.

Article 2

Definitions of money laundering and terrorist financing and purpose of the decree

1. Exclusively for the purposes of this decree, if performed intentionally, the following actions shall constitute money laundering:

a) the conversion or transfer of property, carried out knowing that it constitutes the proceeds of criminal activity or of participation therein with the aim of hiding or dissimulating the illicit origin of the property or of helping any individual involved in such activity to avoid the legal consequences of his or her actions;

b) hiding or dissimulating the real nature, origin, location, arrangement, transfer or ownership of property or rights thereto, carried out knowing that they it constitutes the proceeds of criminal activity or of participation therein;

c) the acquisition, detention or use of property, knowing at the time of receiving it that it constitutes the proceeds of criminal activity or of participation therein;

- d) participation in one of the actions referred to in the preceding subparagraphs, association with others to perform such actions, attempts to perform them, the act of helping, instigating or advising someone to perform them or the fact of facilitating their performance.
2. Money laundering shall be considered such even if the activities that produced the property to be laundered were performed in another EU country or a non-EU country.
 3. The knowledge, intention or purpose that must be an aspect of the actions referred to in paragraph 1, may be inferred from objective factual circumstances.
 4. For the purposes of this decree, the definition of terrorist financing shall be that laid down in Article 1(1)(a) of Legislative Decree 109/2007.
 5. In order to prevent use of the financial system and the economy for the purpose of money laundering and terrorist financing, this decree lays down measures aimed at safeguarding these systems' integrity and proper conduct.
 6. The preventive action referred to in paragraph 5 shall be coordinated with the activities repressing money laundering crimes and terrorist financing.

Article 3

General principles

1. The measures in this decree shall also be based on the active collaboration of the persons subject to its provisions, who shall adopt suitable and appropriate systems and procedures in relation to the obligations of adequately verifying customers, reporting suspicious transactions, retaining documents, internal control, assessing and managing risk, ensuring compliance with the relevant provisions, and communicating to prevent the carrying out of money laundering transactions and terrorist financing. They shall fulfill their obligations taking into account the information in their possession or acquired in connection with their institutional or professional activity.
2. Systems and procedures adopted pursuant to paragraph 1 shall comply with the prescriptions and guarantees established by this decree and by the legislation on the protection of personal data.
3. The measures in this decree shall be proportionate to the risk of money laundering and terrorist financing, in relation to the type of customer, the continuous relationship, the professional service, the product or the transaction.
4. The application of the measures laid down in this decree must be proportionate to the specific nature of each profession and the size of the businesses subject to this decree.

Article 4

Relationship to Community law

1. The measures that, in relation to the tasks defined in this decree, the Ministry for the Economy and Finance, the FIU, the other government departments concerned and the financial sector supervisory authorities may adopt shall take into account the measures adopted by the European Commission pursuant to Article 40 of the Directive.

Chapter II AUTHORITIES

Article 5

The Ministry for the Economy and Finance

1. The Minister for the Economy and Finance shall be responsible for the policies to prevent use of the financial system and the economy for the purpose of money laundering and terrorist financing. In these fields he shall foster collaboration between the FIU, the financial sector supervisory authorities, professional associations, the Bureau of Antimafia Investigation and the Finance Police, in accordance with current legislation and this decree. By the end of June of each year, he shall present a report to Parliament on the preventive action taken. Attached to this report will be the report of the FIU referred to in Article 6, paragraph 5.
2. In performing the functions referred to in paragraph 1, the Minister for the Economy and Finance shall avail himself, without additional costs charged to the state budget, of the collaboration of the Financial Security Committee, set up by Decree Law 369/2001, ratified with amendments by Law 431/2001 and subsequently governed by Legislative Decree 109/2007. Where necessary in order to obtain information and opinions, meetings of the Committee shall also be attended, at the invitation of the Chairman, by representatives of the national bodies of professional associations and private employers' associations.
3. Without prejudice to the powers referred to in Article 3 of Legislative Decree 109/2007, the Financial Security Committee shall:
 - a) perform analysis and coordination in the field of preventing use of the financial system and the economy for the purpose of money laundering and terrorist financing;
 - b) present to the Minister for the Economy and Finance, by the end of May each year, a report containing an assessment of the action taken to prevent money laundering and terrorist financing and proposals to make it more effective. To this end the FIU, financial sector supervisory authorities, interested administrative bodies, professional associations, the Finance Police and the Bureau of Antimafia Investigation shall supply, by 30 March each year, statistics and information on the activities respectively performed during the previous calendar year as part of their supervision and control functions. In particular, it will be the duty of the FIU to indicate at least the number of reports of suspicious transactions received and the action taken on the basis of these reports; it will be the duty of the Finance Police and the Bureau of Antimafia Investigation to indicate at least the number of cases investigated; it will be the duty of the Ministry of Justice to indicate at least the number of persons prosecuted, the number of persons condemned for money laundering or terrorist financing and the amounts of property frozen, sequestered or confiscated pursuant to Legislative Decree 109/2007;
 - c) render opinions pursuant to this decree;
 - d) provide the Minister for the Economy and Finance with advice on matters covered by this decree.
4. In matters concerning the prevention of the use of the financial system and the economy for the purpose of money laundering and terrorist financing, Articles 3(1), 3(2), 3(3), 3(4) and 3(14) of Legislative Decree 109/2007 shall apply.
5. The Ministry for the Economy and Finance shall handle relations with EU bodies and international organizations entrusted with drawing up policies and laying down standards in connection with the prevention of the use of the financial system and the economy for the purpose of money laundering and terrorist financing and shall ensure fulfillment of the obligations deriving from Italy's membership of the bodies and organizations referred to above.
6. The Ministry for the Economy and Finance shall exercise the powers to impose administrative sanctions referred to in this decree.

Article 6
Financial Intelligence Unit

1. The Financial Intelligence Unit for Italy (FIU) shall be established at the Bank of Italy.
2. The FIU shall perform its functions in complete autonomy and independence. Implementing such principles, the Bank of Italy shall issue a regulation governing the organization and functioning of the FIU, including the confidentiality of the information acquired. The Bank of Italy shall allocate adequate financial means and resources to the FIU to ensure the effective pursuit of its institutional purposes.
3. The Director of the FIU, entrusted with autonomous responsibility for its management, shall be appointed with a measure approved by the Directorate of the Bank of Italy, acting on a proposal from the Governor of the Bank of Italy, from among persons with suitable integrity, experience and knowledge of the financial system. The appointment shall last five years and may be renewed only once.
4. For the effective performance of the tasks established by law and by international obligations, a Committee of Experts shall be instituted at the FIU, composed of the Director and four members with suitable integrity and experience. The members of the Committee shall be appointed, in compliance with the principle of gender balance, with a decree issued by the Minister for the Economy and Finance after consulting the Governor of the Bank of Italy and shall serve for a term of three years, which may be renewed for another three. Participation in the Committee shall not give rise to remuneration or to reimbursement of expenses. Committee meetings shall be called by the Director of the FIU at least once every six months. The Committee shall draw up an opinion on the activity of the FIU, which shall be an integral part of the documentation transmitted to the parliamentary committees pursuant to paragraph 5.
5. By 30 May of every year, the Director of the FIU shall transmit to the Ministry of Economy and Finance an annual activity report to be forwarded to the Parliament, together with a report by the Bank of Italy on the financial means and the resources assigned to the FIU.
6. The FIU shall perform the following activities:
 - a) analyze financial flows with the aim of detecting and preventing money laundering and terrorist financing;
 - b) receive the suspicious transaction reports referred to in Article 41 and conduct financial analyses thereon;
 - c) acquire additional data and information furthering the performance of its institutional functions from persons required to make suspicious transaction reports referred to in Article 41;
 - d) receive the communications of aggregated data referred to in Article 40;
 - e) avail itself of the data contained in the registry of accounts and deposits referred to in Article 20.4 of Law 413/1991 and in the tax registry referred to in Article 37 of Decree Law 223/2006, ratified with amendments by Law 248/2006.
 - e-bis*) issue instructions to be published in the Gazzetta Ufficiale of the Italian Republic as to the data and information that must be included in the suspicious transaction reports referred to in Article 41.
7. Availing itself of the information gathered in the performance of its activities, the FIU:
 - a) shall conduct analyses and studies on individual anomalies traceable to possible cases of money laundering or terrorist financing, on specific sectors of the economy deemed to be at risk, on categories of payment instruments and specific local economic conditions;

b) shall develop and disseminate models and patterns representing anomalous conduct on the economic and financial plane that may be signs of money laundering or terrorist financing;

c) may, on condition that such action is not prejudicial to investigations under way, suspend transactions suspected of involving money laundering or terrorist financing for up to five working days, including at the request of the Special Foreign Exchange Unit of the Finance Police, the Bureau of Antimafia Investigation or the judicial authorities, immediately informing such bodies thereof.

Article 7

Financial sector supervisory authorities

1. The financial sector supervisory authorities shall oversee compliance with the obligations established in this decree by persons supervised in the manner referred to in Article 53. Persons referred to in Article 13(1)(a) and entered in the register of auditors shall be supervised by Consob.

2. In compliance with the aims and within the scope of the regulatory powers provided for in their respective sectorial legal frameworks, the supervisory authorities, in agreement among themselves, shall issue provisions on the manner of fulfilling the obligations concerning adequate customer verification, internal organization, recording, procedures and controls intended to prevent the use of intermediaries and other persons performing financial activities referred to in Article 11 and Article 13(1)(a) for the purpose of money laundering and terrorist financing. For persons referred to in Article 13(1)(a) and also entered in the register of auditors, the provisions in question shall be issued by Consob. For persons referred to in Article 11(2)(a), the provisions in question shall be issued by the Bank of Italy.

2-bis. The financial sector supervisory authorities and European supervisory authorities shall provide all necessary information to fulfill their tasks.

Article 8

Interested administrative bodies, professional associations and police forces

1. The Ministry of Justice shall supervise competent professional colleges and associations in relation to the tasks referred to in this paragraph. Competent professional colleges and associations shall foster and verify, in accordance with the principles and in the manner laid down by current legislation, compliance with the obligations established in this decree by professionals referred to in Articles 12(1)(a) and 12(1)(c) entered in their respective registers and persons referred to in Article 13(1)(b).

2. Police forces, in compliance with their specific competences, shall participate in the activity of preventing use of the financial system and the economy for the purpose of money laundering and terrorist financing and shall perform the functions expressly provided for in this decree.

3. Pursuant to Article 47 the Bureau of Antimafia Investigation and the Special Foreign Exchange Unit of the Finance Police shall carry out investigations in relation to reports transmitted by the FIU. Pursuant to Article 53 the Special Foreign Exchange Unit of the Finance Police shall also carry out controls to verify compliance with the obligations established in this decree and its implementing provisions.

4. In order to perform the necessary investigations of the reports of suspicious transactions:

a) the Bureau of Antimafia Investigation and the Special Foreign Exchange Unit of the Finance Police shall also avail themselves of the data contained in the section of the tax register referred to in the sixth and eleventh paragraphs of Article 7 of Presidential Decree 605/1973 as amended by Article 37(4) of Decree Law 223/2006 ratified, with amendments, by Law 248/2006;

b) members of the Special Foreign Exchange Unit of the Finance Police shall also exercise their powers under foreign exchange law. These powers shall extend to the military personnel belonging to the units of the Finance Police, to which the Special Foreign Exchange Unit of the Finance Police may delegate the performance of the tasks referred to in paragraph 3;

c) the powers referred to in the fourth paragraph of Article 1 and paragraphs 1 and 4 of Article 1-*bis* of Decree Law 629/1982, ratified with amendments by Law 726/1982 shall be exercised vis-à-vis persons referred to in Articles 10 to 14.

5. For the controls referred to in Article 53 on persons subject to anti-money-laundering obligations for which the Special Foreign Exchange Unit of the Finance Police is competent, including those carried out in collaboration with the FIU, the Unit shall exercise the powers referred to in paragraphs 4(a) and 4(b).

Article 9

Exchange of information and cooperation between authorities and police forces

1. All the information in the possession of the FIU, financial sector supervisory authorities, interested administrative bodies, professional associations and other bodies referred to in Article 8 relating to the implementation of this decree shall be covered by professional secrecy, including vis-à-vis the public administration. The cases of communication expressly provided for by current legislation shall be unaffected. Professional secrecy may not be invoked with respect to the judicial authorities when the information requested is needed for investigations or proceedings involving violations subject to penal sanctions.

2. By way of derogation from the obligation of professional secrecy, financial sector supervisory authorities shall cooperate with each other and with the FIU, including by exchanging information, in order to facilitate the performance of their respective functions.

3. By way of derogation from the obligation of professional secrecy, the FIU may exchange information and cooperate with analogous authorities of other states that pursue the same purposes, subject to reciprocity also as regards confidentiality of information, and may conclude memoranda of understanding to this end. In particular, the FIU may exchange data and information concerning suspicious transactions with analogous authorities of other states and for such purpose may also make use of specifically requested information in the possession of the Bureau of Antimafia Investigation and the Special Foreign Exchange Unit of the Finance Police. Apart from the cases referred to in this paragraph, the provisions of Articles 9 and 12 of Law 121/1981 shall apply. Information received from foreign authorities may be transmitted by the FIU to the competent Italian authorities, except where permission to do so is explicitly denied by the authority of the state that provided the information.

4. Without prejudice to paragraph 3, with the aim of facilitating the activities connected with the investigation of suspicious transaction reports, the FIU shall conclude memoranda of understanding with the Finance Police and the Bureau of Antimafia Investigation establishing the conditions and procedures for such bodies to exchange police data and

information, directly as well as indirectly, with foreign and international counterparts, subject to reciprocity and by way of derogation from the obligation of professional secrecy.

5. Interested administrative bodies and professional associations shall provide the FIU with the information and other forms of cooperation requested.

6. Financial surveillance authorities, interested administrative bodies and professional associations, as part of their institutional functions, shall inform the FIU of possible violations of the dispositions of the present decree that could be connected with money laundering or terrorist financing, observed in respect of persons referred to in Article 10, paragraph 2, and Articles 11, 12, 13 and 14.

7. Where the judicial authorities have cause to believe that money has been laundered or money, property or other proceeds of illegal origin have been used in transactions carried out at supervised intermediaries, they shall notify the competent supervisory authority and the FIU, for the acts for which they are competent. The information communicated shall be covered by professional secrecy. Notification may be delayed when it could be prejudicial to the investigation. The supervisory authority and the FIU shall inform the judicial authorities of the steps taken and the measures adopted.

8. Paragraph 7 shall also apply where there is cause to believe that transactions carried out at supervised intermediaries are designed to serve the perpetration of one or more crimes of terrorism envisaged by the Penal Code or other provisions of law.

9. The FIU shall provide the general results of its studies to police forces, financial sector supervisory authorities, the Ministry for the Economy and Finance, the Ministry of Justice and the National Antimafia Prosecutor; without prejudice to Article 331 of the Code of Penal Procedure, the FIU shall provide the Bureau of Antimafia Investigation and the Special Foreign Exchange Unit of the Finance Police with the results of analyses and studies carried out on specific anomalies indicative of money laundering or terrorist financing.

10. The FIU and the investigative bodies shall cooperate to facilitate identification of every circumstance involving facts or situations knowledge of which can serve to prevent the use of the financial system and the economy for money laundering or terrorist financing. To this end, the investigative bodies may provide information to the FIU.

Chapter III

PERSONS SUBJECT TO THE OBLIGATIONS

Article 10

Persons covered by the decree

1. This decree shall apply to persons referred to in Articles 11, 12, 13 and 14.
2. This decree, except for the identification and registration obligations of Title II, Chapters I and II, shall also apply to:
 - a) central securities depositories;
 - b) companies operating regulated markets in financial instruments and persons that operate structures for trading in financial instruments and interbank funds;

- c) companies operating settlement services for transactions in financial instruments;
- d) companies operating clearing and guarantee services for transactions in financial instruments;
- e) the following activities whose performance remains subject to possession of licences, authorizations, entries in registers or a preliminary declaration of the start of the activity specifically required in the related legislation:
 - 1) commerce, including exporting and importing gold for industrial or investment purposes, for which the declaration referred to in Article 1 of Law 7/2000 is required;
 - 2) manufacture, intermediation and commerce, including exporting and importing precious objects, for which the licence referred to in Article 127 of the Consolidated Law on Public Security is required;
 - 3) manufacture of precious objects by craft enterprises subject to the requirement of entry in the register of assignees of identification marks kept by chambers of commerce, industry, crafts and agriculture;
 - 4) commerce in antiques requiring the advance declaration referred to in Article 126 of the Consolidated Law on Public Security ;
 - 5) operation of auction houses and art galleries requiring the licence referred to in Article 115 of the Consolidated Law on Public Security;
- 5-bis) mediation, in accordance with Article 60 of Law 18 June 2009, no. 69.
- f) the Italian branches of persons referred to in subparagraphs a) to e) having their registered office abroad;
- g) general government offices.

Article 11

Financial intermediaries and other persons engaged in financial activities

- 1. For the purposes of this decree, financial intermediaries shall mean:
 - a) banks;
 - b) Poste italiane S.p.A.;
 - c) electronic money institutions;
 - c-bis) payment institutions
 - d) Italian investment firms;
 - e) Italian asset management companies;
 - f) SICAVs;
 - g) insurance companies that operate in Italy in the branches referred to in Article 2(1) of the Private Insurance Code;
 - h) stockbrokers;
 - i) companies that provide tax collection services;
 - l) ;
 - m) financial intermediaries entered in the national Register referred to in Article 106 of the Consolidated Law on Banking;
 - m-bis) Fiduciaries as per Article 199 of Legislative Decree n. 58 of 24 February 1998;
 - n) the Italian branches of parties referred to in the preceding subparagraphs having their legal headquarters in a foreign country;
 - o) Cassa Depositi e Prestiti S.p.A.

2. Financial intermediaries shall also mean:
 - a) trust companies referred to in Law 1966/1939 with the exception of those listed under Article 199(2) of Legislative Decree n. 58 of 24 February 1998 ;
 - b) subjects disciplined under Articles 111 and 112 106 of the Consolidated Law on Banking;
 - c) subjects operating as professional bureau de change, consisting in negotiation and currency payment means;

3. For the purposes of this decree, other persons engaged in financial activities shall mean:
 - a) financial salesmen entered in the register referred to in Article 31 of the Consolidated Law on Finance;
 - b) insurance intermediaries referred to in Articles 109(2)(a) and 109(2)(b) of the Private Insurance Code that operate in the branches referred to in paragraph 1(g);
 - c) credit mediators enrolled in the Register under Article 128-sexies2) of the Consolidated Law on Banking;

3-bis. In the securitisation operations regulated by Law n. 130 of 30 April 1999, obligations under the current Decree shall be fulfilled by the subjects listed under Article 2(6) of the above Law.

4. Without prejudice to the stipulations of Article 5 of the Personal Data Code, the parties referred to in paragraphs 1 and 2 shall establish that their branches and affiliates located in non-EU countries must apply measures equivalent to those established by the directive on adequate customer verification and retention. If the legislation of the non-EU country does not permit the application of equivalent measures, the parties referred to in paragraphs 1 and 2 are required to notify financial surveillance authorities in Italy and to adopt supplemental measures to efficiently stem the risk of money laundering and terrorist financing.

5. Persons performing financial activities referred to in paragraph 3 shall fulfil their registration obligations with the communication referred to in Article 36(4).

6. The guidelines and procedures established in relation to the preceding paragraph 4 are to be communicated to the financial surveillance authorities.

Article 12 *Professionals*

1. For the purposes of this decree, professionals shall include:
 - a) persons entered in the register of book-keepers and accountants and in the register of labour consultants;
 - b) every other party that renders the services provided by experts, consultants and other parties that on a professional basis, even for their own associates or members, provide services in accounting and tax matters, including business and commercial associations, Family Assistance Centers and charitable foundations;
 - c) notaries and lawyers when, in the name and on behalf of their customers, they carry out any transaction of a financial or real-estate nature and when they assist their customers in arranging or carrying out transactions involving:
 - 1) the transfer in any way of real rights to immovable property or economic activities;
 - 2) the management of money, financial instruments or other property;

- 3) the opening or management of bank accounts, deposit books and securities accounts;
 - 4) the organization of the contributions needed for the constitution, management or administration of companies;
 - 5) the constitution, management or administration of companies, entities, trusts and comparable legal persons;
- d) providers of services to companies and trusts, except for persons referred to in subparagraphs a), b) and c).
2. The obligation to report suspicious transactions referred to in Article 41 shall not apply to persons referred to in paragraphs 1(a), 1(b) and 1(c) for information they receive from a customer or obtain in relation thereto during the examination of the customer's legal position or the performance of duties in defending or representing same in a legal proceeding or in relation to such a proceeding, including advice on the initiation or the means of avoiding a proceeding, where such information is received or obtained before, during or after the proceeding.
3. The obligations referred to in Title II, Chapters I and II, shall not apply to the mere activity of drawing up and/or transmitting income tax returns or to the performance of the requirements in relation to personnel management referred to in Law 11 January 1979, no. 12.
- 3 bis. The supervisory bodies, whatever they may be called, while governed by the present decree, and without prejudice for the stipulations of Article 52, are exonerated from the obligations of Title II, Chapters I, II, and III.

Article 13.

Auditors

1. For the purposes of this decree auditors shall mean:
 - a) auditing firms entered in the special register referred to in Article 161 of the Consolidated Law on Finance;
 - b) persons entered in the register of auditors.
2. Persons referred to in paragraph 1 shall comply with Article 12(2).

With the entry into force of provisions implementing Legislative Decree n. 39 of 27 January 2010, letter a) of paragraph 1 shall refer to auditors and audit firms entrusted with tasks for auditing public interest bodies, and letter b) of the same paragraph shall refer to auditors and audit firms without tasks for auditing of public interest bodies.

Article 14

Other persons

1. For the purposes of this decree, "other persons" shall mean persons performing the below-listed activities engagement in which is conditional on having the licences or authorizations or being entered in the registers, or on the prior declaration of commencement of activity, specifically required by the provisions shown next to each activity:
 - a) credit recovery on behalf of third parties -- possession of the licence referred to in Article 115 of the Consolidated Law on Public Security;

b) custody and transport of cash and securities or valuables by means of sworn private security guards -- possession of the licence referred to in Article 134 of the Consolidated Law on Public Security;

c) transport of cash, securities or valuables without the use of sworn private security guards -
- entry in the register of natural and legal persons that perform road haulage for third parties, referred to in Law 298/1974;

d) management of casinos -- possession of the authorizations granted by the laws in force and satisfaction of the requirement referred to in Article 5(3) of Decree Law 457/1997, ratified with amendments by Law 30/1998;

e) offer, through the Internet or other electronic or telecommunication networks, of games, betting and contests with prizes in cash, while in possession of the authorizations granted by the Ministry of Economy and Finance – State Monopolies Administration pursuant to Article 1(539) of Law 266/2005;

e-bis) offer of games, betting and contests with prizes in cash, while not in possession of the authorizations granted by the Ministry of Economy and Finance – State Monopolies Administration pursuant to Article 1, paragraph 539, of Law 23 December 2005, no. 266.

f) real-estate broking -- entry in the special section of the register instituted at the Chamber of Commerce, Industry, Crafts and Agriculture, pursuant to Law 39/1989.

Title II REQUIREMENTS

Chapter I CUSTOMER DUE DILIGENCE

Section I General provisions

Article 15

Customer due diligence requirements for financial intermediaries and other persons engaged in financial activity

1. Financial intermediaries and the other persons engaged in financial activities referred to in Article 11 shall comply with the customer due diligence requirements in connection with relationships and transactions relating to the performance of their institutional or professional activity, in particular in the following cases:

a) when establishing a continuous relationship;

b) when carrying out occasional transactions involving the transmission or transfer of means of payment amounting to €15,000 or more, whether the transaction is carried out in a single operation or in several operations which appear to be related or split;

c) when there is a suspicion of money laundering or terrorist financing, regardless of any applicable derogation, exemption or threshold;

d) when there are doubts about the veracity or adequacy of previously obtained customer identification data.

2. Within the scope of their organizational autonomy, intermediaries may identify classes of transactions and amounts that they deem not significant for the purposes of observing operations that appear to be split.

3. The customer due diligence requirements shall also be complied with in the cases where banks, electronic money institutions and Poste Italiane S.p.A. act as a go-between or are otherwise party to transfers of cash or bearer instruments, in euros or foreign currency, amounting to €15,000 or more carried out in whatsoever capacity between different persons.

4. Agents as per Article 11(3)(d) shall comply with CDD requirements also for operations below 15,000 euro.

Article 16

Customer due diligence requirements for professionals and external auditors

1. Professionals referred to in Article 12 shall comply with the customer due diligence requirements in performing their professional activity on an individual, partnership or incorporated basis in the following cases:

a) when the professional service involves means of payment, goods or services worth €15,000 or more;

b) when they perform occasional professional services involving the transmission or transfer of means of payment amounting to €15,000 or more, regardless of whether the transaction is carried out in a single operation or in several operations which appear to be related or split;

c) whenever a transaction is of indeterminate or indeterminable amount. For the purposes of the customer due diligence requirement, the establishment, management or administration of companies, entities, trusts or similar legal persons shall always be treated as a transaction of indeterminable amount;

d) when there is a suspicion of money laundering or terrorist financing, regardless of any applicable derogation, exemption or threshold;

e) when there are doubts about the veracity or adequacy of previously obtained customer identification data.

2. External auditors referred to in Article 13 shall comply with the customer identification and data verification requirements in performing their professional activity on an individual, partnership or incorporated basis, in the cases indicated in subparagraphs c), d) and e) of paragraph 1.

Article 17

Customer due diligence requirements for other persons

1. Persons referred to in Articles 14(1)(a), 14(1)(b), 14(1)(c) and 14(1)(f) shall comply with the customer due diligence requirements in connection with transactions relating to the

performance of their professional activity in the following cases:
a) when establishing a continuous relationship or when engaged by customers to perform a professional service;

b) when carrying out occasional transactions involving the transmission or transfer of means of payment amounting to €15,000 or more, whether the transaction is carried out in a single operation or in several operations which appear to be related or split;

c) when there is a suspicion of money laundering or terrorist financing, regardless of any applicable derogation, exemption or threshold;

d) when there are doubts about the veracity or adequacy of previously obtained customer identification data.

Article 18

Substance of customer due diligence requirements

1. Customer due diligence measures shall consist in the following activities:

a) identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;

b) identifying, where applicable, the beneficial owner and verifying his identity;

c) obtaining information on the purpose and intended nature of the continuous business relationship or professional service;

d) conducting ongoing monitoring of the continuous relationship or professional service.

Article 19

Manner of satisfying the requirements

1. The customer due diligence requirements referred to in Article 18 shall be satisfied through the procedures described below:

a) identification and verification of the identity of the customer and beneficial owner shall be carried out in the presence of the customer, including by employees or collaborators, on the basis of a currently valid identity document from among those listed in the technical annex before the continuous relationship is established or when the engagement to perform a professional service is awarded or a transaction executed. Where the customer is a company or entity, the actual existence of the power of representation shall be verified and the information necessary to identify and verify the identity of the representatives delegated to sign for the transaction shall be obtained;

b) identification and verification of the identity of the beneficial owners shall be performed at the same time as identification of the customer and requires, for legal persons, trusts and the like, the adoption of adequate measures, commensurate with the risk, to understand the

customer's ownership and control structure. To identify and verify the identity of the beneficial owner, persons subject to such requirement may use public registers, lists, acts or publicly available documents containing information on beneficial owners, ask their own customers for the pertinent data or otherwise obtain the information;

c) ongoing monitoring of the continuous relationship or professional service shall be conducted by analyzing transactions concluded throughout the course of that relationship to verify that such transactions are consistent with the obligated institution or person's knowledge of its customer, his business activities and risk profile, including, where necessary, the source of funds, and by ensuring that the documents, data or information held are kept up to date.

2. The Minister for the Economy and Finance may issue a decree adopting implementing provisions for compliance with the requirements referred to in paragraph 1 after consulting the Financial Security Committee.

Article 20
Risk-based approach

1. The customer due diligence procedures shall be applied by calibrating them to the risk associated with the type of customer, continuous relationship, professional service, operation, product or transaction in question. Institutions and persons subject to this decree must be able to demonstrate to the competent authorities referred to in Article 7 or to the professional associations referred to in Article 8 that the extent of the measures adopted is appropriate in view of the risk of money laundering or terrorist financing. To assess the risk of money laundering or terrorist financing, subject institutions or persons shall comply with the instructions referred to in Article 7(2) and with the following general criteria:

a) with reference to the customer:

- 1) legal form;
- 2) principal activity;
- 3) behavior at the time the transaction is carried out or the continuous relationship established or the professional service performed;
- 4) geographical area in which the residence or business office of the customer or counterparty is located;

b) with reference to the transaction, continuous relationship or professional service:

- 1) type of transaction, continuous relationship or professional service;
- 2) manner of performing the transaction, continuous relationship or professional service;
- 3) amount;

- 4) frequency of the transactions and duration of the continuous relationship or professional service;
- 5) reasonableness of the transaction, continuous relationship or professional service in relation to the customer's activity;
- 6) geographical area of destination of the product, object of the transaction or continuous relationship.

Article 21

Obligations of the customer

1. Customers shall provide, on their own responsibility, all the necessary and updated information for the natural and legal persons subject to this decree to comply with the customer due diligence requirements. For the identification of beneficial owners, customers shall provide in writing, on their own responsibility, all the necessary and updated information in their possession.

Article 22

Procedures

1. The customer due diligence procedures shall apply to all new customers. For existing customers, the aforementioned procedures shall apply upon the first working contact, without prejudice for the assessment of risk present.

Article 23

Obligation to refrain

1. When institutions or persons subject to this decree are unable to comply with the customer due diligence requirements laid down by Articles 18(1)(a), 18(1)(b) and 18(1)(c), they may not establish the continuous relationship or carry out transactions or professional services or must terminate the continuous relationship or professional service and must assess whether to make a report to the FIU pursuant to Title II, Chapter III.

1-bis. When institutions or persons subject to this decree are unable to comply with the customer due diligence requirements related to continuous relationships already established, and transactions or professional services in progress, they shall return the funds to the client, as well as the instruments and financial assets belonging to them, by issuing the related amount through money transfer into the bank current account indicated by the client. The transfer of funds shall be complemented with a message notifying the client of the bank impossibility to comply with the customer due diligence requirements laid down by Articles 18(1).

2. Under paragraphs 1 and 1-bis, before submitting a suspicious transaction report to the FIU in accordance with Article 41 and for the purpose of allowing the possible exercise of the power of suspension referred to in Article 6, paragraph 7, letter *c*), the institutions and persons subject to the present decree will refrain from conducting the transactions they suspect of being related to money laundering or terrorist financing.

3. Where refraining is impossible because there is a legal obligation to receive the act or because execution of the transaction, by its nature, cannot be deferred or because refraining could impede investigations, the obligation referred to in Article 41 to immediately report the suspicious transaction stands firm.

4. Persons referred to in Articles 12(1)(a), Articles 12(1)(b) and Articles 12(1)(c) shall not be required to apply paragraph 1 in the course of ascertaining the legal position of a client or defending or representing a client in legal proceedings or in relation to such proceedings, including advice on the possibility of instituting or avoiding legal proceedings.

Article 24

Casinos

1. Persons performing the activity of casino management, indicated in Article 14(1)(d), shall identify and verify the identity of all customers who purchase or exchange gambling chips or other means of gambling amounting to €2,000 or more.

2. The customer due diligence requirements shall be deemed to have been satisfied if public casinos register, identify and verify the identity of their customers immediately on or before entry, regardless of the amount of gambling chips purchased, and, with effect from 30 April 2010, adopt suitable procedures to link ID data with each customer's purchases and exchange of gambling chips for an amount equal to or exceeding that specified in paragraph 1.

3. The following information shall be acquired and retained using the procedures referred to in Article 39:

a) the ID data;

b) the date of the transaction;

c) the value of the transaction and the means of payment used.

4. Persons who manage the gambling activities indicated in Article 14, paragraph 1, letter *e-bis*, shall identify and verify the identity of every customer holding 1,000 euro or more in accordance with the procedures of paragraph 3. Persons who manage the on-line gambling activities indicated in Article 14, paragraph 1, letter *e*, shall identify and verify the identity of every customer holding 1,000 euro or more and permit the recharging of gambling accounts, purchases and exchanges of means of gambling exclusively through means of payment, including electronic money, for which it is possible to satisfy the identification requirements established by this decree. To this end, they must obtain and record the information concerning:

a) the ID data declared by the customer upon opening gambling accounts or applying for on-line gambling access credentials;

b) the date on which gambling accounts are opened and recharged and on which collections are made on such accounts;

c) the value of the above-mentioned transactions and the means of payment used;

d) the IP address, date, time and duration of the electronic connections during which the customer, accessing the on-line casino manager's systems, carries out the above-mentioned transactions.

5. By way of derogation from Article 36, the data referred to in paragraph 4(d) shall be retained by persons referred to in Article 14(1)(e) for a period of two years from the date of communication. The same data shall be retained for the period provided for in Article 36 by the providers of electronic communication and may be requested from them by the control bodies referred to in Article 53.

6. The sectoral supervisory authorities and control bodies, including the Special Foreign Exchange Unit of the Finance Police, within their respective spheres of competence, shall report to the Financial Security Committee at least once a year on the adequacy of the systems adopted by the individual casinos to prevent and combat money laundering and terrorist financing.

Section II

Simplified customer due diligence

Article 25

Simplified requirements

1. Persons subject to this decree shall not be subject to the requirements provided for in Section I, with the exception of those referred to in letter c) of Article 15, in letter d) of Article 16, and in letter c) of Article 17, if the customer is:

a) one of the persons indicated in Articles 11(1) and 11(2)(b);

b) an EU credit or financial institution covered by the Directive;

c) a credit or financial institution located in a non-EU country that establishes equivalent requirements to those laid down in the Directive and provides for control on compliance with such requirements.

c-bis) a company or other share-holder body whose financial instruments are eligible to be negotiated in the regulated market, in accordance with Directive 2004/39/EC, in one or more member countries, or a company or other share-holder body from a foreign country subject to communication requirements conforming to Community regulations.

2. The Minister for the Economy and Finance, after consulting the Financial Security Committee, shall issue a decree identifying the non-EU countries whose regime is deemed equivalent.

3. Identification and verification shall not be required if the customer is an office of general government or an institution or organization performing public functions in accordance with the treaty on European Union, the treaties on the European Communities or secondary Community law.

4. In the cases referred to in paragraphs 1 and 3, institutions and persons subject to this decree shall in any case gather sufficient information to establish whether the customer can benefit from one of the exemptions provided for in those paragraphs.

5. The simplified customer due diligence requirements shall not apply where there is a reason to believe that the identification made pursuant to this article is not reliable or where it does not permit the necessary information to be acquired.

6. Institutions and persons subject to this decree shall be authorized not to apply customer due diligence in respect of:

a) life insurance policies where the annual premium is not more than €1,000 or the single premium is not more than €2,500;

b) supplementary pension schemes governed by Legislative Decree 252/2005, provided that they do not envisage redemption clauses other than those referred to in Article 14 of such decree and may not be used as collateral for a loan except in the circumstances provided for by the legislation in force;

c) compulsory and supplementary pension regimes or similar systems that provide retirement benefits, where contributions are made by way of deduction from income payments and the rules do not permit the re-assignment of a member's interest except to his survivors;

d) electronic money as defined in Article 1(2)(h-ter) of the Consolidated Law on Banking, where, if the device cannot be recharged, the maximum amount stored in the device is no more than €150 or, where, if the device can be recharged, a limit of €2,500 is imposed on the total amount transacted in a calendar year, except when an amount of €1,000 or more is redeemed in that same calendar year by the bearer pursuant to Article 3(3) of Regulation (EC) 1781/2006;

e) any other product or transaction characterized by a low risk of money laundering or terrorist financing that satisfies the technical criteria established by the European Commission in accordance with Article 40(1)(b) of the Directive, if authorized by the Minister for the Economy and Finance in the manner referred to in Article 26.

Article 26

Technical criteria and simplified customer due diligence procedures

1. The Minister for the Economy and Finance, after consulting the Financial Security Committee, may issue a decree authorizing the total or partial application of simplified due

diligence procedures to persons and products representing a low risk of money laundering or terrorist financing, on the basis of the criteria referred to in the Technical Annex.

Article 27

Exclusions

1. When the European Union adopts a decision regarding a non-EU country in accordance with Article 40(4) of the Directive, institutions and persons subject to this decree may not apply simplified due diligence to credit and financial institutions or listed companies from the country concerned or to other persons on the basis of situations that satisfy the technical criteria established by the European Commission in accordance with Article 40(1)(b) of the Directive.

Section III

Enhanced customer due diligence

Article 28

Enhanced requirements

1. Institutions and persons covered by the Directive shall apply enhanced due diligence measures when there is a greater risk of money laundering or terrorist financing and always in the cases indicated in paragraphs 2, 4 and 5.

2. When the customer is not physically present, institutions and persons subject to this decree shall take specific and adequate steps to compensate for the greater risk by applying one or more of the following measures:

a) ascertaining the customer's identity on the basis of additional documents, data or information;

b) adopting supplementary measures to verify or certify the documents supplied, or requiring confirmatory certification by a credit or financial institution covered by the Directive;

c) ensuring that the first payment relating to the transaction is carried out through an account in the customer's name with a credit institution.

3. The customer identification and due diligence requirements shall in any case be deemed satisfied, even without the customer's physical presence, in the following cases:

a) where the customer is already identified in connection with an existing relationship, provided the existing information is up to date;

b) for transactions carried out using night safes or automated teller machines, by correspondence or through persons who perform valuable transport activity or by means of payment cards; such transactions shall be imputed to the person in whose name the relationship is established;

c) for customers whose ID data and other information to be acquired are shown by public acts, authenticated private writings or qualified certificates used for generating a digital

signature associated with electronic documents pursuant to Article 24 of Legislative Decree 82/2005;

d) for customers whose ID data and other information to be acquired are shown by a declaration of the Italian consular representation, as indicated in Article 6 of Legislative Decree 153/1997.

4. In the case of correspondent accounts with non-EU respondent institutions, credit institutions must:

a) gather sufficient information about the respondent credit institution to fully understand the nature of the respondent's business and to determine, on the basis of public registers, lists, acts or publicly available documents, the reputation of the institution and the quality of the supervision to which it is subject;

b) assess the quality of the anti-money-laundering and anti-terrorist-financing controls to which the respondent institution is subject;

c) obtain the authorization of the general manager, his delegate or a person performing an equivalent function before opening new correspondent accounts;

d) define in writing the terms of the agreement with the respondent and the respective obligations of each institution;

e) with respect to payable-through accounts, ascertain that the respondent credit institution has performed ongoing due diligence on the customer and is able to provide relevant due diligence data on the customer and on the beneficial owner to the counterparty financial intermediary upon request.

5. In respect of transactions, continuous relationships or professional services with politically exposed persons resident in another EU country or a non-EU country, institutions and persons subject to this decree must:

a) establish adequate risk-based procedures to determine whether the customer is a politically exposed person;

b) obtain the authorization of the general manager, his delegate or a person performing an equivalent function before establishing a continuous relationship with such customers;

c) take all necessary measures to establish the source of wealth and source of funds that are involved in the continuous relationship or the transaction;

d) conduct enhanced ongoing monitoring of the continuous relationship or professional service.

6. Financial intermediaries may not open or maintain, even indirectly, correspondent accounts with a shell bank.

7. Institutions and persons subject to this decree shall pay special attention to any money laundering or terrorist financing threat that may arise from products or transactions that

might favour anonymity and take measures, if needed, to prevent their use for money laundering or terrorist financing purposes.

7-bis. On the basis of decisions taken by the FATF, by regional groups formed according to the FATF model, and by the OECD, as well as on the basis of information gathered by evaluation groups of national systems for the prevention of money laundering and terrorist financing and on the basis of the difficulties encountered in the exchange of information and in bilateral cooperation, the Ministry of Economy and Finance, by Decree, having heard the Financial Security Committee, will issue a list of Countries with money laundering or terrorist financing risks, or with no adequate exchange of information even in regard to fiscal matters.

7-ter. The institutions and persons subject to the present decree referred to in Articles 10, paragraph 2, excepting letter *g*), 11, 12, 13, and 14, paragraph 1, letters *a*), *b*), *c*), and *f*), will refrain from establishing a continuous relationship with, carrying out transactions or professional services for, or will terminate the continuous relationship or professional arrangement already in existence with trust companies, trusts, anonymous companies or companies controlled by bearer shares, having a branch in the Countries listed in the Decree referred to in 7-bis. These measures also apply to any other legal entities, whatever they may be called, having a branch in the aforementioned Countries, for which it is not possible to determine or verify the identity of the beneficial owner.

7-quater. The Decree referred to in paragraph 7-bis will establish the relevant procedures and the timeframe for the obligations referred to in paragraph 7-ter.

Section IV

Performance by third parties

Article 29

Scope and responsibility

1. In order to avoid repeating the customer due diligence procedures referred to in Articles 18(1)(a), 18(1)(b) and 18(1)(c), institutions and persons subject to this decree may rely on third parties to satisfy the customer due diligence requirements. The ultimate responsibility for satisfying such requirement shall rest with the institutions and persons subject to this decree that resort to third parties.

Article 30

Manner of performance of customer due diligence by third parties

1. The customer due diligence requirements referred to in Articles 18(1)(a), 18(1)(b) and 18(1)(c) shall be deemed satisfied, even in the absence of the customer, when suitable attestation is provided by one of the following persons with whom customers have continuous relationships or whom they have engaged to perform a professional service in connection with which they have already been identified in person:

a) intermediaries referred to in Article 11, paragraph 1, as well as their branches located in non-EU countries that apply measures equivalent to those of the Directive;

b) credit institutions and financial institutions of member states of the European Union, as defined in Articles 3(1), 3(2)(b), 3(2)(c) and 3(2)(d) of the Directive;

c) banks having their legal and administrative headquarters in non-EU countries that apply measures equivalent to those of the Directive;

d) professionals referred to in Article 12, paragraph 1, and Article 13, paragraph 1, letter b), in respect of other professionals.

2. The attestation must be able to confirm that the person who must be identified and the holder of the account or of the relationship established with the attesting intermediary or professional are identical and the exactness of the information transmitted at a distance.

3. The attestation may consist in a credit transfer drawing on the account for which the customer has been identified in person, containing a code issued to the customer by the intermediary that must make the identification.

3-bis. The attestation may also consist in the electronic submission of the personal data of the customer by the intermediary that verified the customer's identity through direct contact.

4. In no case may the attestation be issued by persons that have no physical establishments in any country.

5. The sectoral supervisory authorities may provide for additional forms and particular procedures of attestation pursuant to Article 7(2), including in the light of the evolution of distance communication techniques.

6. Where doubts arise at any time about the customer's identity, the persons obligated under this decree shall carry out a new identification that establishes his identity with certainty.

7. For customers contact with whom was made through a person engaged in financial activity referred to in Article 11(3), the intermediary may make the identification by obtaining the necessary information from the person engaged in financial activity, even without the simultaneous presence of the customer.

8. In the case of continuous relationships involving consumer credit, leasing, electronic money issuance and other types of transaction indicated by the Bank of Italy, the identification may be made by external collaborators tied to the intermediary by a special agreement in which the requirements established by this decree are specified and the procedures for satisfying them are regulated in accordance therewith.

Article 31

Recognition at European Union level of satisfaction of due diligence by third parties

1. In the cases provided for in Article 30(1)(a), persons referred to in Article 11 shall recognize the results of customer due diligence measures provided for in Articles 18(1)(a), 18(1)(b) and 18(1)(c) performed by a credit institution or financial institution of another EU country, provided they satisfy the requirements referred to in Articles 32 and 34, even if the

documents or data on which such requirements are based are different from those required in the EU country in which the customer was presented.

2. In the cases provided for in Article 30(1)(d), persons referred to in Articles 12(1)(a), 12(1)(b) and 12(1)(c) shall recognize the results of the customer due diligence measures provided for in Articles 18(1)(a), 18(1)(b) and 18(1)(c) performed by a person referred to in Article 2(1)(3)(a), 2(1)(3)(b) or 2(1)(3)(c) of the Directive located in another EU country, provided they satisfy the requirements referred to in Articles 32 and 34, even if the documents or data on which such requirements are based are different from those required in the EU country in which the customer was presented.

Article 32

Requirements for third parties

1. For the purposes of this section, “third parties” shall mean the institutions or persons enumerated in Article 2 of the Directive or equivalent institutions and persons located in a non-EU country that satisfy the following requirements:

a) they are subject to mandatory professional registration, recognized by law;

b) they apply customer due diligence requirements and record-keeping requirements identical or equivalent to those laid down in the Directive and are supervised for their compliance with the requirements of Chapter V, Section 2 ,of the Directive, or they are located in a non-EU country that imposes equivalent requirements to those laid down by the Directive.

Article 33

Exclusions

1. When the European Union adopts a decision regarding a non-EU country in accordance with Article 40(4) of the Directive, persons subject to this decree may not rely on third parties of the non-EU country concerned to satisfy the requirements referred to in Articles 18(1)(a), 18(1)(b) and 18(1)(c).

Article 34

Obligations of third parties

1. Third parties shall make information requested in accordance with the requirements of Articles 18(1)(a), 18(1)(b) and 18(1)(c) immediately available to the institution or person subject to this decree to which the customer was presented.

2. Copies of identification and verification data and other relevant documentation on the identity of the customer or beneficial owner shall be transmitted without delay, on request, by the third party to the institution or person subject to this decree to which the customer was presented.

3. Recourse to foreign third parties shall be permitted, provided that the legislation applicable to them imposes requirements equivalent to those laid down in paragraphs 1 and 2.

Article 35

Outsourcing or agency relationships

1. This section shall not apply to outsourcing or agency relationships where, on the basis of a contractual relationship, the outsourcing service provider or agent is to be regarded as part of the institution or person subject to this decree.

Chapter II

RECORDING REQUIREMENTS

Article 36

Record-keeping requirements

1. Persons indicated in Articles 11, 12, 13 and 14 shall retain the documents and record the information acquired in satisfying the customer due diligence requirements for use in any investigation into, or analysis of, possible money laundering or terrorist financing conducted by the FIU or other competent authorities. In particular:

a) in the case of requirements for adequate verification of the customer or beneficial owner, they shall retain a copy or the references of the documents required for a period of ten years after the continuous relationship or professional service has ended;

b) in the case of transactions, continuous relationships and professional services, they shall keep the supporting evidence and records, consisting of the original documents or copies admissible in court proceedings, for a period of ten years following the carrying-out of the transaction or the end of the continuous relationship or professional service.

2. Persons indicated in Articles 11, 12, 13 and 14 shall record the following information with the procedures indicated in this chapter and keep records thereof for a period of ten years:

a) for continuous relationships and professional services: the date of establishment and the personal data of the customer and the beneficial owner, together with the names and addresses of the persons delegated to operate on behalf of the holder of the relationship and, where applicable, the code of the relationship;

b) for all transactions amounting to €15,000 or more, whether carried out in a single operation or in several operations which appear to be related or split: the date, the payment details, the amount, the type of transaction, the means of payment and the ID data of the person carrying out the transaction and, where applicable, of the person on whose behalf it is being carried out.

2-bis. The intermediaries referred to in Article 11, paragraph 1, will also, using the procedures indicated in the present Chapter, record and keep for a period of ten years the transactions of less than 15,000 euro, for which the financial agents referred to in Article 11, paragraph 3, letter *d)* are required to observe the obligations of adequate verification of the customer in accordance with Article 15, paragraph 4.

3. The information referred to in paragraph 2 shall be recorded promptly and in any case not later than the thirtieth day following the carrying out of the transaction or the opening,

variation or closure of the continuous relationship, or the acceptance of the professional task, the possible subsequent discovery of additional information, or the end of the professional service.

4. For persons referred to in Article 11(1), the time limit referred to in paragraph 3 shall elapse from the day on which they receive the data from persons referred to in Article 11(3) or from other parties who operate on behalf of the intermediaries, who must in turn forward the data within thirty days.

5. For intermediaries referred to in Article 109(2)(b) of the Private Insurance Code, the data communication requirements, pertaining to transactions involving the collection of premiums or payment of amounts due to the insured, shall apply only if such activities are expressly provided for in the agreement signed or ratified by the company.

6. Data and information recorded pursuant to this chapter may be used for tax purposes in accordance with the provisions in force.

6-bis. The provisions of the present Chapter do not apply in the case of simplified requirements for adequate verification of the customer referred to in Article 2

Article 37

Single electronic archive

1. For the purposes of compliance with the registration requirements referred to in Article 36, financial intermediaries referred to in Articles 11(1) and 11(2)(a), auditing firms referred to in Article 13(1)(a) and the other persons referred to in Article 14(1)(e) shall create a single electronic archive.

2. The single electronic archive shall be set up and managed in such a way as to ensure the clarity, completeness and immediacy of the data, their retention according to uniform criteria, maintenance of the chronological order of the data, the possibility of deriving integrated records, and ease of consultation. It must be structured in a way that limits the burden on the different obligated persons, takes their operating particularities into account, and simplifies recording.

3. The creation of a single electronic archive shall be mandatory only in the event that there are data or information to be recorded.

4. An autonomous service centre may be used to create, keep and manage the single electronic archive, without prejudice to the specific responsibilities imposed by law on the obligated person and provided the latter is ensured direct and immediate access to the archive.

5. Financial intermediaries belonging to the same group may use a single service centre to keep and manage their own archives so that a delegate may extract integrated records at group level, including under the provisions of Article 41. The logical distinction and separation of the records of each intermediary must always be ensured.

6. The ID data and other information relating to continuous relationships, professional services and transactions may also be kept in electronic archives other than the single

archive, provided the possibility of extracting integrated information and the chronological order of the information and data is ensured.

7. The Bank of Italy shall issue provisions on the keeping of the single electronic archive, in agreement with the other supervisory authorities and after consulting the FIU.

8. For persons referred to in Articles 11(1)(o), 11(2)(b), 11(2)(c) and 11(2)(d), the Bank of Italy shall establish simplified recording procedures.

Article 38

Recording procedures for professionals referred to in Article 12 and auditors referred to in Article 13(1)(b)

1. For the purposes of compliance with the recording requirements of Article 36, professionals referred to in Article 12 and persons referred to in Article 13(1)(b) shall institute an archive set up and managed using IT systems, without prejudice to the provisions of paragraph 2.

1-bis. The parties indicated in paragraph 1 will record promptly and in any case not later than within thirty days of the acceptance of the professional task, of the possible subsequent discovery of additional information, or of the end of the professional service, the data indicated in Article 36, paragraph 2, the usual validity of identification documents notwithstanding.

2. As an alternative to the archive, the persons indicated in paragraph 2 may establish an anti-money-laundering customer register in which they keep customer ID data. The documentation and additional data and information shall be kept in the file on each customer.

3. The customer register shall be numbered progressively and initialed on each page by the obligated person or a person appointed by him in writing, with an indication at the bottom of the last sheet of the number of pages of which the register is composed and the signature of the above-mentioned persons. The register shall be kept in an orderly manner, without blank spaces or erasures.

4. The data and information recorded with the procedures referred to in paragraph 2 shall be made available within three days upon request.

5. Where persons referred to in paragraph 1 perform their activity in more than one business office, they may institute a customer register for each of them.

6. The safekeeping of documents, attestations and acts with a notary and keeping of notary's registers in accordance with Law 89/1913 and with the regulation referred to in Royal Decree 1326/1914 as amended, and the description of means of payment pursuant to Article

35(22) of Decree Law 223/2006, ratified with amendments by Law 248/2006, shall constitute suitable procedures for recording data and information.

6-bis. The professional associations referred to in Article 43 that are considered self-regulating bodies of the professions may institute, by Decree of the Ministry of Economy and Finance in concert with the Minister of Justice, electronic systems of record-keeping for public and authenticated acts, their authentic copies, and any type of information derived from or related to them, in order that the aforementioned can be used for any investigation regarding transactions of money laundering or terrorist financing, or for corresponding analysis. The implementation of the present paragraph shall not create any new or increased burden on public finances.

7. The Ministry of Justice shall issue provisions applying this article after consulting the professional associations.

Article 39

Recording procedure for persons indicated in Articles 14(1)(a), 14(1)(b), 14(1)(c), 14(1)(d) and 14(1)(f)

1. For the purposes of compliance with the registration requirements referred to in Article 36, persons referred to in Articles 14(1)(a), 14(1)(b), 14(1)(c), 14(1)(d), 14(1)(e-bis), and 14(1)(f) shall use the IT systems with which they are equipped for the performance of their activity, processing the information contained therein every month.
2. The data and information recorded with the procedures referred to in paragraph 1 shall be made available within three days upon request.
3. As an alternative to the procedures referred to in paragraph 1, the single electronic archive may be established or the procedures indicated in Article 38 may be used.
4. The Ministry for the Economy and Finance, in concert with the Ministry of the Interior, after consulting the trade associations, shall specify technical details for this article and for Article 24(3).
5. For persons subject to this article, the Ministry for the Economy and Finance, in concert with the Ministry of the Interior, may establish different recording procedures from those provided for in this article.

Article 40

Aggregate data

1. The financial intermediaries specified in Article 11(1) with the exception of letters h) and i) and (2)(a), and the audit firms listed under Article 13(1)(a), 11(1)(l), 11(1)(n), and 11(1)(o) and Article (2)(a), and the auditing firms indicated in Article 13(1)(a) shall send the FIU, at monthly intervals, the aggregate data on their business activity in order to allow analyses to

reveal if there is any money-laundering or terrorist financing activity in any particular areas of the country.

2. The FIU shall identify the types of data to be sent and shall define how these data are to be aggregated and transmitted. The FIU shall verify fulfillment of the requirements referred to in the present article, including by way of direct access to the single electronic archive.

CHAPTER III

REPORTING OBLIGATIONS

Article 41

Reporting of suspicious transactions

1. The persons specified in Articles 10(2), 11, 12, 13 and 14 shall send a report of any suspicious transactions to the FIU whenever they know, suspect or have reason to suspect that money-laundering or terrorist financing is being or has been carried out or attempted. The suspicion may arise from the characteristics, size or nature of the transaction or from any other circumstance ascertained as a result of the functions carried out, also taking account of the economic capacity and the activity engaged in by the person in question, on the basis of information available to the reporters, acquired in the course of their work or following the acceptance of an assignment. Frequent or unjustified recourse to cash transactions will represent cause for suspicion, even if not in violation of the limits referred to in Article 49, and, in particular, cash withdrawals or deposits through financial intermediaries for amounts equal to or greater than 15,000 euro.

1-bis. The content of the reports will be defined by the FIU, which will issue instructions in accordance with Article 6, paragraph 6, letter e-bis).

2. For the purpose of facilitating the identification of suspicious transactions, on the proposal of the FIU, anomaly indicators are issued and periodically updated:

a) for the persons specified in Article 10(2)(a), 10(2)(b), 10(2)(c), 10(2)(d), and 10(2)(f), for financial intermediaries and other persons carrying out financial activities referred to in Article 11 and for the persons specified in Article 13(1)(a), even if they are simultaneously entered in the auditors' register, by order of the Bank of Italy;

b) for professionals referred to in Article 12 and for auditors indicated under Article 13(1)(b), with a Minister of Justice decree, after consulting the professional associations;

c) for the persons indicated Article 10(2)(e) and (g), and for those indicated in Article 14 with a Minister of the Interior decree.

3. Before the anomaly indicators drawn up under paragraph 2 are issued, they shall be submitted to the Financial Security Committee to ensure coordination.

4. Reports shall be made without delay, where possible before the transaction is effected, as soon as the person required to make a report has grounds for suspicion.

5. Persons required to make a report shall not execute the transaction until a report has been made, unless it is impossible not to execute it given normal operating procedures or if not executing it could obstruct the investigation.

6. Reports of suspicious transactions carried out in the meaning of and for the effects of this present chapter shall not constitute a violation of secrecy requirements, professional secrecy or any limits to the communication of information imposed by contract or by laws, regulations or administrative provisions and, if the reports are made for the envisaged purposes and in good faith, they shall not incur liability of any kind.

Article 42

Reporting procedures for financial intermediaries and asset management companies referred to in Article 10(2)

1. The persons specified in Articles 10(2)(a), 10(2)(b), 10(2)(c), 10(2)(d), 11(1), and 11(2), in the context of organizational autonomy, shall ensure uniform behaviour of staff in identifying the transactions referred to in Article 41 and can arrange procedures for examining transactions, including with the use of auxiliary information technology, and including on the basis of data obtained from the single electronic archive.

2. The head of the branch, office, other operating, organizational or structural unit of the intermediary in charge of the administration and the actual management of customer relations is required to report without delay any transactions referred to in Article 41 to the owner of the business, the legal representative or his/her delegate.

3. Persons referred to in Article 11(3) shall fulfill their reporting obligations as under paragraphs (1) and (2) by sending their report to the owner of the business or to the legal representative of the reference intermediary or his/her delegate, for the purposes referred to in Article 41(1). UIF shall directly transmit the suspicious transaction report to the subjects indicated under Article 11(3)(b) for insurance intermediaries under Article 109(2)(b) of Private Insurance Code (CAP) and Article 11(3)(c), whereby a reference intermediary cannot be ex ante identified. The reporting shall be sent to UIF by the agents indicated under Article 128- quarter(7) of the Consolidated Law on Banking either directly or through the central contact point possibly established in Italy by the electronic money institution or the Community payment institution.

4. The owner of the business, the legal representative or his/her delegate shall examine any report received and, if it is considered founded, taking account of all the information available, including that obtainable from the single electronic archive, shall transmit it to the FIU, without naming the source.

Article 43

Reporting procedures for professionals

1. The professionals referred to in Articles 12(1)(a) and 12(1)(c) shall send the report referred to in Article 41 directly to the FIU or to the professional associations referred to in paragraph (2).

2. The professional associations that according to paragraph (1) can receive the report of a suspicious transaction from one of their members are named by decree of the Minister for the Economy and Finance, in agreement with the Ministry of Justice.

3. Associations that have received a report shall transmit it without delay to the FIU, without naming the source.

2. Associations that have received a report shall keep a record of the name of the reporter for the purposes referred to in Article 45(3).

Article 44

Reporting procedures for the auditing firms referred to in Article 13(1)(a)

1. For the auditing firms referred to in Article 13(1)(a), the person responsible for managing customer relations and who participates in providing the service, is required to report without delay transactions referred to in Article 41 to the legal representative or his/her delegate.

2. The legal representative or his/her delegate shall examine the report received and, if he/she considers it well founded taking account of all the information available, including that obtainable from complying with the recording requirements referred to in Article 36, and send it to the FIU without naming the source.

Article 45

Protection of privacy

1. The persons with reporting obligations under Article 41 shall adopt adequate measures to ensure the maximum protection of the identity of the individuals who make reports. Acts and documents that give the identifying particulars of such individuals must be kept under the direct responsibility of the owner or legal representative of the business or his/her delegate.

2. The professional associations referred to in Article 43(2) shall adopt adequate measures to ensure the maximum protection of the identity of professionals who make a report. Acts and documents that give the identifying particulars of such individuals must be kept under the direct responsibility of the president or of his/her delegate.

3. The FIU, the Finance Police and the Bureau of Antimafia Investigation, for the purpose of analyzing or of making a thorough investigation of a report made under Article 47, can request further information from the person who made the report, and from persons in any case subject to the obligations referred to in Article 10 who are connected with the report, in the following ways:

a) if the report is made according to the procedures given in Articles 42 and 44, the information shall be requested from the financial intermediary and from persons in any case subject to the obligations referred to in Article 10 who are connected with the report, or from the auditing firm referred to in Article 13(1)(a);

b) in the case of professional associations identified pursuant to Article 43(2), the information shall be requested from the competent association;

c) in the case of a report made by a professional who is not a member of a professional association, or by other persons referred to in Articles 10(2)(e), 13(1)(b) and 14, the information shall be requested from the individual making the report, taking adequate measures to ensure confidentiality as under paragraph 5.

4. Reports of suspicious transactions, any requests for further details, as well as requests for an exchange of information about the suspicious transactions reported between the FIU, the Finance Police, the Bureau of Antimafia Investigation, the supervisory authorities and the professional associations shall be sent electronically, in such a way as to ensure that the report only reaches the people concerned and that the information sent is received intact and in its entirety.

5. The FIU, the Finance Police, and the Bureau of Antimafia Investigation shall adopt, including on the basis of memoranda of understanding and having consulted the Financial Security Committee, adequate measures to ensure the maximum protection of the identity of those who make reports.

6. In the event of a complaint or a report within the meaning of Articles 331 and 347 of the Code of Penal Procedure, the identity of the natural persons and of the persons in any case subject to the obligations referred to in Article 10 who have made a report, even if it is known, shall not be mentioned.

7. The identity of natural persons and of the persons in any case subject to the obligations referred to in Article 10 can only be revealed when the judicial authority, by reasoned decree, deems it indispensable for the purposes of ascertaining the crimes that are the subject of proceedings.

8. In cases other than those envisaged in paragraph 7, in the event of seizure of acts or documents, all necessary precautions shall be taken to ensure the protection of the identity of the natural persons and of the persons in any case subject to the obligations referred to in Article 10 who have made the reports.

Article 46

Ban on communication

1. Those subject to reporting obligations under Article 41 and whosoever may in any case be aware of a report's having been made shall be prohibited from passing on this information except in the cases envisaged by this decree.

2. The ban under paragraph 1 shall not include communications made for investigative purposes, nor communications made to sectoral supervisory authorities in the course of the controls envisaged in Article 53 or in other cases of communications foreseen by law.

3. The persons subject to reporting obligations may not inform the interested party or third parties that a report of a suspicious transaction has been made or that an investigation is being or may be conducted into money laundering or terrorist financing.

4. The ban under paragraph 1 shall not prevent communication between financial intermediaries belonging to the same group, even if they are located in third countries, on the condition that they apply measures equivalent to those foreseen by the Directive.
5. The ban under paragraph 1 shall not prevent communication between persons referred to in Article 12(1)(a), 12(1)(b) or 12(1)(c) who perform their professional services in association, as employees or collaborators, even if located in third countries, on the condition that they apply measures equivalent to those foreseen by the present decree.
6. In cases relating to the same customer or the same transactions involving two or more financial intermediaries or two or more persons referred to in Article 12(1)(a), 12(1)(b) or 12(1)(c), the ban under paragraph 1 shall not prevent communication between the intermediaries or persons in question, even if located in non-EU countries, on the condition that the countries apply measures equivalent to those foreseen by the Directive, without prejudice to the provisions of Articles 42, 43 and 44 of the Personal Data Protection Code. The information exchanged may only be used for the purpose of the prevention of money laundering or terrorist financing.
7. An attempt by one of the persons referred to in Article 12(1)(a), 12(1)(b) or 12(1)(c) to dissuade the customer from carrying out an illegal activity does not constitute a communication forbidden by paragraph 6.
8. When the European Commission adopts a decision under Article 40(4) of the Directive, the communications referred to in paragraphs 4, 5 and 6 are forbidden.

Article 47

Analysis of the report

1. The FIU, having heard the Financial Security Committee, shall define the criteria for the thorough financial examination of the reports of suspicious transactions and will carry out the following activities:
 - a) based on the results of the analyses and studies carried out and inspections, conduct more thorough examination, from the financial point of view, of the reports received and of suspicious transactions that have not been reported but of which it is aware on the basis of data and information contained in its own files archives or on the basis of information received from the investigative bodies referred to Article 9(10), from the sectoral supervisory authorities, from professional associations and from FIUs abroad;
 - b) on the basis of memoranda of understanding, conduct an in-depth analysis involving the competences of the sectoral supervisory authorities, which shall supplement the information by supplying further information from their own archives;
 - c) close the reports considered unfounded, keeping them on file for ten years, following procedures that allow consultation by the investigative bodies referred to in Article 8(3), on the basis of the memoranda of understanding.
 - d) apart from the cases envisaged by subparagraph c, without prejudice to that envisaged under Article 331 of the Code of Penal Procedure, transmit the reports, compiled within the meaning of this paragraph and including a technical report containing the information on the

transactions provoking the suspicion of money laundering or terrorist financing, without delay, including on the basis of memoranda of understanding, to the Bureau of Antimafia Investigation and the Special Foreign Exchange Unit of the Finance Police, which will inform the National Antimafia Prosecutor, whenever it relates to organized crime.

Article 48

Return flow of information

1. The transmission of a report to the investigative bodies referred to in Article 8(3) or the closure of a report shall be communicated, when this does not affect the result of the investigations, by the FIU directly to the reporter or via the professional associations referred to in Article 43(2).
2. The investigative bodies referred to in Article 8(3) shall inform the FIU of reports of suspicious transactions that are no longer under investigation.
3. The FIU, the Finance Police and the Bureau of Antimafia Investigation shall provide to the Financial Security Committee, in the context of the communication referred to in Article 5(3)(b), information on the types and phenomena observed in the preceding calendar year, in the context of activities to prevent money laundering and terrorist financing, and on the results of the reports divided by category of reporter, transaction type and geographical area.
4. The return flow of information shall be subject to the same ban on communication to customers or third parties referred to in Article 46, paragraphs 1 and 3.

TITLE III

FURTHER MEASURES

Article 49

Limitations on the use of cash and bearer instruments

1. It is forbidden for any reason to transfer cash or bank or postal bearer deposit instruments or bearer instruments in euro or foreign currency between different persons when the value of the transfer is in total equal to or greater than 1,000 euro. Transfers are also forbidden when carried out as a series of payments that appear to be intentionally divided into amounts lesser than the limit. Transfers may however be made through banks, electronic currency institutes, Poste italiane S.p.a, and payment institutions, whereby the latter provide payment services other the ones listed under Article 1(1)(b)(6) of Legislative Decree n. 11 of 27 January 2010.
1-bis. For negotiation through currency payment means carried out by subjects listed under Article 17-bis of Legislative Decree n. 141 of 13 August 2010, the threshold set out under paragraph 1 shall amount to 2,500 euro.
2. Transferring cash by means of persons referred to in paragraph 1 must be done according to an order accepted in writing by such persons, after prior delivery to them of the cash. From the third working day following that of such acceptance, the beneficiary shall have the right to obtain the payment in the province of domicile.

3. Communication by the debtor to the creditor of acceptance under paragraph 2 produces the effect referred to in the first paragraph of Article 1277 of the Italian Civil Code and, if the creditor refuses to accept the payment, that of the power of deposit referred to in Article 1210 of the Code.
4. Bank and postal cheques are issued by the banks and Poste Italiane S.p.A. with a “not transferable” clause. Customers must make a written request for cheques without this clause.
5. Bank and postal cheques issued for amounts equal to or greater than 1,000 euro must carry the personal or business name of the beneficiary and the “not transferable” clause.
6. Bank and postal cheques issued to the order of the drawer can be endorsed for payment exclusively into a bank or Poste Italiane S.p.A.
7. Bankers’ drafts, postal money orders and promissory notes shall be issued in the personal or business name of the beneficiary and carry the “not transferable” clause
8. The issuing of bankers’ drafts, postal orders and promissory notes for amounts below 1,000 euro without the “not transferable” clause can be requested by the customer in writing.
9. Anyone requesting a banker’s draft, promissory note or equivalent instrument made out in the name of third parties and issued with the “non transferable” clause, can request the withdrawal of the provision if the instrument is returned to the issuer.
10. For each bank or postal cheque requested without the “non transferable” clause or for each bankers’ draft or postal order or promissory note issued without such clause, the sum of €1.50 must be paid for stamp duty.
11. Persons authorized to use the communications referred to in Article 7(6) of Presidential Decree 605/1973 as amended can ask the bank or Poste Italiane S.p.A. for the identifying particulars and tax code of the persons to whom bank or postal cheques without the “not transferable” clause have been issued, or who have requested bankers’ drafts or postal orders or promissory notes without such clause, or who have presented such instruments for encashment. The technical procedures for sending the data referred to in this paragraph are contained in a provision made by the Director of the Agenzia delle Entrate (Revenue Agency). The documentation regarding the data themselves constitute proof within the meaning of Article 234 of the Code of Penal Procedure.
12. Bearer bank or postal deposit books may not have a balance equal to or greater than 1,000 euro.
13. Bearer bank or postal deposit books with a balance equal to or greater than 1,000 euro in existence on the date of entry into force of this decree must be closed by the bearer, or their balance reduced to below said amount by 31 March 2012.
Banks and Poste Italiane S.p.A. must publicize and give ample information about this provision.
14. If the bearer bank or postal deposit books are transferred, the transferor shall, within 30 days, communicate the identifying particulars of the transferee, the acceptance by the transferee, and the date of the transfer to the bank or Poste Italiane S.p.A.

15. The provisions under paragraphs 1, 5 and 7 shall not apply to transfers in which the bank or Poste Italiane S.p.A. are parties, nor to transfers between the latter done in person or through the specialized carriers referred to in Article 14(1)(c).

16. The provisions under paragraph 1 shall not apply to transfers of certificates representing shares in which one or more of the persons indicated in Articles 11(1)(a), 11(1)(b) and 11(1)(d), 11(1)(e), 11(1)(f) or 11(1) (g) are parties.

17. The provisions remain unchanged regarding payments made to the State or other public entities and payments made by the latter to other persons. The possibility of making a payment in the meaning of Article 494 of the Code of Civil Procedure is also upheld.

20. The provisions contained in this present article shall enter into force on 30 April 2008.

Article 50

Ban on anonymous or fictitiously named accounts or savings books

1. The opening in any form of accounts or savings books anonymously or in a fictitious name is prohibited.

2. The use in any form of accounts or savings books anonymously or in a fictitious name opened in a foreign country is prohibited.

Article 51

Obligation to report to the Ministry for the Economy and Finance any infractions referred to in this Title

1. The persons subject to this decree who, by reason of their work and within the limits of their functions and activities, learn of infractions of the provisions contained in Article 49 (1), Article 49 (5), Article 49 (6), Article 49 (7), Article 49 (12), Article 49 (13), Article 49(14) or Article 50 shall, within 30 days, inform the Ministry for the Economy and Finance for the service of notification and other obligations envisaged by Article 14 of Law 689/1981 and the immediate notification of the infraction also to Guardia di Finanza, whereby they acknowledge the elements may be used for the purposes of the inspection activity, which shall give timely communication to Agenzia delle Entrate.

2. In the case of infractions regarding bank cheques, cashiers' cheques, bearer books or similar instruments, the communication must be made by the institution (bank or Poste Italiane S.p.A.) that accepting the payment and by the institution (bank or Poste Italiane S.p.A.) that carries out the extinction, unless the person required to report is certain that the other person required to report has already done so.

3. Whenever the infraction is a transfer reported pursuant to Article 41(1), the person that has reported the suspicious transaction shall not be required to make a communication pursuant to paragraph 1.

TITLE IV

SUPERVISION AND CONTROL

Article 52

Control bodies

1. Without prejudice to the provisions of the Italian Civil Code and special laws, the Board of Auditors, the Supervisory Board, the Management Control Committee, the supervisory body referred to in Article 6(1)(b) of Legislative Decree 231/2001 and all the persons charged with management control who are listed with the persons subject to the present decree shall monitor, in accordance with their respective functions and responsibilities, compliance with the regulations contained therein.

2. The bodies and persons referred to in paragraph 1 shall:

a) communicate, without delay, to the sectorial supervisory authorities all the acts or deeds coming to their notice in the course of their duties which could constitute a violation of the provisions issued under Article 7(2).

b) communicate, without delay, to the owner of the business or the legal representative or his/her delegate, any infractions of the provisions under Article (41) that come to their notice.

c) communicate, within thirty days, to the Ministry for the Economy and Finance any infractions of the provisions under Article 49(1), (5), (6), (7), (12), (13) and (14) and Article 50 that come to their notice.

d) communicate, within thirty days, to the financial surveillance authorities any infractions of the provisions contained in Article 36 that come to their notice.

Article 53

Controls

1. The sectoral supervisory authorities, in their respective competences, shall verify the adequacy of their organizational and procedural arrangements and compliance with the obligations contained in this decree and its implementing provisions by the persons indicated in Articles 10(2)(a), 10(2)(b), 10(2)(c), 10(2) (d) and 10(2)(f), financial intermediaries specified in Article 11(1), other persons engaged in financial activities indicated in Articles 11(3)(a) and 11(3)(b), and auditing firms referred to in Article 13(1)(a). The controls on financial intermediaries under Article 11(1)(c-bis) and in conjunction with letters (c-bis) and (n) of the same paragraph, as well as on auditors and audit firms under Article 13(1)(a) can be carried out with the prior agreement of the relevant supervisory authority, by the Special Foreign Exchange Unit of the Finance Police.

2. Controls on compliance with the obligations contained in this present decree and relative implementing provisions by persons listed in Articles 10(2)(e) and 10(2)(g), intermediaries under Article 11(2), other persons engaged in financial activities under Articles (11)(3)(c) and 11(3)(d), professionals referred to in Articles 12(1)(b) and 12(1)(d), auditors referred to in Article 13, paragraph 1, letter b), and other persons referred to in Article 14 shall be carried out by the Special Foreign Exchange Unit of the Finance Police.

3. The professional associations referred to in Article 8(1) shall perform the activity envisaged therein on the professionals referred to in Article 12, paragraph 1, letters a) and c), without prejudice to the power to carry out controls of the Special Foreign Exchange Unit of the Finance Police.

4. The FIU shall verify compliance with provisions regarding the prevention and repression of money laundering or terrorist financing with regard to the reporting of suspicious transactions and cases of failure to report suspicious transactions. For this purpose, the FIU may request the collaboration of the Special Foreign Exchange Unit of the Finance Police.

5. The supervisory authorities and the Special Foreign Exchange Unit of the of the Finance Police may make inspections and require the presentation or transmission of documents, acts and any other useful information. In the interests of administrative economy and containment of the costs borne by supervised intermediaries, the supervisory authorities and the Special Foreign Exchange Unit of the of the Finance Police shall plan their respective control activities and coordinate their procedures.

5-bis. Failure to establish a central contact point, or, whereby established, failure to use it from the side of agents as per Article 128-quarter(7) of Legislative Decree n. 385 of 1 September 1993, shall be deemed as a risk element to be kept into account for the purposes of selection and control activities under this Article.

Article 54

Staff training

1. Those persons subject to the obligations and the professional associations shall adopt measures for the adequate training of staff and collaborators for the correct application of the provisions of this decree. The procedures for implementing the aforementioned measures will be determined by the professional associations.

2. The measures referred to in paragraph 1 shall include training programmes to ensure recognition of activities potentially linked to money laundering or terrorist financing.

3. The competent authorities, in particular the FIU, the Finance Police and the Bureau of Antimafia Investigation, shall provide updated information about money-laundering and terrorist financing practices.

Title V

SANCTIONS AND FINAL PROVISIONS

Chapter I

CRIMINAL SANCTIONS

Article 55

Criminal sanctions

1. Unless the act constitutes a more serious crime, anyone contravening the provisions contained in Title II, Chapter I, concerning customer identification due diligence, shall be punished with a fine of from €2,600 to €13,000.
2. Unless the act constitutes a more serious crime, the executor of the transaction who fails to give the identifying particulars of the person for whom the transactions is executed or who provides false particulars shall be punished with from 6 to 12 months' imprisonment and a fine of from €500 to €5,000.
3. Unless the act constitutes a more serious crime, the executor of the transaction who fails to provide information on the purpose and the nature of the continuous relationship or the professional service or who provides false information in this regard shall be punished with from 6 months' to 3 years' imprisonment and a fine of from €5,000 to €50,000.
4. Anyone who is so required who fails to record the information referred to in Article 36, or who does so late or incompletely shall be punished with a fine of from €2,600 to €13,000.
5. Anyone who is so required who fails to make the communication referred to in Article 52(2) shall be punished with imprisonment of up to 1 year and a fine of from €100 to €1,000.
6. If the customer identification and recording requirements are fulfilled using fraudulent means such as to obstruct the identification of the person who effected the transaction, the sanctions referred to in paragraphs 1, 2 and 4 shall be doubled.
7. If the persons referred to in Article 11(1)(h), and 11(3)(c) and 11(3)(d) fail to make the communication envisaged by Article 36(4) or do so late or incompletely, the sanction referred to in paragraph 4 shall apply.
8. Unless the act constitutes a more serious crime, anyone who is so required who violates the bans on disclosure referred to in Articles 46(1) and 48(4) shall be punished with imprisonment from 6 months to 1 year or with a penalty of from €5,000 to €50,000.
9. Anyone who with the intention of profiting for him/herself or for others, makes improper use, not being the legitimate holder, of credit or payment cards or any other similar kind of document permitting cash withdrawal or purchase of goods or provision of services, shall be punished with 1 to 5 years' imprisonment and a fine of from €310 to €1,550. The same penalty shall apply to anyone who, for the purpose of profiting for him/herself or for others, falsifies or alters credit or payment cards or any other similar kind of document permitting cash withdrawal or purchase of goods or provision of services, or who holds, transfers or

purchases such cards or documents from an illegal source or in any case that have been falsified or altered, as well as payment orders produced with them.

9-bis. In the event of violations of the provisions under Article 131-ter of Legislative Decree n. 385 of 1 September 1993, as well as for serious and reiterated violations of provisions under (1) and (4) of this Article, it is obligatory to confiscate the instruments used to commit the crime from the financial agents that provide payment services through money remittance services as per Article 1(1)(n) of Legislative Decree n. 11 of 27 January 2010.

9-ter. The instruments seized for the purpose of confiscation as per paragraph 9-bis during judicial investigations shall be entrusted by the Judicial Authority to the police bodies applying for them.

Chapter II

ADMINISTRATIVE SANCTIONS

Article 56

1. In cases of failure to comply with the provisions recalled or adopted within the meaning of Articles 7(2), 54 and 61(1) a pecuniary administrative sanction of between €10,000 and €200,000 shall be imposed on the persons indicated in Article 10(2)(a), 10(2)(b), 10(2)(c) and 10(2)(d), the financial intermediaries referred to in subparagraphs a), b) and c) of Article 11(1) and Article 11(2) (a) and 11(2)(c), the other persons performing the financial activities referred to in Article 11(3)(b) and the auditing firms referred to in Article 13(1)(a).

The institutions under Articles 112-bis, 113(4) and 128-undecies of Legislative Decree n. 385 of 1 September 1993 shall activate the proceedings for removal from the relevant lists for serious violations of obligations imposed by the present Decree, consistently with the outcomes of the controls indicated in Article 53(2). In the cases indicated in the previous paragraph, as to the subjects enrolled in the Register as per Article 111 of Legislative Decree n. 385 of 10 September 1993, the cancellation proceedings shall be activated by the Bank of Italy until the Institution has been established.

2-bis. Whereby the controls carried out pursuant to Article 53(2) on agents as per Article 128-quater(7) of the Consolidated Law on Banking reveal serious violations of the obligations imposed by this Decree, Article 128-decies(1-ter) shall apply.

3. Except in the circumstances envisaged in paragraphs 4 and 5, the Bank of Italy shall impose the sanction provided for in paragraph 1; insofar as they are compatible, the provisions of Article 145 of the Consolidated Law on Banking shall apply.

4. For the financial intermediaries referred to in Article 11(1)(g) and for the other persons performing the financial activities referred to in Article 11(3)(b), the procedure for imposing the sanction in paragraph 1 shall be that provided for in Title XVIII, Chapter VII of the Private Insurance Code.

5. For the auditing firms referred to in Article 13(1)(a), the sanction shall be applied by Consob; insofar as they are compatible, the provisions of Article 195 of the Consolidated Law on Finance shall apply.

5-bis. The sanction established by paragraph 1 shall be imposed, through own decree, by the Minister of the Economy and Finance for the subjects laid down under Article 11(1)(i) and (2)(c), and by the Ministry of Economic Development for the subjects under Article 11(2)(a). Whereby compatible, provisions as per Law n. 689 of 24 November 1981 shall apply.

Article 57

Violations of Title I, Chapter II and of Title II, Chapters II and III

1. Unless the act constitutes a crime, failure to comply with the suspension measure referred to in Article 6(7)(c) shall be punished with a fine of from €5,000 to €200,000.

1-bis. Violation of the prescription referred to in Article 28, paragraph 6, is punishable by a fine in the amount ranging from 10,000 to 200,000 euro.

1-ter. In the event of violation of the provision established for by Article 28(7-ter), for an amount not exceeding 50,000 euro, a fine equal to 5,000 euro shall apply; in the event of sanctions higher than 50,000 euro, a fine equal to 10-40% of the operation amount shall apply. Whereby the amount of the operation is not or may not be determined, a sanction shall apply for an amount ranging between 25,000 euro and 250,000 euro.

2. Failure to create the single electronic archive referred to in Article 37 shall be punished with a fine of from €50,000 to €500,000. In the most serious cases, taking account of the gravity of the violation inferred from the circumstances in which it occurred and from the value of the suspicious transaction that was not reported, the provision imposing the sanctions shall be accompanied by an order that the persons fined publish, at their own initiative and cost, the decree imposing the sanction in at least two newspapers distributed nationwide, of which one shall be a financial paper.

3. Failure to set up the customer register referred to in Article 38 or to adopt the recording procedures referred to in Article 39 shall be punished with a fine of from €5,000 to €50,000.

4. Unless the act constitutes a crime, failure to report suspicious transactions shall be punished with a fine of from 1 to 40 per cent of the amount of the non-reported transaction. In the most serious cases, taking account of the gravity of the violation inferred from the circumstances in which it occurred and from the value of the suspicious transaction that was not reported, the provision imposing the sanction shall be accompanied by an order that the persons fined publish, at their own initiative and cost, the decree imposing the sanction in at least two newspapers distributed nationwide, of which one shall be a financial paper.

5. Violations of the disclosure requirements in respect of the FIU shall be punished with a fine of from €5,000 to €50,000.

Article 58

Violations of Title III

1. Without prejudice to the validity of the transactions, violations of the provisions of Article 49(1), 49(5), 49(6) and 49(7) shall be subject to a fine of from 1 to 40 per cent of the amount transferred.

2. The violation of the provision under Article 49(12) is punished through a fine equal to 30-40 per cent of the bearer passbook balance.

2-bis. In the event of violations of the provisions under Article 58 of Legislative Decree n. 231 of 21 November 2007, and Article 49 (1),(5),(8),(12) and (13) of the same Decree, committed over the 31 May 2010-15 June 2010 period and referred to the thresholds introduced by paragraph 1 of this Article.

3. The violation of the provision under Article 49(13) and (14) shall be punished with a fine equal to 30-40 per cent of the bearer passbook balance.

4. (DELETED)

5. Violations of the prohibition referred to in Article 50(1) shall be punished by a fine of from 10 to 40 per cent of the balance.
6. Violations of the obligation referred to in Article 50(2) shall be punished by a fine of from 10 to 40 per cent of the balance.
7. Violations of the obligation referred to in Article 51(1) of this decree shall be punished by a fine of from 3 to 30 per cent of the transaction amount, passbook balance or account balance.
8. For the violations referred to in paragraphs 1, 2, 3, 5, 6, and 7, the fine cannot in any case be lesser than the minimum amount of three thousand euro. For the violations referred to in paragraph 1 regarding amounts greater than fifty thousand euro, the minimum fine is multiplied by five. For the violations referred to in paragraphs 2 and 3 regarding amounts greater than fifty thousand euro the minimum and maximum fines are increased by fifty percent.

Article 59

Joint and several liability of the entities

1. For the violations indicated in Articles 57 and 58, the joint and several liability of the persons referred to in Article 6 of Law 689/1981 shall continue to apply even when the perpetrator of the violation has not been identified or when same is no longer actionable under that law

Article 60

Procedures

1. The FIU, financial sector supervisory authorities, interested administrative bodies, the Finance Police and the Bureau of Antimafia Investigation shall verify, in relation to their tasks and within the limits of their powers, violations indicated in Articles 57 and 58 and execute notification pursuant to Law 689/1981.
2. After consulting the committee provided for in Article 1 of Presidential Decree 114/2007, in a separate decree the Ministry for the Economy and Finance shall impose the sanctions provided for in Articles 57 and 58. The provisions of Law 689/1981 shall apply. Article 16 of that law shall apply only to violations of Article 49(1), 49(5) and 49(7), for amounts not exceeding €250,000. Reduced sanctions shall not be open to persons who have already availed themselves of this option for another violation of Articles 49(1), 49(5) or 49(7), notification of which was received by the interested party within the 365 days preceding receipt of the notification of charges for the violation that is the subject of the new proceeding.
- 2-bis. For the annulment of the Decree as per paragraph 2 of this Decree, issued for imposing the sanctions provided for by Article 57, opposition may be proposed pursuant to Article 22 of Law n. 689 of 24 November 1981, compliantly with the procedures and terms established by Article 6 of Legislative Decree n. 150 of 1 September 2011. The Rome Municipal Court shall have exclusive jurisdiction.
3. In order to allocate the sums collected in connection with the administrative sanctions provided for in this decree and in Legislative Decree 109/2007, the criteria sanctioned in Law 168/1951 shall apply.
4. The Ministry for the Economy and Finance shall determine in a separate decree the remuneration of the members of the committee referred to in paragraph 2, following the

procedures indicated in the Presidential Decree laying down the rules for implementing Article 29 of Decree Law 223/2006, ratified with amendments by Law 248/2006.

5. Records relating to persons in whose regard a definitive sanction is issued on the basis of this article shall be retained in the information system of the FIU for a period of ten years.

6. The measures by which the administrative fines provided for in this decree are imposed shall be notified to the supervisory authorities, the FIU and the professional associations, for initiatives within their respective spheres of competence.

7. The information referred to in Articles 5 and 6 shall be transmitted via computer.

Chapter III

FINAL PROVISIONS

Article 61

Regulation (EC) 1781/2006

1. For transfers of funds referred to in Article 2(7) of Regulation (EC) 1781/2006, the obligations relative to verifying the complete information on the payer, and on the data registration and maintenance provided for in the same regulation, shall continue to obtain.

2. In order to ensure a risk-based approach to anti-money-laundering and anti-terrorist financing measures, the payment service providers referred to in Article 2(5) of Regulation (EC) 1781/2006 shall not be obliged to adopt the measures referred to in Article 9(2) of that regulation in respect of payment service providers of countries that have established an exemption threshold for the obligations to transmit information on the payer, provided for under Special Recommendation VII of the Financial Action Task Force. The present provision shall not apply in the case of transfers of over €1,000 or 1,000 USD.

3. The Bank of Italy shall issue instructions for the application of Regulation (EC) 1781/2006 in respect of the payment service providers.

Article 62

Provisions concerning the Italian Foreign Exchange Office

1. The tasks and powers assigned to the Italian Foreign Exchange Office by Legislative Decree 319/1998, the Consolidated Law on Banking, Decree Law 143/1991, ratified with amendments by Law 197/1991, and subsequent measures regarding financial controls, the prevention of money laundering and the prevention of the financing of international terrorism shall be transferred to the Bank of Italy, together with the related material, human and financial resources.

2. Every reference to the Italian Foreign Exchange Office contained in laws or legislative acts shall be understood as referring to the Bank of Italy.

3. The Italian Foreign Exchange Office is abolished. Pursuant to and for the effects of Article 5(3) of Legislative Decree 319/1998, the Bank of Italy shall succeed to the rights and legal relationships of the Italian Foreign Exchange Office. For income tax purposes, Article 172 of the income tax code referred to in Presidential Decree 917/1986, except for paragraph 7, shall apply insofar as it is compatible. The succession shall take place by applying to employees of the Italian Foreign Exchange Office the same employment relationship regime that is provided for the staff of the Bank of Italy, with accrued seniority of rank and service maintained and without prejudice to the economic and pension treatment to which employees of the Italian Foreign Exchange Office are already entitled.

4. Until the regulation referred to in Article 6(2) is issued, the tasks and functions assigned to the FIU shall be performed on a transitional basis by the Anti-Money-Laundering Department of the abolished Italian Foreign Exchange Office.

5. The provisions of this article shall enter into force on 1 January 2008.

Article 63

Amendments to current legislation

1. Article 7(6) of Presidential Decree 605/1973 shall be amended as follows:

a) the phrase “and the existence of any transaction in the preceding period, concluded outside of a continuous relationship” shall be inserted after the words “existence of relationships” ;

b) the phrase “and of the persons who have any relationship with financial operators or make transactions outside of a continuous relationship on their own behalf or on behalf or in the name of third parties” shall be inserted after the words “the identifying particulars data of the account holders”;

2. In the fourth sentence of Article 7(11) of Presidential Decree 605/1973 the words “in the preliminary investigative phase” shall be replaced by the following: “both for the purposes of the preliminary inquiries and in the course of exercising the functions envisaged in Article 371-*bis* of the Code of Penal Procedure.”

3. After Article 25-*septies* of Legislative Decree 231/2001 the following shall be inserted:

“Article 25-*octies* (*Receiving stolen property, money laundering and the use of money, assets or benefits of illegal provenance*).

1. In relation to the crimes referred to in Articles 648, 648-*bis* and 648-*ter* of the Penal Code, a fine of from 200 to 800 units shall apply to the entity. In the event that the money, assets or other benefits derive from a crime for which the maximum prison term exceeds five years the fine shall be between 400 and 1000 units.

“2. In cases of conviction for one of the crimes referred to in paragraph 1, the interdictory sanctions provided for in Article 9(2) shall be applied to the entity for a period of no more than 2 years.

“3. In relation to the illegal acts referred to in paragraphs 1 and 2, the Ministry of Justice, after consulting the FIU, shall formulate the observations referred to in Article 6 of Legislative Decree 231/2001.”

4. After Article 648-*ter* of the penal code the following article shall be added:

“Article 648-*quater* (*Confiscation*). – In the event of a condemnation or application of the sentence on request of the parties, in accordance with article 444 of the Code of Penal Procedure, for one of the crimes envisaged in Articles 648-*bis* and 648-*ter*, the confiscation of the property that constitutes the product or gain shall always be ordered, except if said property belongs to persons unconnected with the crime”.

“When it is not possible to proceed with the confiscation referred to in the first paragraph, the judge shall order the confiscation of the sums of money, property or other benefits at the offender’s disposal, including through an interposed person, for an amount equivalent to the product, gain or price of the crime.

“In relation to crimes referred to in Articles 648-*bis* and 648-*ter*, the public prosecutor can carry out, in the terms and for the purposes referred to in Article 430 of the Code of Penal Procedure, all necessary investigative activities regarding the property, money or the other benefits to be confiscated in accordance with the previous paragraphs.”

5. In Article 37(5) of Decree Law 223/2006, ratified with amendments by Law 248/2006 the words “in paragraph 4” shall be replaced by the following: “in the sixth paragraph of Article 7 of Presidential Decree 605/1973.”

6. In Article 3(3) of Legislative Decree 109/2007 the words “by the Supervisory Authority for the Insurance Industry” shall be inserted after the words “by the Italian Companies and Stock Exchange Commission”.

Article 64 *Repealed laws*

1. The following shall be repealed:

a) as from 30 April 2008, Chapter I of Decree Law 143/1991, ratified with amendments by Law 197/1991, with the exception of Article 5(14) and 5(15), and Articles 10, 12, 13, 14 and the related implementing provisions;

b) Articles 1, 4, 5, 6 and 7 of Legislative Decree 374/1999;

c) Articles 150 and 151 of Law 388/2000;

d) Legislative Decree 56/2004 and the related implementing provisions;

e) Article 5-*sexies* of Decree Law 7/2005, ratified with amendments by Law 43/2005;

f) Article 10(5) and 10(6) of Law 146/2006, ratifying and executing the United Nations Convention against Transnational Organized Crime and its Protocols, adopted by the General Assembly on 15 November 2000 and on 31 May 2001;

g) the second sentence of Article 1(882) of Law 296/2006;

h) Articles 8, 9, 10(2), 10(3), 13(4) and 13(5) of Legislative Decree 109/2007.

Article 65 *Technical Annex*

1. In order to identify correctly the persons referred to in Article 1(2)(o) and 1(2)(u), and to ensure the correct application of Articles 19(1)(a) and 26, reference shall be made to the provisions of the technical annex to this decree.

2. The technical annex referred to in paragraph 1 shall be amended or supplemented with a decree issued by the Minister for the Economy and Finance after consulting the Financial Security Committee.

Article 66 *Transitional and final provisions*

1. The provisions issued to implement repealed or replaced provisions shall continue to be applied, insofar as they are compatible, up to the date of entry into force of the implementing measures of the present decree.

2. The provisions referred to in Articles 37(7), 38(7) and 39(4) shall be issued within eighteen months of the entry into force of this decree.

3. The data and other information referred to in Articles 45(4) and 60(7) shall be transmitted electronically within twelve months of the entry into force of this decree.
4. The definition in Article 1(2)(r) shall be amended by decree of the Minister for the Economy and Finance, in concert with the Minister for Public Administration Reform and Innovation.
5. The Minister for the Economy and Finance, in agreement with the Bank of Italy, can by a decree specify further means of payment deemed capable of being used for money laundering purposes, in addition to those indicated in Article(2)(i), and set limits for the use of same.
6. After consulting the Committee for Financial Security, the Minister for the Economy and Finance shall identify further natural persons for the purposes of the definition referred to in Article 1(2)(p).
7. The Minister for the Economy and Finance may issue a decree changing the amount limits established by Article 49.
8. The following shall be added to Article 22-*bis*(2) of Law 689/1981, after subparagraph (g): “g-*bis*) combating money laundering”.
9. The financial intermediary referred to in Article 11(1)(o) shall comply with the provisions of Article 37 from the date of entry into force of the provisions of subparagraphs 7 and 8 of the latter article, and according to the procedures and terms envisaged.
- 9-bis. Operators in fixed venues of public gambling activities reserved to the State are bound by the obligations foreseen by the present decree starting from 1 March 2010.

Article 67

Concordance provisions

1. In Article 1(1)(h) of Legislative Decree 109/2007, the anti-money-laundering law shall mean the present decree.
2. In Article 7(1) of Legislative Decree 109/2007, the persons specified in Article 2 of Legislative Decree 56/2004 shall be understood to mean the persons referred to in Articles 10(2), 11, 12, 13 and 14 of the present decree.

Article 68

Invariance clause

1. No new or additional charges to the public finances must derive from the implementation of this legislative decree.
2. General government bodies shall make provision for the implementation of the tasks deriving from the provisions of this decree using the human, instrumental and financial resources available under the current legislation.

(omissis)

TECHNICAL ANNEX

Article 1

Article 1(2)(0)

Politically exposed persons

1. Natural persons who are or have been entrusted with prominent public functions shall mean:

- a) heads of state, heads of government, ministers and undersecretaries;
- b) members of parliament;
- c) members of supreme courts, constitutional courts and other high-level judicial bodies, whose rulings are not generally subject to further appeal, barring exceptional circumstances;
- d) members of state audit offices and of the boards of directors of central banks;
- e) ambassadors, *chargés d'affaires* and high-ranking officials in the armed forces;
- f) members of the administrative, management or supervisory bodies of state-owned enterprises.

Middle and lower-ranking officials are not included in any of the categories specified above. The categories from subparagraphs a) through e) comprise, where applicable, positions at European and international level.

2. Close relatives shall mean:

- a) spouses;
- b) children and their spouses;
- c) those who in the last five-year period have lived with the persons referred to in the previous subparagraphs;
- d) parents.

3. For the purposes of identifying the persons with whom the natural persons listed in paragraph 1 above are known to have close relationships, reference shall be made to:

- a) any natural person who is known to have joint beneficial ownership of legal entities or any other close business relationship with a person referred to in paragraph 1;
- b) any natural person who is the sole beneficial owner of legal entities or legal persons known to have been de facto established for the benefit of a person referred to in paragraph 1.

4. Without prejudice to the application of enhanced customer due diligence measures, and adopting a risk-based approach, when a person has ceased to hold prominent public functions for at least one year, the persons subject to this decree shall not be obliged to consider that person as politically exposed.

Article 2

Article 1(2)(u). Beneficial owner

1. Beneficial Owner shall mean:

a) in the case of companies:

1) the natural person or persons who ultimately own or control a legal entity through direct or indirect ownership or control over a sufficient percentage of the capital stock or voting rights in that legal entity, including through bearer share holdings, provided that it is not a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 per cent plus one share shall be deemed sufficient to meet this criterion;

2) the natural person or persons who otherwise exercise control over the management of a legal entity.

b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:

1) where the future beneficiaries have already been determined, the natural person or persons who are beneficiary of 25 per cent or more of the property of a legal entity;

2) where the individuals that benefit from the legal entity have yet to be determined, the class of persons in whose main interest the legal entity is set up or operates;

3) the natural person or persons who exercise control over 25 per cent or more of the property of a legal entity.

Article 3

Article 19(1)(a)

Valid identification documents

1. ID cards and other identification documents referred to in Articles 1 and 35 of Presidential Decree 445/2000 shall be considered valid for identification purposes. For the identification of non-EU citizens and of minors the current provisions shall apply; with reference to unborn children, identification shall be made in respect of the legal representative. The identification may also be performed by a designated public official or by means of an authenticated photograph, in which case the data of the birth certificate of the interested party shall be acquired and included in the single electronic archive or register of customers.

Article 4

Article 26. Technical criteria and simplified customer due diligence procedures

1. For the purposes of the application of Article 26, persons and products representing a low risk of money laundering or terrorist financing shall mean:

a) public authorities or bodies that act as customers, provided the following criteria are satisfied:

- 1) the customer has been entrusted with public functions in accordance with the Treaty on European Union, the treaties establishing the European Communities and the secondary legislation of the European Community;
- 2) the identity of the customer is publicly available, transparent and certain;
- 3) the customer's activities and accounting procedures are transparent;
- 4) the customer gives account of its operations to a European institution or to the authorities of an EU country, or there are controls and counterweights ensuring verification of customer activity;

b) legal entities other than the authorities and public bodies referred to in subparagraph (*a*) that act as customers, provided the following requirements are satisfied:

- 1) the customer is an entity that performs financial activities lying outside the scope of Article 2 of Directive 2005/60/EC but to which national law has been extended, in accordance with Article 4 of the Directive;
- 2) the identity of the customer is publicly available, transparent and certain;
- 3) the customer has obtained authorization to perform the financial activities based on national law and such authorization may be refused if the competent authorities are not adequately persuaded of the competence and integrity of the persons who manage or will manage the activity of this entity or of its beneficial owner;
- 4) pursuant to Article 37(3) of Directive 2005/60/EC, the competent authorities supervise compliance of customers with the national legislation adopted in accordance with the Directive and, where applicable, of the additional requirements provided for by national law;
- 5) failure of customers to comply with the requirements referred to in point 1) above are subject to effective, proportionate and deterrent sanctions, including the possibility of suitable administrative measures or the imposition of administrative sanctions;

c) products or transactions linked to products that meet the following requirements:

- 1) the product is based on a written contract;
- 2) the transactions in question are carried out through a customer account held with a credit institution subject to Directive 2005/60/EC or one located in a third country that imposes obligations equivalent to those established by the Directive;
- 3) the product or transaction in question is not anonymous and is of a kind that enables the prompt application of Article 7(c) of Directive 2005/60/EC;
- 4) there is a predetermined maximum limit on the product's value;
- 5) the benefits of the product or of the transaction in question cannot go to third parties except in the case of death, invalidity, survival beyond a predetermined age or similar events;
- 6) in the case of products or transactions that envisage the investment of funds in financial assets or credit, including insurance and other kinds of potential credit, the benefits of the product or transaction are only realized in the long term, the product or transaction cannot be used as a guarantee, no advance payments are made, no surrender clauses used and there is no early repayment during the contractual relationship.

1. The criteria referred to in point 1(*a*) shall be applied only to customers and not to their subsidiaries, unless these also meet the criteria in their own right.

2. For the purposes of the application of point 1(a)(3), the activity performed by the customer shall be subject to supervision by the competent authorities. In this context, supervision shall mean that based on the most intensive powers, including the possibility of conducting on-site inspections. Such inspections may include the review of policies, procedures, books and registers and comprise sample verifications.
3. For the purposes of the application of point 1(c)(4) the thresholds established in Article 25(6)(a) of this decree shall apply in the case of insurance policies or analogous investment products. Without prejudice to the paragraph that follows, in the other cases the maximum threshold shall be €15,000. A derogation from this threshold may be possible in the case of products that are linked to the financing of material activities and when the legal and beneficial ownership of the activities is not transferred to the customer until the end of the contractual relationship, so long as the threshold established for the transactions connected with this type of product, whether carried out in a single operation or in several which appear to be related, does not exceed €25,000 per annum.
4. The criteria referred to in point 1(c)(5) and 1(c)(6) may be subject to a derogation in the case of products whose characteristics are determined by the Minister for the Economy and Finance to be in the general interest, which benefit from special state advantages in the form of direct allocations or tax reimbursements and whose use is subject to supervision by the public authorities, so long as the benefits of the products may only be realized in the long term and the threshold established for the purposes of applying point (c)(4) is sufficiently low. Where appropriate, this threshold may be established in the form of a maximum annual amount.
6. In assessing whether customers or products and the transactions referred to in points *a*), *b*) and *c*) present a low risk of money laundering or terrorist financing, the Minister for the Economy and Finance shall pay particular attention to any activity of these customers or any type of product or transaction that could be considered as particularly susceptible, by virtue of their nature, to use or abuse for money laundering or terrorist financing purposes. The customers or products and transactions referred to in point 1*a*), 1*b*) and 1*c*), cannot be considered to be at low risk of money laundering or terrorist financing if the available information indicates that the risk of money laundering or terrorist financing may not be low.