

**Abstract** - *Unità di Informazione Finanziaria per l'Italia (UIF) is Italy's Financial Intelligence Unit, the national body empowered to combat economic and financial crime, money laundering and terrorism financing. It was set up within the Bank of Italy pursuant to Legislative Decree 231/2007, in compliance with international rules and standards requiring all countries to institute their own financial intelligence units, independently run and operating autonomously.*

*The Unit collects information on potential cases of money laundering and the financing of terrorism, mainly in the form of reports, so called "suspicious transactions reports" (STRs) filed by financial intermediaries, professionals (e.g. lawyers) and other operators, such as Public Administrations. UIF conducts a financial analysis of those reports, using the sources at its disposal and the powers conferred, and assesses the results with a view to submit its findings to the competent investigative and judicial authorities for further action. The regulations provide for exchanges of information between the UIF and supervisory authorities, government departments and professional bodies. The Unit cooperates closely with the investigative and the Judicial Authorities to identify and analyse anomalous financial operations. It is a member of the global network of the financial intelligence units which shares useful information to fight cross-border money laundering and financing of terrorism.*

*The collection and handling of STRs are supported by RADAR, a system operating on the Infostat-UIF platform. Originally designed as the channel for acquiring the reporting flow and its first source of enrichment, over time RADAR has been enhanced with additional functions and applications, becoming a complex and diversified system that also encompasses the acquisition of supplementary documentation for the analysis of STRs and the investigative feedback. One of RADAR's basic functions is the risk-based classification of each report, to which a system rating is assigned, thus providing an initial tool for selecting flows and ranking priorities.*

*The great majority of STRs primarily came from the banking and financial system, but during the last decade there has also been an increased contribution from gaming service providers and non-financial operators; the contribution coming from the public sector is still very low and poor; it could be very useful for fighting fraud in projects co-financed with European funds and with the National Recovery and Resilience Plan (NRRP) resources, tracing financial flows even beyond Italy's borders with the contribution of information exchanged with foreign FIUs as well as identifying innovative money laundering techniques and high-risk activities.*

*The number of suspicious transaction reports from the public sector and from public entities remained negligible, even though the current period of massive public intervention in the economy heightens the necessity of safeguards for legality.*

*The AML legislation assigns a specific role to general government entities, calling upon them to identify, map and safeguard the areas of activity mostly exposed to the risk of money laundering and terrorist financing, and to report to the UIF any suspicious transactions of which they become aware in the course of their activity. As a whole, the administrative apparatus still does not seem to have grasped the scope of these duties, given that the number of STRs coming from public entities continues to be very low, especially in relation to the scale of the illegal activities they can potentially intercept (often linked to episodes of corruption) and to the attractiveness of certain sectors of public activity, such as tenders and the various forms of public financing, for criminals.*

*The long wave of the COVID-19 pandemic and the implementation of the National Recovery and Resilience Plan (NRRP) project in particular sectors continue to produce operational cases connected with the aftershocks to the economy and the effects of the public policies of economic support. Despite this background, the number of reports transmitted in 2022 by general government entities remained limited,*

*with two public sector companies accounting for 170 of the annual total of 179 (an increase of 51, or 39.8 per cent), mostly relating to requests for public financing drawing on resources of the NRRP. Instead, the contributions of regional and local authorities (six reports) and of Chambers of Commerce (a single report) were very marginal.*

*On the quantitative side, in 2022 the Unit analysed and transmitted to the investigative bodies 7,345 suspicious transaction reports referring to risk contexts linked to the pandemic and to the support measures, for a total value of more than €9 billion.*

*The NRRP offers extraordinary opportunities for relaunching Italy's economy. The Plan's diffuse governance makes it incumbent on the entire public sector not only to show a capacity for project design and a readiness to act, by streamlining and speeding up administrative procedures, but to activate in a synergic fashion all the preventive safeguards and measures to strengthen integrity functional to the correct and legitimate allocation of the funds.*

*The legislative authority, conscious of the special role that the AML safeguards can play in the context of the NRRP, took this opportunity to extend the application of one of the fundamental pillars of the AML legislation to the general government sector, namely the task of performing due diligence on beneficial owners. Nevertheless, although there are no doubts as to the active role demanded of general government in the prevention of money laundering, the data collected by UIF are not encouraging and indicate the need for the public sector to act swiftly to strengthen the preventive safeguards.*

*The approval of the NRRP and its unfolding implementation required close monitoring of correct and prompt compliance with the active cooperation obligations by the targets of the AML legislation in order to encourage the identification of possible risk situations that could jeopardize the achievement of the Plan's objectives. In this framework, a specific taxonomy was introduced (phenomenon 'PN1 – Anomalies connected with the implementation of the NRRP') for the categorization of reports showing high-risk situations linked to such contexts. To this purpose, the Unit developed automatic tools which assist analysts in promptly intercepting STRs reporting the improper use of the resources allocated, with a view to determine the most appropriate way to handle them and to make them quickly available to the investigative bodies.*

*In conclusion, bearing in mind the relevance of the AML legislation for fighting fraud, it is important to share information through education and this seminar is an important example.*

*There are also urges to take advantage of the relationship between the prevention of corruption and the reporting of suspicious transactions, recalled by the National Anti-Corruption Authority in the National Anti-Corruption Plan for 2022-24. Coordination among the agents for the prevention and for the protection of the integrity of general government entities is one of the key factors necessary to ensure integrated management of the risks of criminal infiltration of public activity. UIF, in collaboration with the National School of Administration, the National Anti-Corruption Authority and the Department of Public Administration, is working to raise the public sector's awareness of the need for an integrated approach to the prevention and to the protection of legality. At the centre of these initiatives are training activities regarding the risks and the elements warranting communication of suspicious transactions and the creation of special 'communities of practice' for implementing discussions between the administrations, exchange of experiences as well as the identification and the dissemination of best practices.*

*Last but not least, an obstacle comes from the provision - introduced in the AML Law by Legislative Decree 90/2017 - under which since 4<sup>th</sup> July 2017 general government entities are not considered to be obliged entity, provided by Article 3 of Legislative Decree 231/2007, and consequently no sanctions may be imposed for the violation of the obligation to communicate STRs by the government entities.*

## CASE N. 1

*The case originates from the joint analysis of communications forwarded by the same **Public Administration** (PA) in relation to Alfa, Beta and Gamma who had requested access to measures of public assistance with resources disbursed mainly from NRRP funds and from reports transmitted by a FinTech intermediary regarding Alfa, Gamma and Delta which reported the immediate forwarding of the sums received to Eastern European countries.*

*The suspicion of the PA arose from some subjective anomaly profiles that led to connect several requesting companies, while the FinTech intermediary took over an operation apparently not consistent with the economic profile of the customers.*

*The analyses carried out by the Unit immediately focused on these profiles, with the aim of identifying further connections, including financial ones, useful to support the hypothesis of the presence of a network of businesses requesting access to the same type of relief.*

*Making the most of the information already present in the Unit's archives and that acquired during the in-depth analysis by the PA and the FinTech intermediary, the perimeter of the transactions to be analysed taking into account further involved companies.*

*Some of them were already known to the Unit as they were the subject of previous reports relating to anomalies found during corporate or incorporation changes, or already included in schemes operations aimed at diverting public resources abroad in favour of recurring counterparties, who later turned out to be collectors of funds also coming from other State relief measures, sometimes linked to the pandemic emergency. For the purposes of identifying the companies part of the network, it has assumed particular importance the analysis of the documentation collected by the PA, considering that the applicants were required to produce also certifications issued by professionals certifying the existence of the necessary requirements for access to concessions.*

*In this regard, following a request from the Unit, the PA found the presence of the same professionals who had assisted over a hundred companies involved in the scheme in question, often also characterized by further elements of anomaly.*

*The recurrence of the same professionals as central nodes within the network was also noted during the financial analysis: it emerged that the representatives of various companies had turned to the same bank branch for opening current accounts dedicated to the disbursement of loans, by presenting themselves at the agency together with the same professional, already known to the Unit for the suspected involvement in a scam fraud against the State.*

*The discussions with the Unit for the analysis of the case led the PA to review the complex of connections and anomaly profiles, sometimes activating further checks (in some cases unanswered due to the unavailability of the requesting parties) and leading to the revocation of almost all of the measures already granted as well as the filing of new requests.*

*From the analysis of financial flows, it was possible to intercept, in particular, a common centre of interests. Specifically, it was possible to observe that a large part of the resources provided had been sent to Eastern European countries in favour of companies that, from the information acquired in the context of international collaboration, were attributable to the same Italian name, already involved in investigations for tax related crimes and also known for being close to organized crime.*

*Finally, thanks to the information provided by foreign FIUs, it was possible to ascertain that these sums then returned to Italy and later either withdrawn in cash from ATMs with foreign cards or were subsequently conveyed to Asia.*

## CASE N. 9

The case originates from the report of a **payment institution** that detected an anomalous operation on the recently opened Alfa account, characterized by a single significant linked movement to the crediting of a transfer of an important amount, with an absence of further transactions related to company activity. From information acquired from the reporting party, it emerged that the transfer constituted the first tranche of a loan from NRRP funds, aimed at integrating the website of Alfa with an online sales platform to market its products abroad.

A few days after receiving the loan, Alfa arranged a foreign bank transfer with a generic reason for payment, in favour of a bank account based in an Eastern European country and registered in the name of Beta company, based in country Y located in Western Europe. Furthermore, the reporting entity reported that, 6 months after the transfer was made, the Alfa website was still without the online sales platform.

The reconstruction of the subjective profile of Tizio, an Alfa partner, highlighted shareholdings in multiple companies active in Northern Italy in different sectors, including Gamma, a company also owned by Mevio. From checks in the Unit's archives, both Gamma and Mevio came to the attention of the Judicial Authority due to its close links to organized crime.

Through consultation of the international chamber of commerce archives, we learned that Beta can be traced back to Caio and Sempronio, two Italian brothers, and operates in heterogeneous sectors that range from IT consultancy to catering, not always compatible with the creation of the line project for which Alfa had received funding. Furthermore, Beta was already known to the Unit together with its owners for the involvement in anomalous fund transactions probably connected to tax fraud, but also for already being the beneficiary of sums transferred from another company, Delta, with funding always resulting from the disbursement of public funds and subject to investigation.

The financial analysis carried out on the case focused on reconstructing the use of the funds transferred from Alfa to Beta, through the activation of the international cooperation channel.

From the information obtained from the FIU of the State in which the account was opened, it emerged that Beta mostly used the sums received from Alfa to arrange transfers in favour of Epsilon, Zeta and Eta, companies attributable to names connected to matters of interest to the Judicial Authority, including contexts relating to investigations linked to organized crime.

The analysis also highlighted rounds of funds by Beta in favour of the shareholders Caio and Sempronio, as well as a payment arranged in favour of Filano, a professional known to the Unit to be involved in investigations for mafia association.