



**FIRST  
NATIONAL RISK ASSESSMENT  
OF  
MONEY LAUNDERING**

**REPUBLIC OF SAN MARINO  
Summary Report**

**DIPARTIMENTO FINANZE E BILANCIO**

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# DISCLAIMER

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"The National Money Laundering and Terrorist Financing (ML/TF) Risk Assessment of the Republic of San Marino has been conducted as a self-assessment by Sammarinese authorities, using the National ML/TF Risk Assessment Tool that has been developed and provided by the World Bank. The World Bank team's role was limited to delivery of the tool: providing guidance on technical aspects and review/feedback to assist with the accurate use of the tool. Data, statistics, and information used for completing the National Money Laundering and Terrorist Financing Risk Assessment Tool templates, as well as findings, interpretation, and judgment under the scope of National ML/TF Risk Assessment process completely belong to the Republic of San Marino authorities and do not reflect the views of the World Bank."

# ACRONYMS

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ABS	Bankers Association of San Marino (Associazione Bancaria Sammarinese)
AEOI	Automatic Exchange of Information
AF	Asset Forfeiture
A.I.B. (BIA)	Anti-money laundering Information Bulletin
AML	Anti-money laundering
AML/CFT Law	Law 17 June 2008 n.92, as amended (Consolidated <a href="#">AML/CFT Law</a> )
ARO	Asset Recovery Office
AUM	Assets Under Management
BO	Beneficial Owner
CBSM	Central Bank of the Republic of San Marino
CFT	Counter-terrorist financing
CDD	Customer Due Diligence
CIS	Collective Investment Scheme
CLO	Central Liaison Office
CSC (CCS)	Credit and Savings Committee
DNFBPs	Designated Non-Financial Businesses and Professions
DPMSs	Dealers in Precious Metals and Stones
FATF (GAFI)	Financial Action Task Force
FFC	Financial Fiduciary Company
FI	Financial Institution
FIA	Financial Intelligence Unit (i.e. San Marino FIU)
FIU	Financial Intelligence Unit
GRECO	The Council of Europe Group of States against Corruption
IFIs	International Financial Institutions (e.g. IMF, WB)
LEAs	Law Enforcement Authorities (i.e. Civil Police, Gendarmerie and Guardia di Rocca)
LISF	Law of 17 November 2005 n. 165 (Consolidated <a href="#">Law on Companies and Banking, Financial and Insurance Services</a> )
MC	Management Company
MER	Mutual Evaluation Report
ML	Money Laundering
MLA	Mutual Legal Assistance
NRA	National Risk Assessment
OCSEA (UCVAE)	Office for Control and Supervision over Economic Activities
OFIs	Other Financial Institutions
TCNC (CTCN)	Technical Commission of National Coordination
TF	Terrorist Financing
UIAC	Office for Industry, Handcraft and Commerce
VTC	Voluntary Tax Compliance
WB	World Bank
WG	Working Group

## INTRODUCTION

The NRA Summary Report illustrates the main results of the assessment of ML risk by the San Marino Authorities.

Being the first time that San Marino approaches to this exercise in a holistic way, in order to produce a valuable assessment of ML risk, the Government of San Marino has requested the Technical Assistance of the World Bank in order to form a national-level understanding of the ML risk.

The NRA exercise was launched in April 2015 and finalized at the end of 2016 with the adoption of the Action Plan and National Strategy by the San Marino Government with the Congress of State Decision.

In line with the new AML/CFT standards (i.e. 2012 FATF Recommendations and 2013 FATF Methodology) Countries shall assess and understand ML/TF risks and shall apply proper risk mitigating measures. Such measures shall be adopted by policy makers, competent authorities and the private sector.

Mitigating measures include legislative, regulatory and operational measures adopted by several domestic authorities requiring coordinated actions and co-operative efforts.

The attendance of several authorities as well as the input provided by the private sector<sup>1</sup> to this project have been considered extremely valuable and relevant in order to understand and evaluate the risk associated with money laundering.

It is worth mentioning that the NRA is an on-going exercise; this means that AML/CFT competent authorities are requested to collect updated data and information, to monitor the follow up initiatives and adopt any further measures when needed.

The Technical Commission of National Coordination has been tasked by the Government to monitor the effective implementation of the actions indicated in the NRA and is requested to stimulate competent authorities to carry out additional activities when needed.

It is worth mentioning that this NRA exercise is only aimed at understanding the risk related to money laundering. San Marino Authorities are aware of the importance to launch a project to understand the risk of terrorism financing, an increased threat from which a small Country could not be considered to be immune.

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<sup>1</sup> Information on the participation of public offices, authorities and private sector are provided in the Annex A.

## OBJECTIVES

An essential part of the implementation and development of an effective national AML/CFT regime is the identification, assessment and understanding of ML/TF risks.

The understanding of ML/TF risks assists domestic authorities in the identification of national AML/CFT policies and actions, in the proper allocation of resources and efforts across the AML/CFT regime and in the adoption of mechanisms of coordinated activities among authorities to mitigate these risks<sup>2</sup>.

The results shall be properly used to apply AML/CFT measures in a way that ensures these are commensurate with those risks: to justify exemptions and to support the application of enhanced measures for high risk scenarios or simplified measures in case of low risk scenarios (i.e. the risk-based approach).

These results also provide useful information to “obliged parties” (i.e. FIs and DNFBPs) to support the conduct of their own ML/TF risk assessments.

### A) General information on San Marino

#### 1. Geographic location

The territory of San Marino (61 sq. km), 10 km from the Adriatic Coast, is mostly hilly, roughly square-shaped with Mount Titano in the centre. It borders on two Italian regions, Emilia Romagna to the north-east and Marche to the south-west. San Marino has a population of around 30.000 inhabitants (as of 31 December 2015).

#### 2. Institutional framework

San Marino's constitution provides for a parliamentary style of government. The Great and General Council, composed of 60 Parliamentarians, is the legislative body and is elected every 5 years by universal suffrage.

The Great and General Council shall exercise the legislative power, direct and control the Government policy. The legislative power means the adoption of Laws, which are binding on the entire community.

The Parliament is headed by two Captains-Regent, who are elected by the Council every 6 months and act as heads of State for that period.

The Government of San Marino (Congress of State) is elected by the Great and General Council and exercises executive power.

#### 3. Judicial Authority

The magistrates of San Marino exercise the judicial power, perform institutional tasks outside a relationship of subordination and are liable according to the law. The magistrates, bound to perform their duties and holding the rights provided for by the law, are entitled, to ensure the objectivity and impartiality of their functions, to specific personal and economic guarantees, as well as in terms of status, envisaged by law and by the international treaty and customary law.

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<sup>2</sup> As indicated above, with the NRA report, the San Marino Authorities ha also adopted a National AML/CFT Strategy and related Action Plan.



Jurisdiction is entrusted to the Highest Judge of Appeal, the Judge of Appeal, the Law Commissioner and the Uditore Commissariale, assisting the Law Commissioner in his/her activities.

The Court is internally divided up according to civil, criminal, administrative, juvenile and family matters, to which the single Law Commissioners are assigned by the Head Magistrate.

In San Marino, the independence of the judiciary from political power is established by the Law 8 July 1974 n.59<sup>3</sup> "Declaration on the Citizens' Rights and Fundamental Principles of San Marino Constitutional Order". It is guaranteed both by the procedures for the appointment of magistrates and by the provisions governing the length and termination of their mandate.

Since 2003, ordinary judges (in particular Uditori Commissariali, Law Commissioners and Judges of appeal) have been recruited through competition and only after a three-year trial period, they are employed on a permanent basis and their office may end on resignation of individual judges or following a review action, i.e. a liability action to be exercised against a magistrate for reasons strictly set by law.

The existing legal framework ensures the independence of all magistrates, who have adopted a code of conduct. The Court's statistics show that no proceedings were initiated against financial crime investigators; moreover, there have been no disciplinary or review actions against magistrates dealing with this matter.

The updated GRECO report points out that no recommendations have been made to the judiciary (with the exception of the training of specialised professionals in respect of the fight against corruption) on this specific topic; on the other hand a set of legislative and regulatory measures aimed at countering corruption has indeed been approved. Moreover, the investigations and judgments underway in respect of domestic PEPs having regard to offences such as money laundering, corruption or criminal association for the purpose of buying votes can confirm the independence of investigating parties.

#### **4. San Marino Economy and financial sector**

San Marino's economy is based on small and medium-sized enterprises. Tourism is thriving, with over 2 million tourists every year. The country has a modest but prestigious agricultural sector and a diversified banking and financial sector.

Like many other countries, during the past five years San Marino's major economic indicators experienced an overall contraction due to a combination of various factors negatively impacting on the economy.

The economic situation of the sector was marked by a fluctuating and negative trend compared to the economic performance of previous years.

The analysis of the main macroeconomic indicators, such as GDP, employment indicators and the number of economic activities, shows that such decline was widespread, although marked by reductions of minor entity compared to those recorded at an international level.

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<sup>3</sup> [Law 8 July 1974 n.59](#) "Declaration on the Citizens' Rights and Fundamental Principles of San Marino Constitutional Order" (available in Italian language only)

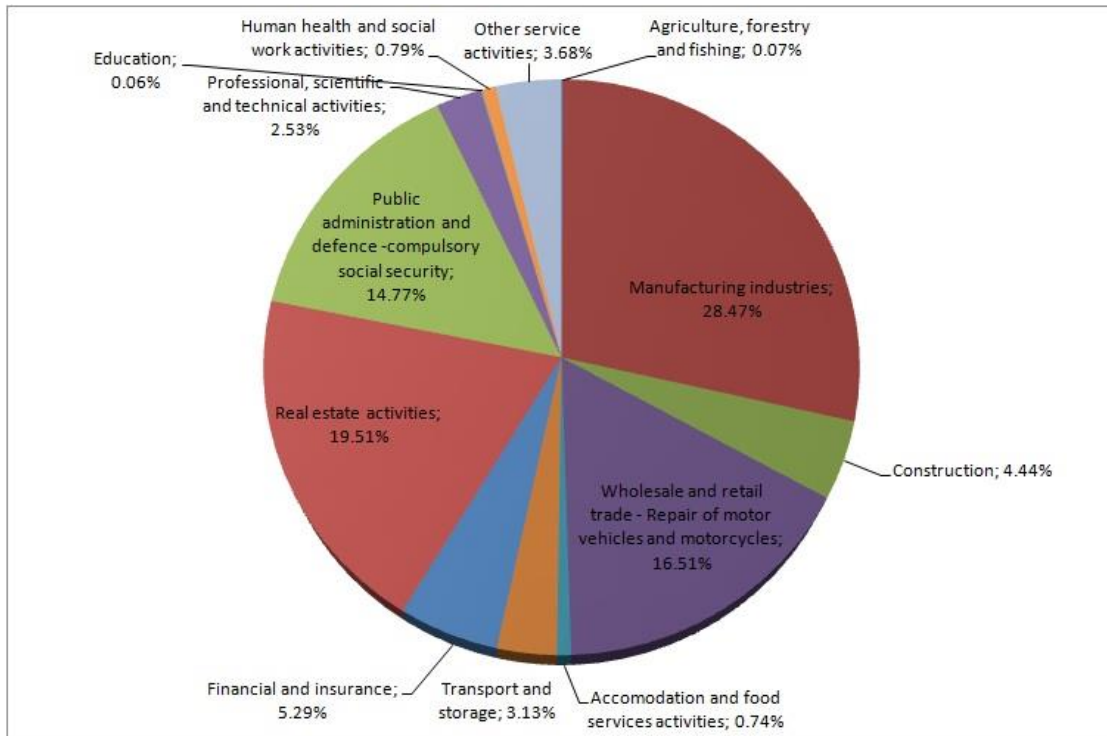


Figure 1 - Percentage contribution of economic sectors to GDP (2014)

As at 31 December 2014, the financial system of San Marino comprised 10 banks, three of which are no longer active, 10 financial/fiduciary companies, 1 investment company, 2 management companies (MC) and 2 insurance undertakings (authorized pursuant to letter G of Annex 1 of the LISF<sup>4</sup>).

The framework of the financial system is completed by the insurance intermediaries registered in the Insurance and Reinsurance Mediation Register. As at the end of 2014, 51 intermediaries were registered, 4 of which suspended.

The list of foreign insurance undertakings, authorised to conclude insurance contracts in the Republic of San Marino through intermediaries, included 47 insurance companies, 29 of which are Italian and the remaining 18 from other countries<sup>5</sup>.

The following table shows the incidence rates – based on intermediated volume - for each of the financial sector parties related to 2014. The table clearly indicates the predominant incidence of the banking sector.

FINANCIAL SECTORS	% OF FINANCIAL SECTORS IN COMPARISON WITH INTERMEDIATED VOLUME*
Banking Sector	84%
Other Financial Institutions Sector	8%
Insurance Sector	6%
Securities Sector	2%

\*The percentages are calculated on "volumes intermediated" in 2014, Source: CBSM

Table 1– Incidence among different Financial Sectors

<sup>4</sup> Source "[Summary report on activities performed and on the performance of the financial system - year 2014](#)"

<sup>5</sup> *Ibidem*

## 5. Foreign relationships and international cooperation

### 5.1 Relationships with other states and international organizations

San Marino has diplomatic relations with 120 Countries<sup>6</sup>. San Marino is Member State of the major International Organizations, such as the United Nations Organization (1992) and its institutions<sup>7</sup>, the Council of Europe (1998), the IMF (1992) and World Bank (2000).

San Marino also joined the International Criminal Police Organization (INTERPOL) in 2006.

Permanent delegations attend two monitoring bodies of the Council of Europe that cover AML/CFT related issues: Moneyval Committee<sup>8</sup> and GRECO<sup>9</sup>.

San Marino takes part, with its own parliamentary delegation, in the Inter-Parliamentary Union, the Parliamentary Assembly of the Council of Europe and that of the Organization for Security and Co-operation in Europe (OSCE).

### 5.2 Relationships with the European Union

San Marino is a third State with respect to the European Union. In 1983 the Republic established official relations with the European Union.

San Marino has an Agreement on Cooperation and Customs Union<sup>10</sup> with the European Union in force since 2002.

A Protocol of Amendment to the Agreement on Taxation of Savings Income<sup>11</sup> was concluded in 2004, as amended in 2015 providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments.

A Monetary Agreement with EU is in force as of 2012. Under the Monetary Agreement<sup>12</sup>, San Marino is aligning its AML/CFT legislation and regulation with the *acquis communautaire*. In particular by the end of 2017, Directive (EU) 2015/849<sup>13</sup> and Regulation (EU) 2015/847<sup>14</sup> will be transposed into the domestic AML/CFT framework.

An Association Agreement with the EU is under negotiation. This Association Agreement is intended to cover the four fundamental freedoms characterizing the European internal market.

San Marino participates in the Single Euro Payments Area (SEPA) as of 2014.

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<sup>6</sup> [Information provided by the Ministry of Foreign and Political Affairs of San Marino.](#)

<sup>7</sup> San Marino is a Member State of numerous United Nations' Programmes, Funds and Specialised Agencies, such as the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Children's Fund (UNICEF), the Food and Agricultural Organization (FAO), the International Labour Organization (ILO), the World Health Organization (WHO), the World Tourism Organization (UNWTO), the International Civil Aviation Organization (ICAO), the International Maritime Organization (IMO), the World Intellectual Property Organization (WIPO) and the Organization for the Prohibition of Chemical Weapons (OPCW).

<sup>8</sup> Moneyval web page: [Jurisdiction San Marino.](#)

<sup>9</sup> GRECO web page: [Jurisdiction San Marino.](#)

<sup>10</sup> [Cooperation and Customs Union Agreement](#)

<sup>11</sup> [Protocol of Amendment to the Agreement on Taxation of Savings Income](#)

<sup>12</sup> "[San Marino and European Union](#)" (from Foreign Affairs website) and "[San Marino toward Europe](#)" (from CBSM website).

<sup>13</sup> Namely, [Directive \(EU\) 2015/849](#) of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

<sup>14</sup> Namely, [Regulation \(EU\) 2015/847](#) of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006.

### *5.3 Relationships with Italy*

San Marino maintains close bilateral relations and cooperation with Italy, notably through a “Friendship and Good Neighborhood Agreement” (concluded in 1939) and a Currency and Customs Union, subsequently followed by the 1991 Co-operation and Customs Agreement with the European Community. Under the 1991 Financial and Currency Agreement between San Marino and Italy, there is free movement of capital and mutual recognition of financial products and means of payment between the two countries.

San Marino and Italy concluded in 2009 two additional agreements: Agreement between the Government of the Republic of San Marino and the Government of the Italian Republic concerning economic co-operation and the Agreement between the Government of the Republic of San Marino and the Government of the Italian Republic concerning collaboration in financial matters.

In the AML/CFT framework, an Agreement on cooperation in the prevention and repression of crime was signed in 2012.

### *5.4 Transparency and international cooperation on tax matters*

As of 2009, San Marino concluded Tax Information Exchange Agreements (TIEAs) and Double Taxation Agreements (DTAs) according to the new standards of the OECD with several countries and jurisdictions.

As of 31st December 2016, San Marino finalized and signed 21 DTAs<sup>15</sup> and 31 TIEAs<sup>16</sup>. Moreover San Marino is currently negotiating agreements (DTAs/TIEAs) with several jurisdictions.

The San Marino Authorities are constantly working to expand the country’s treaty network and are negotiating agreements (DTAs and TIEAs) with several other jurisdictions. Moreover, San Marino is an active member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, as evidenced by its participation in the Peer Review Process.

In this context, since November 2010, significant progress in the field of transparency and exchange of information for tax purposes has been made, also in the framework of the evaluation of San Marino by the Peer Review Group of the Global Forum on Transparency and Exchange of Information for Tax Purposes. These steps, which include amendments to bank secrecy legislation in order to ensure an effective exchange of information, have brought the San Marino legislation into line with international standards, as duly acknowledged in the Supplementary Report on San Marino published by the Global Forum on 26 October 2011. Said report concluded Phase 1 Review of San Marino, i.e. the analysis of its legal and regulatory framework and formally admitted San Marino to proceed to the Phase 2 Review. Phase 2 Review, completed in November 2013, examined the actual implementation of San Marino legislation on transparency and exchange of information in tax matters. San Marino was assigned<sup>17</sup> an overall rating of “Largely compliant”<sup>18</sup>.

In 2013, San Marino signed the Convention on Mutual Administrative Assistance in Tax Matters (as amended by the 2010 Protocol), entered into force for San Marino on 1 December 2015.

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<sup>15</sup> Austria, Azerbaijan, Barbados, Belgium, Croatia, Cyprus, Georgia, Greece, Hungary, Italy, Liechtenstein, Luxembourg, Malaysia, Malta, Portugal, Qatar, Romania, Saint Kitts and Nevis, Seychelles and Vietnam.

<sup>16</sup> Andorra, Argentina, Australia, Bahamas, Brazil, Canada, Czech Republic, Denmark, Faeroe Islands, Finland, France, Germany, Greenland, Guernsey, Iceland, India, Indonesia, Ireland, Monaco, Netherlands, New Zealand, Norway, People’s Republic of China, Poland, Samoa, South Africa, Spain, Sweden, Switzerland, United Kingdom and Vanuatu.

<sup>17</sup> [OECD press release](#)

<sup>18</sup> San Marino: [Table of Determinations and Ratings of the Phase 2 Review](#).

San Marino joined the Automatic Exchange of Information (AEOI) group, composed of more than 60 members including the World Bank and the European Union. San Marino is also involved in the Group on the automatic exchange of information of the OECD Global Forum and is taking part in the negotiations of the new European Directive on Savings Income.

In 2014, San Marino signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information and joined the Early Adopters Group.

In 2015 San Marino signed the FATCA intergovernmental agreement with the United States of America (Model II) that entered into force on 30 August 2016.

In 2016, San Marino has joined the OECD's new inclusive framework to tackle Base Erosion and Profit Shifting, composed of 84 members, and has committed to implementing the BEPS package. To this end, through Decision of the Congress of State (Government) n. 14 of 12 July 2016 a multidisciplinary group was created in San Marino, which includes several San Marino authorities.

For the purposes of implementing the commitments undertaken within the ongoing process towards transparency and international cooperation, an important domestic step was the adoption of Law of 27 November 2015 n. 174<sup>19</sup>, "International Tax Cooperation", which sets out the principles and procedures for the different exchange of information modalities, thus providing the legal basis for implementing the above international instruments (Convention on Mutual Administrative Assistance in Tax Matters, DTAs and TIEAs, Agreement with the European Union, FATCA)<sup>20</sup>.

## 6. AML/CFT framework

### 6.1 AML/CFT policy and strategy

The AML strategy and policy is supported by the technical assistance of the Technical Commission for National Coordination (TCNC). The TCNC was established in 2010 and is composed by representatives of the most relevant AML/CFT competent authorities: the Court, the CBSM, the FIA, the Commanders of Police Corps and representatives of the officers responsible for investigations in the field of AML/CFT.

The TCNC plays a pro-active role in the development of AML/CFT framework in San Marino. The meetings of the TCNC may also be attended by representatives of the CSC (i.e. Credit and Savings Committee whose members are Ministers) in those cases where the TCNC intends to explain the activities carried out or propose initiatives falling within the Committee's competence. The TCNC, in some cases, has also involved the private sector for some specific issues.

Under article 15bis of the AML/CFT Law, the TCNC is entrusted with the task to report on a regular basis to the CSC with regard to legislative and administrative measures which are deemed necessary to improve the effectiveness of the AML/CFT system.

The TCNC is also entrusted with the task to coordinate the activity of combating money laundering and terrorist financing carried out by competent authorities.

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<sup>19</sup> [Law of 27 November 2015 n. 174](#) "International Tax Cooperation" (available in Italian only).

<sup>20</sup> Further information is provided on the following [section](#) of the Ministry of Finance website.

## 6.2 AML/CFT legal system

### 6.2.1 Money laundering offence

The money laundering offence, as set out in article 199bis of the Criminal Code, is generally compliant with the requirements established under the Vienna and Palermo Conventions<sup>21</sup>.

With the scope to fully comply with international standards, in the past years, San Marino has introduced measures:

- ✓ on money laundering offence, by introducing “self-laundering”;
- ✓ on the liabilities of legal entities, allowing the seizure of assets that could be laundered, and
- ✓ on predicate offences, by introducing specific acts and adhering to multiple international agreements regarding “piracy” and “terrorism” offences.

### 6.2.2 Liability of legal entities

On corporate liability, a new legislation has been introduced<sup>22</sup>. Law of 29 July 2013 n. 99, repealing Law of 21 January 2010 n. 6, envisages liability of legal persons, which applies in case of "a) intentional offences committed by persons who had the power to act for the legal persons on their behalf or in their interest; b) offences committed in carrying out the activity of the legal person if the offence was possible because of an organisational failure attributable to the legal person, to lack of supervision or control or if the offence was committed upon indication of the organisational or managerial leaders of the legal person".

Under Article 1, Law n.99/2013 provides for the definition of "legal person", which refers to all bodies, companies and associations, also not recognised, as well as to public bodies carrying out economic activities.

Criminal law provisions apply to liability of legal persons, as they are compatible.

If the offence is committed in the context of an activity subject to the direction or control of another legal person, liability under this Law extends to the legal person exercising the direction or control. Such liability shall continue to apply in case of transformation and merger of the legal person.

Liability of legal persons does not preclude that of natural persons who committed the offence and applies also when the offender has not been identified, is not chargeable or is not punishable. Moreover, legal persons having their registered office on the territory of the State shall be liable also in relation to offences committed totally or partially abroad. Criminal liability of legal persons therefore applies to all offences, including FT.

The Judge for criminal matters is competent to establish the liability of legal persons and to apply the relevant sanctions, including the administrative sanctions.

In case the liability of a legal person is established, the Judge shall order that such legal person pay an amount not lower than the amount of the gain achieved by the legal person. Moreover, the legal person shall be ordered to pay an administrative pecuniary sanction ranging from 2,000 to 100,000 euro. When establishing the liability of the legal person, the Judge may also apply a further administrative sanction consisting of disqualification from three months to one year.

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<sup>21</sup> MONEYVAL stated that “Money laundering is criminalised largely in line with the FATF standard and the legal framework provides an ability to freeze and confiscate assets in appropriate circumstances”. [Executive Summary](#) to 2010 Mutual Evaluation Report, page 5.

<sup>22</sup> [Law of 29 July 2013 n. 99](#) “Criminal liabilities for legal entities” (available in Italian language only).

### 6.2.3 Confiscation, Freezing and Seizing of proceeds of Crime

Confiscation is provided for in article 147 of the Criminal Code. The legal framework for the confiscation regime, as amended by Law of 29 July 2013 n.100, provides for a wide range of confiscation, seizure and provisional measures with regard to property laundered, proceeds from and instrumentalities used in ML or predicate offences.

Confiscation is a consequence of a conviction for the offence and operates on the instrumentalities that served or were destined to commit the offence. It also operates on things being the price, product or profit thereof.

Regardless of conviction, confiscation shall also apply to the illegal making, use, carrying, holding, sale of or trade in property, even if not owned by the offender.

For the purposes of confiscation, the assets that the offender has fictitiously registered in the name of a third person or, in any case, owns through an intermediary, shall be regarded as belonging to him/her<sup>23</sup>.

### 6.3 Competent Authorities for financial crimes and A ML/CFT investigations

The Investigating Judges at the Court, the Police Forces and the FIU are in charge of investigating financial crimes and ML in San Marino.

#### 6.3.1 Investigative Judge

The preliminary stage to the exercise of the criminal action falls within the competence of the Investigating Judge. During the preliminary investigation stage, prosecuting functions are performed by the Investigating Judge, who is responsible for criminal action. The preliminary investigative stage consists in pre-trial investigation procedures (such as interviews, examination of witnesses, confrontations, identifications, searches, seizures, expert reports) directly carried out by the Investigating Judge. Some of these procedures can also be carried out by the Judicial Police (Gendarmerie, Guardia di Rocca and Polizia Civile). For some complex financial investigations, the Investigating Judge coordinates Police Forces and the FIU. If the evidence collected is sufficient to demonstrate the liability of the defendant, the Judicial Authority orders the indictment.

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<sup>23</sup> The confiscation of the profit, price or product of the offence can also be ordered against the person who, having nothing to do with the offence, has taken advantage thereof, if he/she could have known of the illicit origin of the things available to him/her.

Confiscation may also be ordered with respect to property the ownership of which has been transferred to a person other than the offender by virtue of inheritance. In this last case, confiscation is ordered only with respect to the assets currently available to the heir.

If the instrumentalities that served or were destined to commit the offence cannot be confiscated for any reason, the judge orders the confiscation of money, property or other benefits available to the convicted person, also through an intermediary, for a value corresponding to the product, profit or price of the offence.

When the instrumentalities that served or were destined to commit the offence have been intermingled, in whole or in part, with property acquired from legitimate sources, the judge orders the confiscation of the intermingled proceeds, up to the assessed value of the instrumentalities that served or were destined to commit the offence or of the things being the price, product or profit thereof. If the aforementioned instrumentalities have been transformed or converted, in whole or in part, in other assets, confiscation shall affect such assets, as well as the benefits deriving from the transformation, conversion or confusion.

In case of conviction for some specific offences among which those included in the FATF list of designated categories of offences, money laundering and terrorism financing, the judge shall order the confiscation of money, property or other benefits available to the convicted person, of which the offender is not able to demonstrate the lawful origin.

This specific offences refer to Articles 150, 158, 167, 168, 168 bis, 169, 177 bis, 177 ter, 194 paragraph three, 195, 195 bis, 195 ter, 196, 199, 199 bis, 199 ter, 204 paragraph 3 number 1, 204 bis, 204 ter, 207, 212, 237, 239, 241, 242, 246, 251, 252 ter, 287 bis, 287 ter, 295, 296, 297, 298, 299, 300, 305 bis, 308, 309, 337 bis, 337 ter, 371, 372, 373, 374 paragraph 1, 374 ter paragraph 1, 401, 401 bis, 403, 403 bis of Criminal Code, the offences for the purpose of terrorism, the offence referred to in Article 1 of Law of 26 November 1997 n. 139 and the offence referred to in Article 2 of Law of 7 June 2010 n. 99.

In general, it should be noted that confiscation cannot be detrimental to the rights of bona fide third parties on confiscated property. Moreover confiscated property or equivalent sums are allocated to the State Treasury or, where appropriate, destroyed.

### 6.3.2 Police Forces

The Investigating Judge, the FIU and the specialized teams of Police Forces carry out ML investigations, including financial investigations of proceeds of crime. As regard LEAs, the groups specialized in detecting financial and tax crimes have a consolidated capacity to search, develop and report a significant percentage of ML cases.

### 6.3.3 Financial Intelligence Unit

The FIU of San Marino (“Financial Intelligence Agency”, FIA<sup>24</sup>) was established in 2008. The FIA receives and analyses STRs and other disclosures and refers ML/TF cases to the Judicial Authority. In performing such activities, the FIA also cooperates with foreign FIUs and responds to the requests of assistance received from abroad.

The competence for regulation and supervision of compliance with AML/CFT requirements lies with the FIA.

### 6.4 Preventive AML/CFT legislation

The scope of preventive measures in the area of AML/CFT for the financial sector covers all institutions/professions working in a financial activity as defined by the FATF as well as all DNFBPs categories.

The legislative framework is based on Law 17 June 2008 n.92<sup>25</sup> on “Provisions on preventing and combating money laundering and terrorist financing” (AML/CFT Law) whose provisions have been amended over the years in order to comply with the FATF Standards and actions recommended by Moneyval.

The AML/CFT requirements are complemented by FIA Instructions that are binding and sanctionable instruments<sup>26</sup>.

The persons and entities covered by the AML/CFT legislation are defined as “obliged parties”:

- ✓ “Financial parties” are defined as follows:
  - Authorized Parties pursuant to LISF<sup>27</sup> ;
  - the Central Bank, whenever in the context of its institutional functions, establishes business relationships or carries out occasional transactions that require the fulfilment of the obligations prescribed by AML/CFT Law;
  - Ente Poste, whenever it offers the postal financial services referred to in Annex A) of Law 21 May 2012 n. 54<sup>28</sup> ;
  - financial promoters pursuant to Articles 24 and 25 of LISF;
  - insurance and reinsurance intermediaries as defined in Articles 26 and 27 of LISF.
  
- ✓ “Non-financial parties” are parties professionally carrying out the following activities:
  - professional office of the trustee in conformity with the trust legislation;
  - assistance and advice concerning investment services;
  - assistance and advice on administrative, tax, financial and commercial matters;
  - credit mediation services;

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<sup>24</sup> See additional information on the FIA at its website: [www.aif.sm](http://www.aif.sm)

<sup>25</sup> Law of 17 June 2008 n. 92 “Provisions on preventing and combating money laundering and terrorist financing” as amended. [Consolidated AML/CFT Law](#) in available in English language, posted on the FIA website.

<sup>26</sup> FIA Instructions are available on FIA website: [www.aif.sm](http://www.aif.sm)

<sup>27</sup> [Law of 17 November 2005 n.165](#) - Law on companies and Banking, Financial and Insurance service.

<sup>28</sup> [Law of 21 May 2012 n. 54](#) “Legge istitutiva dell’Ente Poste della Repubblica di San Marino” (available in Italian only).



- real estate mediation services;
  - running of gambling houses and games of chance as set forth in Law 25 July 2000 n. 67 and subsequent amendments;
  - offer of games, betting or contests with prizes in money through the Internet and other electronic or telecommunication networks;
  - custody and transport of cash, securities or values;
  - management of auction houses or art galleries;
  - trade in antiques;
  - purchase of unrefined gold;
  - dealing in precious stones or precious metals;
  - rental of registered movable assets;
  - professional credit recovery on behalf of third parties.
- ✓ “Professionals” are defined as follows:
- those enrolled in the Register of Accountants of San Marino;
  - those enrolled in the Register of External Auditors and Auditing companies and of the Register of Actuaries of San Marino;
  - those enrolled in the Register of Lawyers and Notaries of San Marino, when they carry out, on behalf of or for their client, any financial or real estate transaction, or when they assist in the planning or carrying out of transactions for their client concerning the:
    - transfer at any title of rights in rem in relation to real estate or companies;
    - managing of client money, securities or other assets;
    - opening or management of bank, savings and securities accounts;
    - creation, operation or management of companies, trusts or similar legal arrangements, with or without legal personality;
    - organisation of contributions necessary for the creation, operation or management of companies;
    - transfer at any title of shares in a company.

## 7. Environment factors

In the assessment of the ML risks, threat and vulnerability, some broad “environmental” factors - which influence the nature, sources, extent and possible impact on ML risk - have been taken into account.

The location of San Marino landlocked in the Italian peninsula has been considered as a structural contextual factor which influences the ML risk, threat and vulnerability.

Common language, uses and habits facilitate the commingling among persons, services and business. As such, Italy is the main financial and economic partner of San Marino.

For these reasons, among others, both the results contained in the public document<sup>29</sup> summarizing the national analysis of ML/TF risk of Italy of 2014 and the information provided in the FATF Mutual Evaluation Report<sup>30</sup> of Italy conducted by the IMF have been taken into consideration for the scope of San Marino ML risk assessment.

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<sup>29</sup> [Analisi nazionale dei rischi di riciclaggio e finanziamento del terrorismo](#), carried out under the auspices of the Financial Security Committee (FSC) by Italian Authorities.

## 8. San Marino and Moneyval Committee

San Marino has been a member of Moneyval since 1998. Over the years, San Marino has been subject to four mutual evaluation rounds<sup>31</sup>.

While the first and second round of evaluation took place in 2001 and 2005, the third mutual evaluation on-site visit was carried out in March 2007. This last visit terminated with the adoption of a mutual evaluation report (MER 2008<sup>32</sup>) in April 2008.

In light of its relatively low compliance ratings<sup>33</sup>, San Marino was placed under enhanced follow up (i.e. first step of “compliance enhancing procedure”). The enhanced follow up procedures pushed the country to adopt measures to address the deficiencies identified by making great efforts to develop its AML/CFT system.

On September 2009, MONEYVAL lifted the compliance enhancing procedure<sup>34</sup>, acknowledging the progress achieved by San Marino in addressing the recommendations formulated in the MER 2008.

The latest (fourth) round of evaluation (i.e. MER 2011)<sup>35</sup> highlighted the substantial progress made by the Country, as confirmed by the results of 2013 and 2015 follow-up Reports<sup>36</sup>. On April 2015, the MONEYVAL Plenary praised San Marino for the work made and adopted the report on San Marino’s application for removal from regular follow up and decided that San Marino should have reported back under biennial procedures in April 2017.

### B) Information on ML Threat

Having a clear understanding of the crime environment (in which predicate offences are committed and the proceeds of crime are generated and/or laundered) it is important to carry out a proper ML risk assessment.

The analysis of ML threat<sup>37</sup> consisted in the scrutiny of criminal proceedings (investigated/prosecuted) during the five-year evaluation period (2010-2014). The analysis of ML threat also included the study of flow of funds in order to determine a likelihood of possible “illicit cross border activities”.

As regards investigations and prosecutions for ML, the analysis concerned the cases generated by notifications and disseminated by the AML/CFT competent authorities (i.e. LEAs and the FIU) and those opened following the receipt of Rogatory Letters (MLA).

Criminal proceedings opened in San Marino, involving offences generating proceeds of crime - that might be "predicate offences" for ML - have also been analyzed.

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<sup>30</sup> [Mutual Evaluation Report Italy, 2016](#)

<sup>31</sup> Moneyval website: [San Marino Jurisdiction](#)

<sup>32</sup> [Moneyval MER 2008](#)

<sup>33</sup> [Press release Council of Europe \(650\) 22.09.2008](#)

<sup>34</sup> [MONEYVAL San Marino Follow up Report 2009](#)

<sup>35</sup> [Moneyval MER 2011](#)

<sup>36</sup> [MONEYVAL San Marino Second Regular follow up report 2015](#)

<sup>37</sup> For the scope of this assessment, the notion of “Threat” is the one provided in FATF Guidance “National Money Laundering and Terrorist Financing Risk Assessment” (Feb. 2013) which incorporate “a person or group of people, object or activity with the potential to cause harm to, for example, the state, society, the economy, etc. In the ML/TF context this includes criminals, terrorist groups and their facilitators, their funds, as well as past, present and future ML or TF activities”.

Moreover, focus on assessing cross-border threats – in term of movements of funds to and from San Marino (i.e. inflows and outflows) – have been scrutinized as well as information collected through international cooperation (both LEAs and FIUs).

## 1. Generating Proceeds of crimes in San Marino

The analysis of ML threat, among others, consisted in the scrutiny of investigations and cases where domestic crimes generated illegal proceeds, as informed by the Judicial Authority.

This information is useful to understand the nature and the size of criminal activities in San Marino and to deduce the overall pattern of illegal activities committed in San Marino whose proceeds might be laundered in San Marino (and abroad).

The most relevant crimes generating proceeds in San Marino are economic/financial crimes related, in the majority of the cases, to abuse/misuse of legal entities or economic activities. In these cases, indictments for offences such as “Swindling”, “Misappropriation”, “Tax Fraud”, “Corporate Fraud” (i.e. “Bad Faith Administration”) and “Bankruptcy” have been achieved.

Such illegal activities are usually associated with “Forgery of private deed/agreement”, “False declarations of private to public official”, “Fraud in the execution of contracts”, “False corporate communications/false reporting” and “Use of false deeds” which constitute ancillary offences that are configured as instrumental to the commission of the above mentioned offences.

With a limited extension, other crimes registered in San Marino are related to “Theft”, “Receiving stolen property”, “Counterfeiting of product brands” and “Products and intellectual property with signs aimed to mislead”.

## 2. Domestic and external money laundering Threat

Based on the findings of the analysis, the proceeds from crimes committed in San Marino are mainly generated by offences such as “Corruption”, “Misappropriation” and “Fraud/Swindling”.

The ML threat to external crimes is related to the following types of predicate offences: “Tax fraud”, “Misappropriation”, “Criminal association”, “Abusive exercise of financial activities”, “Bankruptcy”, “Swindling” and “Drug trafficking”.

The following table indicates the level of ML threat associated with the most relevant predicate offences. The level of ML threat is based on the frequency of ML cases and investigations, number of persons involved and magnitude of the assets and funds laundered, seized and confiscated.

PREDICATE OFFENCE	LEVEL OF THE ML THREAT
Fraud /Swindling Corruption Misappropriation Bankruptcy/Bad faith administration	High
Mafia-type criminal association/ Criminal association Abusive exercise of financial activity	Medium-High
Betting and illegal gambling Offences of exploitation of immigration and illegal labour Usury Drug trafficking	Medium

PREDICATE OFFENCE	LEVEL OF THE ML THREAT
Theft Counterfeiting of products and trademarks	Medium-Low
Abuse of power	Low

Table 2 – Level of ML threat for predicate offences

### 3. Laundering of proceeds of crime

On the basis of the analysis carried out, all “stages” of ML (i.e. placement, layering and integration) take place in San Marino. However differences emerge in case of domestic or external origins of the predicate offences, as indicated below.

The proceeds of crimes committed in San Marino are largely used and reinvested in San Marino economic activities.

Participation in the capital share of companies, including – in certain circumstances – companies holding real estate located in San Marino and abroad and acquisition of real estate properties as well as high value goods through the misuse of leasing contracts, are the most frequent cases.

As a consequence, it should be noted that such illegal investments made in San Marino have been more easily identified, detected, traced and seized by the domestic competent authorities.

As far as predicate offences committed abroad are concerned, money laundering activity mostly consists in the use of San Marino to conceal and subsequently transfer funds abroad without integrating them (i.e. re-investing) into the national economy (*placement and layering*).

The following boxes provide some sanitized information on cases and investigations related to some of the most relevant ML threats for San Marino.

FOCUS ON ML AND FRAUD/SWINDLING
<p><b>Background information</b></p> <p>Fraud/Swindling<sup>38</sup>, including swindling to the detriment of the Republic of San Marino or public bodies (thus, Tax Fraud), has generated considerable proceeds, which have largely involved the Banking and OFIs sectors.</p> <p>In particular, one of the major vulnerabilities of the system was represented by the undue advantages that could be achieved through carousel fraud. Such fraud involved a San Marino economic operator pretending to import goods exempt from VAT. Such goods were then formally resold to non-existing Italian operators (who do not pay the VAT), to the detriment of the Italian and San Marino Tax Authorities (the San Marino Tax Authority is requested to refund the single-stage import tax).</p>
<p><b>Main methods and techniques detected</b></p> <p>Based on the analysis of ML cases, the following methods/techniques have been identified:</p> <ul style="list-style-type: none"> <li>✓ Domestic and foreign companies not effectively operating have been used to issue false documents and faked invoices aimed to justify non-existing operations, managed by fictitious directors or straw-men;</li> <li>✓ Foreign companies - established in off-shore countries and/or in relevant financial centers have been</li> </ul>

<sup>38</sup> The term “Fraud/Swindling” includes the following offences: tax fraud, commercial fraud, swindling, swindling to the detriment of public bodies and swindling in sports competitions.

### FOCUS ON ML AND FRAUD/SWINDLING

used to open current accounts and to execute financial transactions. These operations were not related to concrete/actual and/or existing import/export commerce of goods to/from San Marino;

- ✓ Swift financial transactions through banking channels and/or use of operations in cash (deposit and withdrawals) aimed to transfer funds from a current account to others held at the same bank, where fake invoices are used to support banking transactions;
- ✓ High frequency in opening and closure of accounts by new-established companies;
- ✓ In certain cases, sums have been repatriated through application of the tax amnesty programme (i.e. VTC programme ).

#### *Main sectors involved*

The traditional product sectors that were the most affected by carousel fraud include: the food sector in its widest sense, rough metals, electronics, telephony and photo-cine-optics. In addition to these areas, emerging sectors have been identified, such as the textile industry, including clothing, commerce and, above all, car rental, especially large-engine and luxury cars.

#### *Domestic Authorities' responses*

The activities of the OCSEA and of the Fraud Squad of the Civil Police, together with the strengthening of international cooperation to combat tax fraud and the exchange of information through the CLO, have led to strong enforcement actions to contrast this phenomenon. The Congress of State (San Marino Government) has withdrawn the license of many companies.

Numerous criminal proceedings have been initiated, also thanks to the introduction of the offences (i.e. "issuance and use of invoices for non-existing operations") envisaged in the Law n.99/2010.

Legislation has also led to benefits in the MLA field, which have allowed to carry out joint investigations with foreign authorities, with a successful mutual exchange of information and investigation documents.

Table 3 - Focus on ML and Fraud/Swindling

### FOCUS ON ML AND DOMESTIC, FOREIGN CORRUPTION AND BRIBERY

#### *Background information*

As far as domestic corruption is concerned, although corruption proceedings are relatively small in number, the large scope of investigations and the high number of parties involved has made it clear that such threat exists in San Marino.

Apart from marginal cases relating to bribery of public officials for very low amounts (that resulted in indictments and convictions), a major concern is represented by cases involving national PEPs and their associates, which have required more in-depth investigations (including financial investigations) and preventive measures. Such cases mostly involved senior managers of the public administration.

With regard to foreign corruption, ML cases related to two different scopes: a) the transfer of funds aimed to pay bribers; b) the credit of illicit funds aimed to purchase luxury goods, to be invested in securities and to be used as guarantees for loans whose funds have been then invested mainly in real estate sector abroad.

#### *Main methods and techniques detected*

Based on the analysis of ML cases, the following methods/techniques have been identified:

- ✓ Banking transfers to San Marino from abroad;
- ✓ Deposit of cash and checks in current accounts;
- ✓ Cash deposited on bearer saving deposits;

#### FOCUS ON ML AND DOMESTIC, FOREIGN CORRUPTION AND BRIBERY

- ✓ Use of current accounts held by third persons and/or held by companies whose representatives are offenders and/or third persons, off-shore companies, companies established in EU, San Marino foundation and/or held by FFCs under fiduciary mandates;
- ✓ Use of illicit sums to withdraw cash and/or to invest in securities and/or to guarantee loans;
- ✓ Loans used to purchase real estate in San Marino and abroad;
- ✓ Use of VTC programme for the repatriation of the illegal funds by offenders and/or third persons;
- ✓ Use of invoices for non existing transactions to justify money transfers (used both for inflows and outflows) and/or for sponsorships;
- ✓ Funds have been transferred abroad via bank-transfers in favor of off-shore companies whose accounts are held in financial centers whose Jurisdictions are different from those where the off-shore companies have been established;
- ✓ Use of illicit funds to acquire shareholdings in FIs sector and real estate companies;
- ✓ Sometimes, the assistance and planning by banks and/or FFCs officials has been observed.

#### *Main sectors involved*

Public administration, Senior political officers, Accountants, Notaries/Lawyers, FIs sector, Real Estate and Construction sector.

#### *Domestic Authorities' responses*

The increased capacities of the LEAs, the FIU and the CBSM have been useful to detect proceeds of crime and illegal activities. Criminal proceedings have been launched after complaints by Competent Authorities.

The increased number of proceedings demonstrates the effectiveness of the legislative measures adopted and the improvement of investigation capabilities.

Table 4 - Focus on ML and Domestic, Foreign Corruption and Bribery

#### FOCUS ON ML AND MISAPPROPRIATION, BANKRUPTCY AND BAD FAITH ADMINISTRATION

#### *Background information*

Misappropriation, Bankruptcy and Bad faith administration have generated considerable proceeds which have largely involved the Banking and OFIs sectors and, to certain extent, professionals.

These offences are both national and international source of illicit proceeds which have been laundered in San Marino. In term of figures, misappropriation, bankruptcy and bad faith administration of a company's funds are the most frequently predicate offences for ML. These offences have been often committed through the establishment of extra-budgetary funds by means of false invoices and by resorting to off-shore companies providing or selling non-existing services or goods.

Misappropriation of funds related to companies, bankruptcy and bad faith administration are often identified together with false corporate communications/false reporting, which constitute ancillary offences that are configured as instrumental to the commission of predicate offences.

#### *Main methods and techniques detected*

Based on the analysis of ML cases, the following methods/techniques have been identified:

- ✓ Transfer of amounts deriving from undue subtractions from bankruptcy procedures abroad to San Marino (both via banking channels and checks);
- ✓ Misuse of checks issued in favor of bankrupt and/or fictitious companies;
- ✓ Cash deposited on bearer saving deposits and/or current accounts;

#### FOCUS ON ML AND MISAPPROPRIATION, BANKRUPTCY AND BAD FAITH ADMINISTRATION

- ✓ Use of current accounts opened in the name of one of the offenders, third persons, companies whose representatives are offenders and/or third persons, off-shore companies, foreign associations and/or held by FFCs under fiduciary mandates;
- ✓ Use of “giro payments” (formally through “virtual” cash<sup>39</sup> withdrawal) from a current account to another one;
- ✓ Use of illicit sums to withdraw cash and/or to invest in securities and/or to guarantee loans;
- ✓ Use of VTC programme for the repatriation of the illegal funds by offenders and/or third persons;
- ✓ Use of invoices for non existing transactions to justify money transfers (used both for inflows and outflows);
- ✓ Sometimes, the assistance and planning by banks and/or FFCs officials and/or professionals has been observed.

##### *Main sectors involved*

Any sector is vulnerable to such (predicate) offences. Most of the ML cases and investigations were related to rough metals, waste and electronic sectors.

##### *Domestic Authorities’ responses*

The introduction of the offence (i.e. “issuance and use of invoices for non-existing operations”) in 2010 and the criminalization of self-laundering since 2013 have allowed to prosecute ML related to such predicate offences more easily.

The increased number of proceedings demonstrates the effectiveness of the legislative measures adopted and the improvement of investigation capabilities.

Table 5 - Focus on ML and Misappropriation, Bankruptcy and Bad Faith Administration

#### FOCUS ON ML /ABUSIVE EXERCISE OF FINANCIAL ACTIVITIES

##### *Background information*

The abusive exercise of financial activities consisted in the collection and distribution of large funds to different numerous persons. In certain cases such funds were generated from illegal activities.

This type of crimes are usually committed by several natural persons by common accord. It is to say that this kind of offence has been observed mainly in the past years with a decreasing trend from 2011 to 2014.

##### *Main methods and techniques detected*

Based on the analysis of ML cases, the following methods/techniques have been identified:

- ✓ Foreign banking transfers cashed in San Marino;
- ✓ Cash deposits in San Marino transferred abroad;
- ✓ Use of current accounts opened in the name of one of the offenders, third persons, off-shore companies and/or held by FFCs under fiduciary mandates;
- ✓ Use of safe-deposit box;
- ✓ Use of proxies by the same person operating in several accounts held by third persons;
- ✓ Consultancy services used to justify (illicit) transactions;
- ✓ Sometimes, the assistance and planning by banks and/or FFCs officials and/or foreign and domestic professionals has been observed.

<sup>39</sup> Virtual cash is meant as: transfer operations from one account to another account (“giroconto”) recording the deposit and the withdrawal of cash without the physical movement of cash. Measures in this regard have already been put in place thanks to Article 20 bis of [FIA Instruction 2016-01](#), which has forbidden the use of virtual cash to transfer funds among different subjects.

## FOCUS ON ML /ABUSIVE EXERCISE OF FINANCIAL ACTIVITIES

### *Main sectors involved*

Funds generated by several offences (e.g. trademark counterfeiting, exploitation of illegal immigration, commercial fraud, misappropriation) in different sectors.

### *Domestic Authorities' responses*

Regulatory measures have been adopted by the CBSM to limit fiduciary and financial services offered by FFCs as well as enforceable measures (e.g. extraordinary administration, liquidation).

Criminal proceedings have been initiated after complaints by competent authorities.

Table 6 - Focus on ML /Abusive Exercise of Financial Activities

## FOCUS ON ML AND CRIMINAL ASSOCIATION, "MAFIA-TYPE ORGANIZED CRIME"

### *Background information*

ML cases and investigations indicated that "Criminal association" is often identified together with predicate offences and illegal activities described above, which constitutes ancillary offences.

It is worth mentioning that in some ML cases and investigations "Mafia-type organized crime" emerged together with abusive exercise of financial activities, usury and fraudulent transfer of assets.

Table 7 - Focus on ML and Criminal association, "Mafia-type organized crime"

## 4. Sectors most exposed to ML threat

The analysis of ML threat also focused on how the proceeds are being invested and laundered and in which sectors this occurred.

The table below describes the sectors which are mostly exposed to ML threat. It is worth mentioning that this result does not mean that these sectors are exposed to the equivalent level of ML risk (e.g. High level of ML threat does not necessarily mean High level of ML risk).

According to the model adopted, ML risk is the combination of ML threat and ML vulnerability. Thus, in order to detect the actual level of ML risk of the sector concerned, the level of ML threat identified shall be combined with the level of ML vulnerability of the sector in question<sup>40</sup>.

SECTOR	LEVEL OF EXPOSURE TO ML THREAT
Banking sector	<b>High</b>
Other financial institution (financial/fiduciary companies) Notaries and lawyers Accountants "Import-Export" <sup>41</sup> Real Estate <sup>42</sup>	<b>Medium-High</b>

<sup>40</sup> Further information is provided in the following section C and in Annex A, see also the example of matrix provided in section D.

<sup>41</sup> The term "Import-Export" does not refer only to a real trade-based ML scheme, but also to cases where invoices for non-existing transactions were used. For example when a foreign company carries out "foreign-to-foreign" transactions without any physical transfer (i.e. "import") of goods in San Marino and invoices are only used to justify an illegal financial operations.

<sup>42</sup> The Real Estate sector is considered within the context of design studios when Real Estate are projected and sold or leased.



SECTOR	LEVEL OF EXPOSURE TO ML THREAT
Insurance	Medium
Non-Profit Organisations	Medium-Low
Other sectors <sup>43</sup>	Low

Table 8 – Sectors most exposed to ML threat

The *Banking sector* is the most exposed to ML (thus representing a “High” level of ML Threat).

The main products/services offered by the banking sector and observed in ML cases are the following: current accounts, deposit securities, bearer saving deposit<sup>44</sup>. These products have been used mainly to perform cash deposits/withdrawals, bank transfers, checks and to subscribe certificates of deposit.

ML threats affect banking activities as follows:

- ✓ the use of banking relationships (mostly current accounts) in order to perform considerable and significant financial transactions;
- ✓ the execution of complex transactions with several parties that inhibit the capabilities of FIs to properly perform the monitoring process<sup>45</sup>;
- ✓ operations carried out by companies based in Countries or Jurisdictions that do not provide information on the identity of BO and on the nature and purpose of transactions or business;
- ✓ before the entering into force of Law 92/2008, due to a relaxed AML/CFT preventive regime, banking operations had been carried out by non-bank FIs (FFCs) performing a large number of banking transactions for which banks have not been provided with information on customers (and BOs) for which the FFCs operated for.

Investigations have highlighted an extensive use in the past of the so called “virtual cash” operations. These were transfers of funds from a current account to another current account (“giro-payments”) at the same bank that were recorded “as deposits” and “as withdrawals” of cash rather than “as transfers of funds”<sup>46</sup>.

The *Other Financial Institutions Sector – Financial and Fiduciary Companies* is exposed to “Medium-High” ML threat.

The main products/services offered by the FFCs sector detected in ML cases are the following: fiduciary administration of securities assets (i.e. “type 1 mandate”), fiduciary administration of shareholdings (i.e. “type 2 mandate”), fiduciary administration of loans to third parties (i.e. “type 3 mandate”) and Leasing contracts.

Some investigations showed that large sums of money have been deposited at banks through FFCs: preventive measures (CDD requirements) were often circumvented in a way to mildly apply AML/CFT provisions on the ground that its requirements had already been met by FFCs.

<sup>43</sup> Rental of Registered Movable Goods (cars, aircrafts and boats); Dealers in Precious Metals and Stones; Assistance and advice concerning investment services and administrative, tax, financial and commercial matters; Management of Auction Houses or Art Galleries, Trade in antiques; Custody and Transport of cash, securities or values; Real Estate (mediation services – agents); Gambling house, Casinos, Offer of Games; Securities Sector; Ente Poste.

<sup>44</sup> It is worth mentioning that [Delegated Decree No. 136 of 22 September 2009](#) (English version) prohibited the issuance of new bearer passbooks and the existing ones, regardless of their balance, had to be closed or converted to nominative accounts by 30 June 2010.

<sup>45</sup> A lack of proper analysis of “critical operations” - as referred to in FIA Instruction 2013-05 - emerged.

<sup>46</sup> This type of operation is no longer allowed. Measures in this regard have been put in place under Article 20 bis of FIA Instruction 2016-01.

San Marino Lawyers and Notaries are exposed to “Medium-High” ML threat. It has been observed that many of the services provided by professionals are exposed to ML. Although professionals involved in investigations are relatively few, these have provided services to purchase real estate properties with illicit proceeds or to establish complex corporate structures and/or off-shore companies. In certain cases, these services have been provided through private deeds among parties stipulated by domestic professionals.

These are also foreign legal professionals who, not being registered in the relevant San Marino professional Register, are not subjected to AML/CFT requirements and controls envisaged by San Marino AML/CFT legislation. These professionals, when operating in a different jurisdiction, are not even subject to the requirements envisaged by the legislation of their country of origin, therefore they enjoy a “state of immunity” that makes them particularly dangerous. There are in fact business activities, which are typical of the “business lawyer” that are expressed in advice and assistance, for which the foreign professional is not subject to checks by the supervisory authority of the foreign country, precisely because he/she is a professional belonging to another state.

Based on investigations and cases, both domestic and foreign professionals participated in transactions regarding the purchase and/or transfer of company shares used for ML purposes. In particular a ML modus operandi consisted in the execution by Professionals of corporate operations (with a different level of complexity) such as the following: a company acquires, either through purchase or transfer, goods/assets of considerable value, subsequently, through the transfer of the units or shares capital, the actual ownership of rights over such goods/assets is also transferred. The concealment of corporate ownership clearly emerged from private deeds showing the simulated character of the (initial) ownership of the share capital.

Accountants are also exposed to “Medium-High” ML threat. Investigations have showed that accountants have been consulted for the establishment and managing of legal entities with a more or less complex structure, established in San Marino or in other countries. Such legal entities have been used to hide the ownership of assets and to launder funds. Moreover, it was also discovered that false billing and falsification of balance sheets have been widely used to justify receipt or transfer of illicit proceeds.

The assistance provided by Accountants in some cases have demonstrated a “passive” attitude in the reporting mechanism to AML/CFT Competent Authorities (e.g. STRs mechanism). Investigations detected cases in which accountants had all the elements to suspect that such companies were lacking a real organizational structure or owned relevant assets, which had been generated in a very limited period of time.

It shall be noted that although Auditing activities have been analyzed together with the Accountants, there is no evidence, at the time of the assessment, of the role of Auditors for ML purposes in San Marino.

The Real Estate Sector is also exposed to a “Medium-High” ML threat. It is worth specifying that in ML cases the Real Estate sector is the sector where illegal proceeds are invested. Such illegal activities have been carried out in the context of “design studios” (i.e. building design firms and professionals) and performed as ancillary activity of legal business.

While there is no evidence of the role of real estate agents for ML purposes. This is in part explained by the specific characteristics of San Marino market, which, at least until the recent crisis affecting the sector, was mainly the prerogative of building design firms and professionals.

The Import-Export Sector is exposed to “Medium-High” ML threat. It should be noted that the term “Import-Export” does not refer only to a real trade based ML scheme (for which a ML conviction has been achieved), but also refers to cases where invoices for non-existing transactions were used: foreign company carries out “foreign-

to-foreign” transactions without any physical transfer – import – of goods in San Marino and invoices are only used to justify an illegal financial operations.

Other sectors have been identified as exposed to “Medium” and “Medium-Low” ML threat, as follows:

- ✓ the *Insurance Sector* – which is exposed to a “Medium” ML threat. The main product/services used in ML cases have been identified as follows: “insurance dedicated contracts” and “whole life insurance contracts”; and
- ✓ the *No Profit Sector* which is exposed to a “Medium-Low” ML threat. It’s worth mentioning that until 2010 non-profit organisations, in particular foundations, were exposed to higher level of ML threat. Investigations highlighted that, in certain cases, foundations had been used to conceal criminal funds. Recent legislative amendments and a more stringent control system put an end to this phenomenon. Indeed, at present, foundations can only make transfers of assets which must be compatible with the non-profit nature of these entities and they are subject to strict checks on the practical use of such assets.

For the following sectors a “Low” level of ML threat has been recognized, as there is no evidence of their use within the ML cases in San Marino:

- ✓ *Assistance and Advice concerning Investment Services and Administrative, Tax, Financial and Commercial Matters;*
- ✓ *Management of Auction Houses or Art Galleries, Trade in Antiques;*
- ✓ *Rental of Registered Movable Goods;*
- ✓ *Real Estate (Mediation Services - Agents);*
- ✓ *Securities Sector;*
- ✓ *Gambling house, Casinos, Offer of Games;*
- ✓ *Dealers in Precious Metals and Stones;*
- ✓ *Custody and Transport of cash, securities and values;*
- ✓ *Ente Poste.*

## 5. Other information analyzed

Information related to techniques and instruments used to launder proceeds of crime have been collected and analyzed. Based on the findings achieved, no specific methods, schemes or typologies prevail. Thus there is not a single or specific ML modus operandi that applies to San Marino.

The analysis of ML threat also included the scrutiny on assets and funds (type, amounts, countries of origin and countries of destination and amount involved), nationality of natural persons and jurisdictions where legal entities and/or legal arrangements have been established. Moreover, information on countries presenting a “potential ML threat” have been analyzed<sup>47</sup> (i.e. information on cross-border financial flows).<sup>48</sup>

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<sup>47</sup> Reference was made to the following documents: [“Illicit Financial Flows from Developing Countries: Measuring OECD Responses”](#) OECD 2013 and Global Financial Integrity 2017 [“Illicit Financial Flows to and from Developing Countries: 2005-2014”](#).

<sup>48</sup> Such information is considered confidential and has not been provided in this document.

## 6. ML Consequences

For the purpose of assessing ML/TF risk at national level, consequences “refer to the impact or harm that ML or TF may cause and includes the effect of the underlying criminal and terrorist activity on financial systems and institutions, as well as the economy and society more generally”<sup>49</sup>.

Being aware of the challenges in determining ML consequences, San Marino authorities estimated ML consequences based on quantitative information related to ML cases such as :

- ✓ number of ML cases, in the three stages: investigations, prosecutions and convictions;
- ✓ assets and funds involved in the ML cases (amounts seized or confiscated);
- ✓ ML sanctions imposed.

From January 2010 to December 2014 (5 years): 6 ML cases were terminated with convictions (9 persons have been convicted); 32 ML were prosecuted (where 107 persons have been indicted); 29 ML cases were under investigations (which concerned 86 persons) and 22 ML cases were closed (related to 43 persons).

In the same period, in sentencing ML cases, proceeds seized amounted to around EUR 6,4 million while proceeds confiscated amounted to around EUR 6,7 million and about EUR 700.000 of assets have been subject to equivalent value confiscation. The sums detected amounted to around EUR 9,6 million and EUR 8.700<sup>50</sup>.

In prosecuted ML cases, the following has been seized: around EUR 19,2 million, 10 real estate (1 land and 9 buildings), jewels and company shares. Sums detected amounted to about EUR 419 million.

In ML cases still under investigation, around EUR 58 million were seized, company shares, company's equipment, art works and antiquities (such as books, pictures, drawings, wood sculpture). The sums detected amounted to around EUR 375 million.

On ML sanctions imposed, in particular, from 2010 to 2015, 31 persons have been indicted in 19 judgments of first instance of which 3 persons acquitted and 28 convicted with sanctions as imprisonment (96 years overall), daily fine (Euro 194.200 overall) and disqualification from public offices and political rights (55 years overall). The imprisonment imposed ranged from 1 year (minimum) to 5 year and 6 months (maximum imposed), with an average of 3 years and 5 months for each of 28 convicted persons.

Moreover, in the same period, 14 persons were indicted in 8 judgments of appeal of which 1 person acquitted, 1 person not convicted for statute of limitations and 12 persons convicted with sanctions as imprisonment (27 years overall), daily fine (Euro 90.000 overall) and disqualification from public offices and political rights (26 years overall). In this case, the imprisonment imposed range from 1 year and 11 months (minimum) and 3 years and 6 months (maximum imposed), with an average of 2 years and 3 months for each of the 12 convicted persons.

Information and data illustrated above show the magnitude of ML cases, efforts and results achieved by the AML/CFT competent authorities (the Court, the Prosecutor Office, the LEAs and the FIU) in the identification, detection, seizure and confiscation of illegal assets and funds as well as in the investigation, indictment and conviction of persons (both natural and legal) involved in ML cases.

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<sup>49</sup> FATF Guidance “National Money Laundering and Terrorist Financing Risk Assessment” (Feb. 2013).

<sup>50</sup> Amount that is equal to the value of the vehicle stolen.

The National ML Combating Ability, whose main components have been analysed and assessed in the following section, has limited the (negative) social, economic and structural consequences of ML risk: preserving transparency, good governance, reputation and accountability of public and private institutions to be damaged and harmed by ML/TF activities.

Indeed ML vulnerabilities related to authorities, domestic contextual and structural elements and private sector affect the overall ML Risk of San Marino.

## C) Information on National ML Vulnerability

According to the methodology used , the “national ML vulnerability” comprises of:

- ✓ “National ML Combating Ability”, which assesses policies, activities and results achieved by domestic AML/CFT competent authorities in order to prevent and contrast ML as well as other relevant contextual and structural elements present in San Marino and
- ✓ “Overall Sectorial ML Vulnerability”, which incorporates ML vulnerabilities on obliged parties (persons and entities) covered by AML/CFT legislation, including those related to products and services provided by FIs as well as the inherent factors that are specific to each of DNFBCPs.

### 1. National ML Combating Ability

The National ML Combating Ability covers several elements, among which the quality of AML/CFT policies and strategy, the robustness of legal framework to contrast ML/TF, the activities and results achieved by AML/CFT competent authorities and the level of domestic and international cooperation.

There are also relevant and structural factors ( so called “Related AML/CFT factors”) supporting the country to combat ML that entered into the sphere of analysis, among which cross-border controls, formalization of economy, effectiveness of tax enforcement, level of financial integrity and independence of audit practices.

The following sections describe the main outcome of the analysis carried out.

#### *1.1 AML/CFT legal framework*

San Marino has fully implemented the measures suggested by the Moneyval Committee in 2011<sup>51</sup> in order to improve the AML/CFT regime, introducing self-laundering, the responsibility of legal entities and introducing specific acts and adhering to multiple international agreements regarding “piracy” and “terrorism” offences.

As regards the effectiveness of criminal proceedings for ML, statistical data suggest that the reorganizing and optimization of resources within the Court has made it possible to define the proceedings during the investigation phase, thus reducing the disproportion between investigations and prosecutions. Progressively more severe penalties have been applied since 2010, sanctions imposed for ML offences have become more effective and proportional while judges commensurate the sanctions to the amount of assets laundered and to the complexity of the ML scheme. The analysis of the judgments does not reveal any interpretation problem (or application issues) with respect to case-law.

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<sup>51</sup> [San Marino Mutual Evaluation Report 2011](#)

### ***1.2 Confiscation, Freezing and Seizing of Proceeds of Crime***

San Marino has introduced provisions, implementing the legal framework already in force as regards preventive seizure and asset forfeiture (also for an equivalent value confiscation). Moreover San Marino has implemented the AML/CFT framework with provisions preserving the rights of third parties in good faith; most importantly San Marino has introduced forms of preventive seizure and asset forfeiture (also not of a criminal law nature) after the statute of limitations has expired in order to prevent the price, product and profit of crime (both money laundering and associated predicate offence) from being reintroduced into the business circuit or legal market.

The statistics highlight that the legal framework does not hinder the application of confiscation orders: by examining the judgments related to money laundering proceedings, it results that in all cases in which the defendant has been convicted, (direct or value) confiscation has been applied by the judge. Moreover, as a result of the progressive revisions of the provisions on confiscation, there has been a significant increase in the amount of funds confiscated<sup>52</sup>.

### ***1.3 Coordination and cooperation among authorities***

The authority that supports AML strategy and policies is the TCNC. Meetings of the TCNC may also be attended by representatives of the Credit and Savings Committee (i.e. members of the Congress of State - Government) in those cases where the TCNC intends to explain the activities carried out or propose initiatives falling within its competence. The TCNC, in some cases, has also involved the private sector for the matter of interest.

By virtue of its composition, as well as of the size of San Marino and of the sectors concerned by AML, the TCNC has carried out analysis pertaining to ML risk assessment by detecting problems and identifying strategies.

The TCNC has also promoted the implementation of the recommendations made by Moneyval in 2011 and has anticipated some issues that have subsequently emerged in the course of the risk assessment process.

Some of the relevant competent authorities have been able to identify vulnerabilities and to adopt actions to mitigate them. San Marino has been implementing a mechanism aimed at identifying, assessing and evaluating the overall ML/TF risks and there is evidence that authorities (and, in particular, the Judicial Authority, the FIA and the Judicial Police) are pursuing collaboration in order to perform preventive function – within the context of the TCNC – in relation to the emerging ML risks.

### ***1.4 Competent Authorities for financial crimes and ML/TF Investigations***

Current trends (in particular with reference to activities carried out by the Court, the FIU and specialised teams of Police forces) show that in the period under consideration the capacity to develop ML investigations has been improved and enhanced.

#### **1.4.1 Investigative Judge**

The Judicial Authority has shown its capacity to complete a more than satisfactory number of ML proceedings in relation to complaints lodged with significant seizures and confiscations.

The parties which, during the various phases in the proceedings, take the role of Prosecutor (more specifically the Investigating Judge), are granted by law all the necessary powers to search for evidence. The investigating Judge, who may be supported by the judiciary police and by the FIA for the financial analysis, carries out any act of investigation.

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<sup>52</sup> Information on seizure and confiscation is provided earlier in this report in the “ML consequences” section.

The statistics show that ML criminal proceedings, entered before 2013, were dismissed because the term for completing the investigations according to law had expired. This issue has been dealt with by means of a reassigning of workloads among Investigating Judges which has made it possible to prevent such situations. In the light of this, corrective measures have been taken and coordinated by the Judicial Authority (trainings, support among authorities in the mixed investigative groups, etc.) and the statistics show that the resources currently assigned to investigations are sufficient and, moreover, the ongoing monitoring of the workload offers large scope to timely adapt to future changed circumstances, if any.

The analysis of statistics pertaining to the period under examination has shown that there are no dysfunctions in criminal proceedings. All of the judgments were taken on merit (i.e. sentencing or acquittal because the accused is innocent or because no offence was committed); on the contrary only one case of judgment has passed pursuant to the statute of limitations (in second instance in 2013).

The resources currently allocated to court proceedings (both in the first and second instance) are adequate both in respect of the workload, of trials and in respect of the predicate offences.

#### **1.4.2 Police Forces**

In the period under consideration, the capacity to develop ML investigations has been improved and enhanced.

LEAs and, in particular, the groups specialised in detecting financial and tax crimes, have demonstrated a consolidated capacity to search, develop and report a significant percentage of ML cases. However, not all police forces are able to adequately develop investigations in order to identify and report ML cases and to adequately develop financial investigations in order to identify and trace illicit proceeds of crime.

This gap has been limited thanks to the case-by-case cooperation with other authorities. In recent years multidisciplinary investigative groups have been set up and joint investigations were conducted.

#### **1.4.3 Financial Intelligence Unit**

The FIA is the national central authority in San Marino to which STRs and other disclosures are reported. It is member of the Egmont Group since 2005.

Based on the outcome of analysis, the STR reporting system (reporting, analysis, dissemination) works quite effectively and the FIU is able to disseminate, spontaneously and upon request, information, and the results of its analysis, to relevant competent authorities.

In particular, the FIU has received 1.218 STRs from obliged parties in the period 2010-2015 (71% from Banks, 18% from Financial/Fiduciary Companies and 6% from other DNFBPs mostly from the category of "Accountants and Auditors"). Over the years, especially in the years 2013-2014 (and with the exception of 2015), the number of STRs has been declining (296 STRs in 2010 and 181 STRs in 2015).

This declining trend is mainly due to:

- ✓ the strong decrease in the number of the major reporting entities (i.e. banks and financial and fiduciary companies);
- ✓ the relevant decrease in the number of banks' (and financial and fiduciary companies) customers and in the banks' (and financial and fiduciary companies) deposits and assets;

- ✓ the decrease in the number of “defensive” STRs<sup>53</sup> (except for 2015 – when there was an increase in those related to the Italian VTC program named “voluntary disclosure”).

The FIU has direct access to several databases held by public offices and other domestic authorities. The FIA has also access to commercial database sources. The FIA is able to obtain additional information from reporting entities for its analysis in a timely manner.

Nonetheless, even if great efforts have been made since its establishment, improvements in better structure and review of the internal procedure related to the analysis of STRs are needed<sup>54</sup>.

Moreover, the San Marino FIU is not yet carrying out strategic analysis. The development of strategic analysis would permit San Marino FIU to use the intelligence information contained in STRs and other disclosures in a proper way (e.g. providing information to other authorities on trends and typologies, prioritizing FIA workload).

The FIU dissemination process is not circumscribed to the sole institutional recipient (the Judicial Authority, to which an average of 10% of STRs are disseminated). In fact, the results of analysis carried out - when there are grounds - are disseminated as spontaneous disclosures to foreign FIUs or to the San Marino Interpol Office, whereas some other cases are disseminated to other national authorities such as the LEAs, the OCSEA and the CBSM, for further follow up initiatives. Such overall disclosures amounted roughly to 50% of the cases analysed.

Referring to the cooperation with the private sector by the FIA, it emerges that the system on feedbacks for STRs shall be improved, aimed at increasing awareness and effectiveness of the AML/CFT risk-sensitive measures for FIs and DNFBPs.

### ***1.5 International Cooperation***

The international cooperation put in place by San Marino authorities is overall efficient. The proper functioning of the system is proven by the data concerning the requests received and fulfilled (no requests, indeed, have been rejected), and the average fulfilment time demonstrates that the legal framework, the data collection system and the resources allocated by the authorities for this purpose are adequate.

The judicial authorities indicate that in the period 2010-2015, 997 requests were received, 800 were executed, 157 are under execution, 33 are pending (the exequatur order has to be issued) and 7 were annulled. No requests sent to San Marino have been rejected (with the exception of a request of extradition reproduced in three different cases received in 2013, made to a citizen of San Marino before the entry into force of the law on extradition) and the time required to process the requests for international legal assistance in money laundering matters has decreased progressively in the period under consideration (from 191 days in 2010 to 79 in 2014). However, in some cases, the requests concern a large amount of bank records, the collection of which takes time, thus slightly increasing the time for their acquisition and transmission to the requesting authority. On the contrary, when the request simply concerns the identification of a (natural or legal) person and the transmission of his/her personal details, the time required is much shorter than the time limits set by law.

With regard to Law Enforcement Agencies cooperation, in the period 2010-2015 Interpol has received 18 requests related to ML, none has been rejected and the average time of execution is the following: 78.5 days (for 2010), 31 days (for 2011), 11.25 days (for 2012), 23.25 days (for 2013), 15.5 days (for 2014) and 21 days (for 2015).

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<sup>53</sup> “Defensive” attitude in the reporting of STRs is meant as the attitude of the “obliged parties” to report facts, assets transactions, customers or others regardless of a proper CDD or with a limited (financial) analysis by the reporting parties (in particular, related to the origin of the suspected funds) or without any scrutiny of the activities carried out at/with the reporting parties.

<sup>54</sup> For example, updating internal procedures on the process of analysis of STRs as well on internal competences.



With regard to “FIU to FIU” international cooperation, in the period 2010-2015 FIA has received 159 requests from foreign FIUs and 23 spontaneous sharing of information. All the requests have been replied and the average number of days to respond to these requests is 14 days. Moreover, the FIA in the same period has sent 351 requests to foreign FIUs and 140 cases of spontaneous sharing of information.

### ***1.6 AML/CFT legislation, regulation and enforcement actions***

Laws and regulations regarding AML/CFT preventive measures are comprehensive. Such provisions conform to the FATF international standards as for CDD, record keeping and reporting requirements as well as other preventive measures. Recommended actions by the Moneyval in 2011 have been transposed into the domestic legislation and regulations<sup>55</sup>.

The AML/CFT framework consists of a range of effective, proportionate and dissuasive criminal and administrative sanctions applicable both to natural and legal persons in case of non-compliance with AML/CFT laws and regulations.

The information and data provided indicate that administrative enforcement actions against “obliged parties” (i.e. FI and DNFBPs) and against their members of management or staff have been undertaken in case of non-compliance with AML/CFT obligations. Complaints have been lodged in case of infringements where criminal sanctions apply.

### ***1.7 Availability of information for application of AML/CFT preventive measures***

In order to properly perform AML/CFT requirements, San Marino has established a mechanism aimed at allowing competent authorities and “obliged parties” to access to relevant information.

Information maintained in the Trust Register of the CBSM is accessible for competent authorities and “obliged parties”. The Trade Register of the Chamber of Commerce is available on-line and the Register of Companies kept at the Court Registry is also publicly available.

Both competent authorities and “obliged parties” can obtain information on the beneficial ownerships of San Marino legal entities and legal arrangements. In order to facilitate access to beneficial owner information, San Marino has adopted a mechanism that:

- ✓ requires FIs and DNFBPs to obtain information under the CDD process on BO and
- ✓ uses information held by other competent authorities on legal and beneficial ownership of legal entities and legal arrangements (e.g. company registers etc.).

It is worth noting that San Marino, under the auspice of the Monetary Agreement with the European Union, shall implement the register of BO, according to the provisions set forth by the Directive (EU) 2015/849.

## **FOCUS ON SOURCES OF INFORMATION**

The following independent and reliable information sources are available in San Marino:

**Trade Register:** This is available on-line, users are able to access a broad range of activities by logging onto the page <https://registriprese.cc.sm>. Many of the services provided by the Chamber of Commerce are present such as, for example: company detail updates, financial statements, *Guida Titano* detail updates, certificates of

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<sup>55</sup> Main AML/CFT legislative and regulatory acts are available on the [FIA website](#)

## FOCUS ON SOURCES OF INFORMATION

origin applications, registration certificate applications, smart card for the electronic signature and others.

**Company Register:** The Register of Companies is kept at the Court Registry. The following data are contained in the Register of Companies for each company:

- ✓ the details of the memorandum of association and, where required by special laws, of the authorisation granted by the Congress of State and of any subsequent authorisation granted or withdrawn;
- ✓ the registered office and any subsequent changes thereof;
- ✓ the issued and paid-up capital stock, and any changes therein;
- ✓ the corporate purpose and any subsequent changes therein;
- ✓ the personal details of the legal representative or representatives, directors, auditors, external auditors, where appointed, and liquidators, specifying their relevant powers;
- ✓ the personal details of shareholders or partners;
- ✓ the date of approval of the balance sheet;
- ✓ the details of any measures concerning any conversion, merger or division;
- ✓ any order issued by the judicial authority concerning winding-up, granting of a moratorium, starting of bankruptcy proceedings and any other order the judicial authority deems useful to have reported;
- ✓ the presence of a sole partner;
- ✓ the existence of pledged shares;
- ✓ the existence of seized or attached shares.

In order to be entered in the Register of Companies, the Certificates related to partners, directors, auditors and external auditors appointed at the time when the company is established shall be in any case deposited with the Court Registry. Certificates of those holding corporate positions and of external auditors, where appointed, shall be deposited with the Court Registry in case the office is confirmed or a replacement is made and such deposit shall be a sine qua non condition to be entered in the Register.

The Company Register of the Court is publicly available. Access to the Register by any person is possible through an IT work station without presenting a formal request to the Registrar. The Head Magistrate of the Court has made it clear that consultation of the Register must take place in real time, in the sense that it must be made immediately available to a person requesting access, who can freely consult and extract the required information (Letter N. 401 MD/PV/08, issued on 20 November 2008 ).

**Trust Register:** Information on trusts is maintained in the Office of Trust at the CBSM. The resident trustee or the resident agent shall inform the Trust Register of any amendment relating to the elements specified in the certificate, within fifteen days from the date on which he has made or received such amendment. The Office shall make the relevant notes in the margin of the original certificate. A resident trustee or a resident agent who fails to make the communications to the Trust Register within the relevant time-limits shall be subject to an administrative sanction from a minimum of EUR 2.000 to a maximum of EUR 10.000.

In addition to that at least every six months the resident agent shall ask the non-resident trustee to inform him/her of any amendment to the elements contained in the certificate of trust by “registered mail”, which shall also be transmitted to the Trust Register in March and September of each year. The Trust Register shall apply an administrative sanction from a minimum of 2.000 to a maximum of 10.000 EUR to a resident agent who fails to duly fulfil this obligation.

**The Licenses Register** is held at the Office of Industry Handcraft and Commerce.

**Commercial databases** (for examples, World-check, Daily Compliance, CERVED, LINCE, etc.) as far as foreign and national legal entities are concerned.

The most common documents acquired in order to verify the BO information of foreign companies are the official documents issued by the competent foreign Authorities. As far as available, various internet websites are examined to verify the documents and/or information provided.

Table 9 - Focus on sources of information

In order to verify information regarding transactions and/or customers, banks (representing the predominance of San Marino financial sector) adopt, as available data sources, the following measures:

- ✓ Reports from other FIs (e.g. bank references);
- ✓ Other kinds of reports (e.g. presentation supplied by a customer of the bank or by a customer/supplier of the person in question);
- ✓ Income declarations;
- ✓ Business profile for legal persons (including historical background information);
- ✓ Check on the partners through official databases (including historical background information);
- ✓ Financial statements of previous years;
- ✓ Acquisition of contracts or invoices as justification of major transactions;
- ✓ Check of business databases (e.g. CERVED, World Check, Daily Compliance, World Compliance).

Banks also access services and external databases, from which useful information can be achieved in order to: a) assess operations carried out by their customers, b) verify declarations and documents received during the CDD process and c) monitor business relationships.

This activity is not carried out by all “obliged parties<sup>56</sup>” with the same level of details for all customers, but this is understandable, according to a risk-based approach applicable to CDD measures.

Findings of AML/CFT supervisory activities, financial analysis of STRs and ML investigations revealed circumstances where the information, data and documents - once acquired by obliged parties– have not been properly compared (i.e. scrutinized) with the transactions performed by customers and where ongoing monitoring (on operations requested by customers) has not been properly performed<sup>57</sup>.

### ***1.8 AML/CFT Supervision***

Under articles 4 and 5 of the AML/CFT Law, the FIA acts as the sole AML/CFT supervisory authority to ensure that “obliged parties” (i.e. FIs and DNFBPs) comply with AML/CFT requirements.

The inspection procedures have been regulated<sup>58</sup> on the types of supervisory activities “on-site” and “off-site” as well as the content and transmission methods of inspection reports. Moreover, the FIA inspections manual, as reviewed in 2013, sets out rules for the planning and implementation of various types of “on-site” inspections by the FIA.

The FIA inspections manual provides for the examination of internal policies and regulations, corporate books and individual records of the inspected entity, also specifying the methods and procedures for sample testing of business relationships and transactions. Moreover, the FIA inspection manual articulates business processes for the planning and implementation of supervisory activity. The manual has been amended in order to better reflect risk-profiling component and to include off-site surveillance. However, the risk-profiling procedures are still in progress and do not incorporate the ML/TF risk of San Marino (e.g. NRA results) as well as ML risks among sectors and for each of the FIs and DNFBPs categories.

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<sup>56</sup> Such activities are mostly and predominately carried out by FIs rather than DNFBPs that avail themselves of (sophisticated and integrated) IT services.

<sup>57</sup> See further details on Table 10.

<sup>58</sup> [FIA Instruction 2014-01](#) “Strumenti di controllo dell’Agenzia e quesiti” (available in Italian language only).

The inspection activities are defined yearly by the FIA Director with the aim of securing coverage of all categories of obliged parties, using all existing and available resources, also given the risk-based approach, and of taking into consideration any possible input deriving from the work of the TCNC and domestic cooperation.

In general, meetings with the FIA employees revealed an adequate level of professionalism and skilfulness necessary for performing their tasks. Educational events on AML/CFT are organized by the FIA jointly with domestic authorities (including LEAs) and international partners.

The FIA is of the view that the adopted inspections procedures (i.e. "sector-specific" and "targeted" inspections), together with the "off-site" activities, (and with the analysis of STRs and national collaboration) adequately covers the ML risk and guaranteed a constant presence of supervision.

However, the FIA should develop its risk-based supervision by using the entire set of information available (e.g. STRs, information and other disclosure provided by other Authorities, national collaboration), through the use of appropriate IT tools and should consequently calibrate AML/CFT supervisory activities<sup>59</sup>.

This is only possible when the FIA has adopted proper policies and procedures for the understanding of ML/FT risks associated with sectors and obliged parties supervised, incorporating the understanding of the risk.

### **1.9 Entry AML/CFT Controls**

According to the LISF and to the CBSM Regulations, the application for the authorization to conduct the "reserved (financial) activity" must be presented to the Supervision Department of the CBSM by all promoting parties and must contain documents, among which valid identification documents for all promoting parties who are individuals, for the corporate officers of all promoting parties who are legal entities and for the first corporate officers, originals of the certifications for the verification of the requirements of good standing and of the capability of ensuring the sound and prudent management of the FIs, for all promoting parties, originals of the certifications for the verification of the requirements of good standing, professional qualifications and independence, for the first corporate officers.

In the framework of the authorization process, the CBSM consider in detail certain AML profiles: with respect to amounts that are paid in terms of payment of the corporate capital, to the direct and indirect participants in the corporate capital and the company members and with reference to the adequacy of the organizational order outlined overall and to relations with other financial intermediaries, and the establishment of the function of the AML/CFT officer.

The knowledge about the operating, organizational and business models - aspects that are also the subject of analytical description as part of the documentation package that must be delivered during the presentation of the application for authorization of applicant - allows the CBSM to assess, in the preliminary phase of the request, the presence of any ML risk profiles or organizational inadequacies that could theoretically increase the ML risk. In such cases, corrective measures are required on the organizational profiles presented, in order to minimize *a priori* the risk of inadequacies in the structuring of the processes that can increase the ML risk.

The CBSM supervisory functions, though various forms of information requests, regulatory measures and onsite inspections, as well as periodical supervisory reports and documents (e.g. quarterly report of the internal audit function), allow the CBSM to have a very structured set of information that also allow to understand ML risk and vulnerabilities.

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<sup>59</sup> AML/CFT supervisory activities include "on-site" inspections, "off-site" activities, "ad hoc" initiatives and thematic overviews.

Overall, legal and regulatory framework on the issuance of new authorizations for FIs, especially for banks, is robust. The compliance of the integrity requirements and the ability to ensure the sound and prudent management of the promoters, of the requirements of integrity, professionalism and independence for company representatives, of adequacy of AML controls, including internal regulations are clearly set forth. However, the regulations in force do not specify the professional requirements for the staff responsible for key functions within the FIs. The examination of certification which endorses these requirements is therefore not envisaged. Moreover, professional requirements are not envisaged, as part of AML controls, for the heads of the internal control functions, with the exception of the AML/CFT Officer.

### **1.10**      *Related AML/CFT factors*

The following section contains contextual and structural elements present in San Marino influencing the capability to combat ML.

#### **1.10.1**      **Cross border controls**

San Marino is an enclave in Italy, on the border between the regions of Marche and Emilia Romagna and about 10 km from the Adriatic Sea in the city of Rimini, there are not geographical barriers and there are numerous roads to cross the borders and a road network (Italian A14 highway) and a airport (Rimini Airport) are in the proximity of the border (the highway is just 10 minutes' drive and the airport is just 20 minutes' drive).

The legal framework relating to cross-border transport of cash and similar instruments<sup>60</sup> is in line with the FATF standards and therefore should be assessed positively.

The border controls related to the movement of cash (and similar instruments) or precious metals and stones are carried out mainly by the Fortress Guard (i.e. Guardia di Rocca), that is the Police Force deputed to border surveillance.

These controls permitted to detect, in the period 2008-2015, the overall amount of around EUR 2 million of which one quarter (approximately EUR 500.000) has been seized. These data compared with the information on deposits and withdrawals of cash at the banks suggest that the Police controls were able to detect few cross-border transfers of cash.

The main difficulties related to this activity derived from the material difficulties of ensuring constant monitoring (24-hour) of all access to the territory of the State. The analysis of data on cash should be strengthened.

For these reasons, policy makers and authorities shall consider actions to address it, such as changes in the relevant legislation<sup>61</sup>, adoption of operational solutions (e.g. signals at the borders).

On this issue, worth considering is the location of San Marino that, as mentioned above, is landlocked in the Italian peninsula. This has been considered as a structural contextual factor which influences the ML vulnerability related to cross-border controls. Common language, uses and habits facilitate the commingle among persons. As far as business is concerned, Italy is the main financial and economic partner of San Marino.

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<sup>60</sup> [Decree Law of 19 June 2009 n.74 and subsequent amendments.](#)

<sup>61</sup> For example, Authorities should consider to extend the list of competent authorities with which declarations should be deposited or to permit the deposit of such declarations with FIs as well.

For this reason, San Marino authorities have also taken into consideration the results of the risk assessment carried out by the Italian Authorities<sup>62</sup> where, on “cross border controls”, the Italian Authorities indicate that these are adequately overseen<sup>63</sup>.

It is worth mentioning that the FATF MER of Italy conducted by the IMF states that the “*high use of cash and relatively large informal economy very significantly increases the risk that illicit proceeds may be rechanneled into the regulated formal economy*”<sup>64</sup> and continues indicating that “*the openness of its economy and the volume of international visitors expose Italy to international ML activity, but the extent of this is unclear. The main destinations for outwards flows are: Switzerland, Luxembourg, and Monaco (in particular with respect to proceeds of tax crimes), as well as France, Germany, San Marino, and Spain*”.

In 2014, as proposed by the Italian Customs Agency, the FIA met representatives of Italian Customs Agency and of the Italian FIU on aspects related to cross border declarations, monitoring and controls. San Marino Authorities are seeking to cooperate with Italian Authorities<sup>65</sup> on this issue.

### **1.10.2 Formalization of legal economy**

There are no estimates concerning the level of informal economy for San Marino. Domestic legislation encourages the development of economic activities on a formal level and ensures supervisory bodies the use of tools for the repression of possibly distortive phenomena. These controls, on the basis of the statistics provided, are actually carried out by the relevant public administration offices (OCSEA, Fraud Squad of the Civil Police, UIAC, Tax Office) and have substantiated in enforcement actions and sanctions.

These Public Administration Offices and Authorities cooperate domestically by exchanging information. It should, however, be considered that the new law on licensing of economic activities<sup>66</sup> and the new law on direct taxes<sup>67</sup> have provided a strong contribution to the current legal framework but their effectiveness could be fully verified only in the forthcoming years.

### **1.10.3 Effectiveness of tax enforcement**

The current regulatory framework attributes to the Tax Office suitable powers and instruments in order to effectively ascertain compliance with fiscal duties on the part of taxpayers.

The direct tax reform adopted by Law 166/2013, that’s effective as of tax year 2014, has marked a step forward in the process of alignment of San Marino with the European rules. This law, according to the Tax Office, presents a legal framework sufficiently suitable to ensure adequate means of control and deterrent tools with regard to direct taxes, it provides for the separation of the control functions and those of assessment and entrusts the Tax Office with adequate powers in the exercise of these functions.

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<sup>62</sup> [Analisi nazionale dei rischi di riciclaggio e finanziamento del terrorismo](#)

<sup>63</sup> Page 27 of the “Analisi nazionale dei rischi di riciclaggio e finanziamento del terrorismo”, section 3.1.3 “**Controlli transfrontalieri**”: “Questo presidio ha una notevole valenza strategica sia alla luce dell’uso del contante nel paese sia dei flussi di capitali illeciti - normalmente di origine italiana - in entrata o in uscita. È un ambito adeguatamente presidiato.”

<sup>64</sup> [Mutual Evaluation Report Italy, 2016](#), Page 16, para 47.

<sup>65</sup> “Italy’s relevant national authorities are the Customs Agency (Agenzia della Dogane), GdF, and the UIF” FATF MER of Italy, page 194.

<sup>66</sup> [Law 31 March 2014 n.40](#) “Disciplina delle licenze per l’esercizio delle attività industriali, di servizio, artigianali e commerciali” (available in Italian only).

<sup>67</sup> [Law 16 December 2013 n.166](#) “Imposta generale sui redditi” (available in Italian only).

The tax system adopted requires natural and legal persons to provide detailed information on incomes (capital, land and buildings, working and retirement, generated by businesses) generated both by individuals and by legal persons.

The transition from the old tax regulatory framework to the new one in effect from tax year 2014 has been set by a programme, which ended in 2014 and allowed all taxpayers to settle pending tax issues upon the entry into force of the new tax legislation or to define their tax relationship with the competent office (although not subject to a specific dispute) in relation to the years 2011, 2012 and 2013.

The statistical data related to the old tax enforcement system show that several controls have been carried out and relevant (not declared) amounts have been identified.

To date, there is no substantial evidence of the effectiveness of the new tax enforcement system as the new reform has just entered into force therefore its effectiveness can be demonstrated only in the forthcoming years.

#### **1.10.4 Level of financial integrity**

Despite the existing regulatory framework and regulatory standards, codes of conduct and ethical codes, organizational models and continuing education (especially for professionals), cases involving professionals (notaries, lawyers and accountants) in investigations related to ML, breaches of AML/CFT legislation and other financial crimes have been identified.

In recent years, several cases have emerged in which investigations have been performed on the bank staff and/or senior managers (both for ML and for other criminal violations envisaged in the AML/CFT Law). These cases have often resulted in indictments and convictions.

In addition, numerous cases have been identified where criminal proceedings were initiated relating to tax fraud or the crime of issuing and use (the tax return) of invoices for non-existing transactions.

On tax matters and crimes, Law 166/2013 introduces clear rules on declarations, provides for the separation of the control functions and those of "tax assessment", and entrusts the Tax Office with adequate powers in the exercise of those functions, such as the power to acquire information from other authorities. Law 166/2013 also provides for administrative and criminal sanctions for violations of those rules as required by Title XI of the Act and the Decree Law 90/2014<sup>68</sup>. Worth mentioning is that administrative sanctions, related to the tax system that was in place before the reform, have been imposed by the Tax Office, as well as criminal proceedings were initiated by the Judicial Authority.

In the context of international cooperation, as indicated earlier in the report, San Marino has signed several cooperation agreements with other States (TIEA, DTA and FATCA) for the administrative exchange of financial information. Moreover, San Marino joined the Automatic Exchange of Information (AEOI) group, which, at the time of this risk assessment was composed of more than 60 members.

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<sup>68</sup> [Decree Law 16 June 2016 n. 90](#) "Disposizioni urgenti in materia di prevenzione e contrasto ai reati di corruzione" (available in Italian only).

### 1.10.5 Independent Audit Practices

By law, FIs covered by AML/CFT Law (with the sole exception of insurance and re-insurance intermediaries<sup>69</sup> and financial advisors) shall appoint an independent external auditor. The CBSM and the Ente Poste shall adopt auditors as well.

The activity of the auditing firm and of the independent external auditor is properly structured in the legislation of San Marino: duties and responsibilities are clearly identified and the general and specific accounting principles - that the auditor shall apply - are clearly defined. The legislation provides for rotation of the independent auditors.

The CBSM shall verify the compliance with the legal requirements and related regulations for all authorized financial intermediaries under the LISF. The legislation requires that the auditors shall report, on a regular basis, to the CBSM. Such mechanism of exchange of information increases the quality and quantity of the information provided.

However, several reports on administrative and criminal violations committed by independent auditors (or independent external auditors) have been generated by the controls (on-site inspections) carried out by the Supervision Department of CBSM.

Worth mentioning is that, according to the Company Law<sup>70</sup>, the role of the “sole auditor” or the role of the “board of auditors/audit committee” has been strengthened and when a person or company entrusted with external independent auditing has not been appointed, the function of the audit of the accounts is assigned to the sole auditor (or the – internal - audit committee). Nevertheless, it has been observed that in some cases the results of internal controls carried out by the sole auditor (or the audit committee) on companies were not effective.

Among the problems detected it emerged that, in some cases, the independent external auditors of San Marino (not being part of the international circuit of auditors) may have limited experiences due to the limited number of cases audited. Moreover, especially in the past, there has been a tendency by the auditing firms not to address the problems identified from a substantial point of view.

## 2. Overall Sectorial ML Vulnerability

As indicated earlier in the report, the overall sectorial ML vulnerability focuses on the ML vulnerability of the persons and entities covered by AML/CFT legislation on general AML controls as well as, for FIs, on ML vulnerability of products and services provided by FIs taking into account specific AML controls designated for the latter, whereas for the DNFBPs sector<sup>71</sup>, other inherent factors, specific to each of the assessed persons and entities, have been assessed.

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<sup>69</sup> Such requirement is not mandatory for insurance and reinsurance intermediaries that distribute products of foreign insurance companies as they FIs are subject to effective control of parent companies. Worth noting is that the size of business of the insurance intermediaries is very limited in San Marino.

<sup>70</sup> [Law 23 February 2006 n.47](#) “Company Law”.

<sup>71</sup> For the purpose of this assessment the following persons and entities have been considered:

- Dealers in Precious Metals and Stones (DPMSs);
- Accountants, Auditors and Tax Advisers- Lawyers and Notaries;
- Rental of Registered Movable Goods;
- Assistance and Advice concerning Investment Services and Administrative, Tax, Financial and Commercial Matters;
- Gambling house, Casinos, Offer of Games;
- Management of Auction Houses or Art Galleries, Trade in Antiques;
- Real Estate (Mediation Services - Agents);



## 2.1 General AML controls

The assessment of general AML controls has been analysed based on the presence of certain factors and their effectiveness implementation by AML/CFT competent authorities and by “obliged parties” for each of the sectors covered by AML/CFT legislation.

The AML/CFT legal framework has been explored in term of exhaustiveness of AML/CFT requirements, comprehensiveness of the legal and regulatory AML/CFT provisions and availability and effectiveness of enforcement measures (i.e. availability of criminal and civil sanctions and sanctions imposed). The accessibility of public information by the private sector to comply with the AML/CFT obligations has also been assessed.

In general, all these structural elements are in place across all the sectors covered by AML/CFT legislations: obligations are set in the AML/CFT Law and detailed into regulatory framework. “Tailor made” regulatory measures have been addressed to the different categories of persons and entities covered by AML/CFT legislation<sup>72</sup>.

The application of AML/CFT requirements by “obliged parties” is supervised by the FIA, mainly through “onsite” inspections, although improvements are needed in the AML/CFT supervisory mechanism, as summarized earlier in the report.

The AML/CFT sanctioning regime consists of criminal and administrative sanctions when infringements are detected. Information and data indicate that complaints have been lodged to Judicial Authorities and administrative sanctions have been imposed by the FIA and paid by those who violated AML/CFT requirements.

Thus, in general all these elements received a substantial level of compliance, determining a low level of ML vulnerability.

Differences emerge among AML/CFT sectors and on ratings assigned when focus turned to the actual implementation of some AML/CFT requirements. In particular the analysis carried out in relation to the integrity of the staff (including members of Board of Directors and senior managers), to the AML knowledge, to the effectiveness of compliance system and to the monitoring and reporting mechanisms have brought to different conclusions among categories of “obliged parties”. Such differences are illustrated in the following sections.

To facilitate the comprehensiveness of the document, the obliged parties covered by AML/CFT legislation have been divided in two main areas :

- ✓ the financial sector, which consists of subjects (persons and entities) that provide financial services;
- ✓ the DNFBPs sector, which includes subjects (persons and entities) covered by AML/CFT legislation, which are not limited to those set forth by the FATF Standards, as indicated earlier.

### THE NEED TO STRENGTHEN THE QUALITY AND THE EFFECTIVENESS OF THE CDD REQUIREMENTS

Despite the rating achieved in the variables, affecting the “quality of the CDD”, San Marino authorities have indicated that the quality of the CDD should be increased.

AML/CFT Competent Authorities agreed on the fact that deficiencies in the CDD procedures have been detected and further improvements by the private sector are needed.

- Custody and Transport of cash, Securities or Values.

<sup>72</sup> Worth mentioning is that the need has emerged to fine tune some regulatory measures and the request to consider the adoption of consolidated regulations to facilitate the reading of the regulatory measures adopted overtime.

## THE NEED TO STRENGTHEN THE QUALITY AND THE EFFECTIVENESS OF THE CDD REQUIREMENTS

Based on the findings of AML/CFT supervisory activities, the analysis of STRs, the information provided and ML cases and investigations carried out also on documents of prosecution and judicial activities, it turned out that obliged parties:

- ✓ do not always collect detailed information and documents on their customers related to their business activities and transaction executed;
- ✓ in some cases do not verify the correctness of the documents collected through independent public sources, despite it being possible for them to do so;
- ✓ sometimes, do not critically assess the documents and information collected, with reference to the operations of their customers;
- ✓ do not properly conduct risk-based ongoing monitoring of the operations requested by their customers.

Therefore, it was concluded that due diligence procedures are not always carried out substantially and in some cases they are merely formal, especially when needed (e.g. in “high” risk circumstances). This prevents obliged parties from fully assessing the consistency of the operations carried out with the data and information they hold on their customers (with particular reference to their customers’ financial, property and professional profiles), with an impact also on compliance with the abstention requirement imposed by the AML/CFT Law, in case of impossibility to perform “high quality” CDD procedures.

According to the Authorities, increasing the quality of the CDD procedures provides benefits to the monitoring mechanism and to the reporting requirements across all reporting entities improving the number and the quality of the reported cases.

Table 10 - The need to strengthen the quality and the effectiveness of the CDD requirements

### 2.1.1 Financial sector

The following factors relate to FIs<sup>73</sup> that have been identified as the most vulnerable to ML.

#### *Integrity of Staff*

The integrity of the staff (including senior management and members of the board of directors) has been assessed for Banking and FFCs at an unsatisfactory level.

This is mainly due to the existence of several proceedings against FIs (in particular banks and FFCs) and their senior managers or employees for ancillary AML offences. Moreover other criminal investigations have been initiated for violation of LISF against FIs and their staff.

Although AML/CFT provisions on screening procedures for the staff are in place, FIs have not adopted specific measures, thus the implementation of actions - such as internal regulations, controls, and supervisory initiatives- has been recommended.

In order to increase the level of integrity and the effectiveness in the corporate governance framework, measures should be taken by competent authorities and private sectors. In particular measures of “fit and proper test” should be properly considered by the CBSM and the FIA in line with international standards<sup>74</sup>. The private sector

<sup>73</sup> This summary excludes *Ente Poste* and *Confidi* that, although these have been analysed in the AML/CFT risk assessment process, are exposed to “Low” level of ML risk and their importance, significance and relevance are very limited for the scope of this exercise.

<sup>74</sup> Reference to G20/OECD “Principles of Corporate Governance”, BCBS “Core Principles for Effective Banking Supervision”.

should promote high level behaviors and mechanisms within FIs, such as internal reporting when infringements are detected<sup>75</sup>.

#### *AML Knowledge of Staff*

Although the comprehensiveness of the AML/CFT requirements by staff operating at Banking sector and FFCs sector is considered satisfactory, these obliged parties have been criticized for the lack of attendance of AML/CFT courses by staff that operate in direct contact with the customers, as most of the AML/CFT initiatives have been addressed to staff operating in the compliance functions only.

The training courses offered by the San Marino Authorities are considered quite limited, these activities should be strengthened.

#### *Effectiveness of Compliance Function (Organisation)*

With regard to AML controls systems, FIs are not yet required, by laws or regulations, to have structured policies and procedures aimed at understanding the ML/TF risks they are facing and to adopt proper policies, internal controls and programmes aimed at mitigating the ML/TF risks identified.

For this reason, pending the adoption of proper legal requirement that will occur with the transposition of the EU Directive 2015/849, the FIA has been recommended to issue Instructions or guidance aimed at implementing it.

Based on the findings, the risk management function seems not to be properly involved in the management of ML/TF risk faced by FIs. Moreover, the four levels of internal controls<sup>76</sup> should be strengthened and follow up actions should be properly implemented and monitored. Moreover, the activities on internal controls should be properly documented. The Internal Audit should also report to the Board of Directors more detailed information with the aim to adopt proper actions.

#### *Effectiveness of Suspicious Activity Monitoring and Reporting*

Despite reporting requirements are quite clear and detailed in the legislation and well understood among staff of financial sector, some category of FIs (namely Securities companies) should be structured with the aim to properly carry out controls on customer operations and detect STRs. The number of STRs received from the financial sector – with the exception of banks - has been considered not adequate. Thus additional efforts are needed to increase the detection of STRs.

Despite the use of professional IT systems supporting FIs in the CDD activities, the difficulties in the identification of relatives and close associates of foreign PEPs have been identified as a challenge.

### **2.1.2 DNFBPs sector**

#### *Integrity of Business/Profession Staff*

As regards the level of Integrity of Business/Profession Staff, the categories of Accountants, Auditors, Tax Advisers and Lawyers and Notaries have been assessed taking into account the fact that some professionals (such as lawyers and accountants) have been reported to the FIA in a few STRs. Furthermore, some professionals are

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<sup>75</sup> It is worth mentioning that the forthcoming AML/CFT legislation will contain provision on “whistleblowing” as set forth under Directive (EU) 2015/849.

<sup>76</sup> I.e. Compliance Functions, Risk Management, Internal Audit and Board of Auditors.

related to ML and/or to other financial crimes. Such circumstances have negatively influenced the rating assigned to the above mentioned categories.

#### *AML Knowledge of Business/Profession Staff*

Although AML Knowledge of Business/Profession Staff does not emerge *per se* as a relevant factor as far as the rating is concerned, it appears that additional AML/CFT training initiatives, with a different level of breath and depth, are needed among different categories of DNFBPs.

While the level of AML knowledge among professionals is considered good, additional AML/CFT events on some specific issues and topics are needed. The level of understanding of AML/CFT requirements among the remaining categories of DNFBs should be increased: outreach, awareness raising, tailored initiatives, as well as other AML/CFT measures should be strengthened.

#### *Effectiveness of Compliance Function (Organization)*

During AML/CFT supervisory activities, weaknesses in the AML/CFT procedures have been identified. In general, additional efforts should be put in place to strengthen AML/CFT compliance program commensurate to the materiality of the business and to the level of risk of each sector.

#### *Effectiveness of Suspicious Activity Monitoring and Reporting*

The horizontal analysis of the sectors analyzed shows that the effectiveness of the monitoring and reporting mechanisms among DNFBPs should be improved as these have not reached a satisfactory level.

Such conclusion is mainly reached due to the very low number (or trend) and scarce quality of STRs reported to the FIA by these categories. For certain categories of DNFBPs, a defensive reporting attitude prevails.

As for FIs, the broad and extensive definition of “relative and close associates” of foreign PEPs limits the capability to detect and monitor operations that might be relevant for the scope of reporting to the FIA.

### ***2.2 ML Vulnerability of products and services provided and other relevant information***

The following section provides an overview on sectorial legislation (or regulation) governing assessed persons and entities and on the size of the business.

As indicated earlier, sectorial ML vulnerability also considers ML vulnerability of products and services provided by FIs taking into account their specific AML controls. Other inherent factors, specific for each DNFBPs sector, have been assessed.

#### **2.2.1 Financial Sector**

##### *Banking sector*

##### *Sectorial legal framework and size of the sector*

CBSM Regulation 2007-07 on Collection of Savings and Banking Activities<sup>77</sup>, which entered into force on 1 January 2007, is the first comprehensive and updated body of law governing banking activities.

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<sup>77</sup> CBSM Regulation 2007-07 on Collection of Savings and Banking Activities ([Consolidated text in force from 27/01/2017](#)).

Pursuant to LISF, CBSM Regulation 2007-07 regulates banks providing deposits, credits and services to customers, both in terms of structural supervision and in terms of prudential supervision. This Regulation also sets forth provisions concerning quality and transparency of the ownership structures, capital adequacy (to cover credit and operational risks), organizational adequacy (with particular attention to the internal control system and the internal ordered distribution of powers and responsibilities) and fairness in relations with customers, by aligning San Marino banking sector with international standards.

The sector as a whole provides customers with banking services<sup>78</sup>, as well as with investment services<sup>79</sup>.

This is because no *specialisation* of banks is envisaged (such as, for example, merchant banks, etc.). Some banks control companies that provide *specialized* services, such as fiduciary activities, financial leasing, professional trustee services. Others banks rely on domestic (third party) fiduciary or financial companies for these kind of services.

Most of the banks have adopted policies and procedures, according to which, customers have been classified into different categories, such as corporate customers and private customers. These categories are advised by dedicated banking senior managers, while directors managing branches deal with retail customers. This classification entails increased attention to and better knowledge of customers, with alleged beneficial effects on AML controls.

In 2014 total assets stabilised at EUR 6.1 billion, a slightly lower figure than the one recorded at the end of 2013 (-1%). In terms of capital, there was a significant decrease in equity (amounting to EUR 83 million, equal to -14.4%), which went from EUR 577 to 494 million, mainly due to the worsening of the operating results compared to 2013. Total funding amounted to EUR 7.4 billion, which increased compared to 2013 (+2.9%), both in the direct funding component (+2.5%), and in the indirect component (+3.8%). Total gross loans for EUR 4 billion underwent a further drop of 5.1% compared to the end of 2013.

At the end of 2014, the number of employees in the banking sector increased as compared to 2013 (627 units compared to the 614 of the previous year); likewise, the relevant impact on the total employees in San Marino increased slightly, amounting to 3.5%.

#### ML Vulnerability of products and services provided

ML Vulnerability of products and services have been analyzed considering inherent factors<sup>80</sup> as well as specific AML controls that would reduce the inherent vulnerability of the assessed products and services.

As a result, *current accounts, wire transfers, deposits securities, cheques and credit and debit cards* (including pre-paid cards) have been considered the most vulnerable to ML.

The relatively high importance of these financial instruments, in terms of their widespread use and significance, and their intrinsic characteristics have affected the overall assessment. As indicated earlier in the report, information on how these have been abused or misused in relation to ML cases has also been considered.

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<sup>78</sup> i.e. the services and products falling under the categories of reserved activities described in letters A), B), I), J), K), Annex 1 to LISF.

<sup>79</sup> i.e. the services put in place for the exercise of the reserved activities referred to in letter D) of Annex 1 to LISF.

<sup>80</sup> Among others, the size and value, the client base profile, the level of cash activity associated, the frequency of international transactions associated and other vulnerable ML factors (among which, information on ML threat).

It is worth mentioning that although some of these products and services are exposed to ML, this does not mean that they should be considered negatively *per se*. The widespread use of current accounts supports the traceability and the monitoring of transactions, avoids financial exclusion and reduces shadow economy. The limitation in the use of cash is likely to be counterbalanced with the increase in the use of current accounts (e.g. wire transfers for payments) and of credit and/or debit cards.

In general, internal regulations and controls are in place and have permitted to detect suspicious transactions; however, additional efforts should be done to increase the quality of specific AML controls for these products and services.

## *Securities sector*

### Sectorial legal framework and size of the sector

The Securities Sector is composed of “investment companies” and “companies managing collective investment schemes”. San Marino financial regulations define investment services, which are a reserved activity, under letters D), E) and F) of Annex 1 to the LISF. These services can be subdivided in two macro-categories: investment services (letter D) and collective investment services (letters E and F).

Investment services: Letter D) of Annex 1 to LISF defines, more specifically, investment services as services concerning financial instruments, which can be subdivided in 6 subservices or reserved activities<sup>81</sup>.

Services referred to in letter D) can be offered, in exclusive terms, only by FIs (so called “authorized parties” pursuant to LISF) specifically established to provide them, by investment companies or other parties authorized to carry out other compatible reserved activities. More specifically, investment services described in letter D) can also be offered by banks and pre-existing non specialised financial companies, as defined by the CBSM Regulation 2011-03<sup>82</sup>. These companies, entitled by authorization granted before LISF and, namely, pursuant to Law 24/1986<sup>83</sup>, can carry out more than one reserved activity at the same time, i.e. financial, fiduciary and investment activities.

In any case, pursuant to LISF, new potential authorized parties other than banks, willing to offer investment services can only be qualified as investment companies and offer those services in exclusive terms.

Provisions regulating investment companies, in addition to the principles set forth by LISF, are defined by CBSM Circular Letter 2008-06<sup>84</sup>, in the section concerning investment companies, and by CBSM Regulation 2011-03, in the sections which, pursuant to article XI.II.1, can be applied to pre-existing financial companies established under Law 25 February 1986 n.24, which specialised in investment services (under the aforementioned CBSM Circular Letter 2008-06, or later, under the above-mentioned CBSM Regulation 2011-03).

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<sup>81</sup> The services are detailed as follows:

- D1 reception and transmission of orders concerning financial instruments;
- D2 execution, on behalf of clients, of orders concerning financial instruments;
- D3 dealing in financial instruments on own account;
- D4 financial instrument portfolio management;
- D5 underwriting and/or placing of financial instruments on a firm commitment basis;
- D6 placing of financial instruments without a firm commitment.

<sup>82</sup> [CBSM Regulation 2011-03](#): Consolidated version as of 27 January 2017.

<sup>83</sup> [Law 25 February 1986 n. 24](#): Disciplina delle società finanziarie, delle società fiduciarie e dei titoli mobiliari (available in Italian only).

<sup>84</sup> [CBSM Circular Letter 2008-06](#) Repealed by Regulation 2011-03 only with regard to structural supervision rules.

*Collective investment services:* Collective investment services consist in the set up and management of collective investment schemes under San Marino Law and these can be subdivided into collective investment services, referred to in letter E), and non-traditional collective investment services, as described in letter F). The difference between services described in letter E) and in letter F) consists in the type of fund that the management company can set up and manage, as the service described in letter F) refers essentially to the managing of funds adopting non-traditional investment techniques, (the so-called alternative funds).

Collective investment services described in letters E) and F) (management of collective investment schemes) instead can only be offered by financial institutions specifically established for that purpose, that is “management companies”, which can also offer the investment services described in letter D4) financial instrument portfolio management and D6) placing, the latter being limited to shares of their own collective investment schemes.

The sector of management companies and their collective investment schemes is governed by CBSM Regulation 2006-03 on collective investment services.

Under the San Marino legal framework, collective investment schemes have no legal personality, and they are considered autonomous and separated assets, apart both from the FI managing them and any other party participating or investing in the scheme<sup>85</sup>. Moreover, funds assets are not held by management companies, but deposited in special accounts held with a custodian bank<sup>86</sup>. Collective investment services in San Marino are therefore conceived on the basis of the so-called contract model. Pursuant to CBSM Regulation 2006-03<sup>87</sup>, the set up of a new collective investment scheme shall also subject to prior authorization by CBSM, it being understood that any collective investment scheme can be set up only after approval by CBSM of the schemes management regulation.

At the end of 2014, a total of 16 mutual funds under San Marino law were managed by the two management companies. Out of these funds, 11 are alternatively opened and reserved for professional customers, 1 is close-ended and also reserved for professional clients, 3 were set up - also pursuant to specific decree-laws - in the context of banking restructuring operations and are close-ended and held exclusively by San Marino banks and with investment mainly in impaired loans originating from banks, and finally 1 is open-ended and intended for the general public.

By the end of 2014, the net equity of the quoted 16 funds amounted to a total of EUR 138.2 million, compared to EUR 132.2 million in total at the end of 2013 (referring to the 15 funds of the time). The distribution of these managed volumes is rather inhomogeneous, as the volumes are mainly concentrated in the three closed-end funds reserved for San Marino banks that manage, as mentioned, largely non-performing loans resulting from a situation of banking crises. The net equity of the latter funds at the end of 2014 amounted to EUR 116 million, accounting for 84% of the volumes under consideration, confirming the growing focus registered over a number of years in the management companies segment for the management of assets other than financial instruments, non-performing loans, and the use of the instrument of the mutual fund as part of operations for the restructuring of the financial system. The assets under management referring to the remaining 13 funds were in fact limited in total, at the end of 2014, to EUR 22.2 million.

#### *ML Vulnerability of products and services provided*

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<sup>85</sup> Article 73 of LISF

<sup>86</sup> Article 71 of LISF

<sup>87</sup> [CBSM Regulation 2006-03](#): Collective investment services regulations .

The assessment of San Marino Securities sector ML vulnerability results from the combination of the vulnerabilities identified in the general AML control system of the Securities sector (“management companies” and “investment companies”) combined to with yhe vulnerabilities detected through the analysis of the inherent variables.

In general, there is not a high degree of complexity involved and management companies do not offer a particularly sophisticated or diversified array of products. This reduce the vulnerability of the sector. Moreover, the analysis carried out showed that no collective investment schemes have been established by the Management Companies for specific financial needs of clients.

The regulation and the operating models adopted by the MCs and the absence of the management of financial flows, which are channelled by banks that apply AML/CFT preventive measures, reduce the vulnerability and the ML risk within the collective investment services.

As for investment companies, their relevance in the San Marino financial sector is very limited as well as the range of products provided to FIs.

### *Insurance sector*

#### *Sectorial legal framework and size of the sector*

Insurance institutions have been strongly affected by the Central Bank’s regulatory action. Instead, insurance and reinsurance intermediaries have been affected by a CBSM’s regulatory action less substantial than insurance companies.

In particular, CBSM Regulation 2008-01<sup>88</sup> on Life Insurance is the first comprehensive and updated body of law. Pursuant to LISF, it regulates insurance companies providing life contracts, both in terms of structural supervision and in terms of prudential supervision. CBSM Regulation 2008-01 also regulates all those provisions concerning quality and transparency of ownership structures, capital adequacy (to cover all the relative activities), organizational adequacy (with particular attention to the internal control system and the internal ordered distribution of powers and responsibilities) and fairness in relations with customers, by aligning San Marino insurance sector with international standards.

The sector as a whole provides customers with “insurance” products, ( i.e. those falling under the categories of reserved activities described in letters G, Annex 1 to LISF). Thus, while non-life insurance is not regulated by CBSM, life insurance is a financial activity regulated by CBSM.

The main business of the two insurance companies authorized to carry out insurance activity concerns contracts with high financial components. Worth mentioning is also that the business related to the traditional contracts (“Death temporary contracts”, “whole life insurance contracts”, etc..) is increasing due to an combined action of high volume of dedicated contract’s surrender and a new evaluation of that sector of business by the insurance companies.

With reference to the activity carried out by insurance and reinsurance intermediaries, these are not included in the list of the “reserved activities” although these intermediaries are supervised by the CBSM.

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<sup>88</sup> [CBSM Regulation 2008-01](#)



The CBSM Regulation 2007-02<sup>89</sup> regulates the “rules of organization and conduct”, the update of the register of insurance and reinsurance intermediaries and the supervision carried out by CBSM and the cross-border activity, as set forth under articles 26, 27 and 28 of the above mentioned CBSM Regulation.

It should be noted that FIs enrolled in the “section C” of the CBSM’s registry ( i.e. banks and financial companies), are subjected to a more stringent supervision of CBSM in respect to insurance and reinsurance intermediaries registered under “section A” and “section B” of the aforesaid registry.

The main business of the insurance and reinsurance broker concerns the “non-life insurance contracts” issued by foreign insurance companies.

During the 2014, two San Marino insurance undertakings continued their activities, working in synergy with the banks and the other intermediaries operating in San Marino.

The collection of premiums registered a decrease compared to the previous year. The gross premiums recorded in 2014 were around EUR 76.5 million Euro, down by 33.7% compared to 2013.

As at 31 December 2014, the overall volume of the investments of insurance companies of San Marino is equal to approximately Euro 506.2 million.

During that year, the investments related to the “class C”, whose risk is borne by the companies, increased from approximately EUR 75.3 million to approximately EUR 98.1 million (up by approximately 30.3%). In this regard, it should be noted that 75.7% of the total is invested in bonds and other debt securities.

At the end of the 2014, the investments whose risk is borne by the insured, mainly connected to dedicated internal funds, amount to approximately EUR 408.1 million and registered a 5.7% increase during the financial year.

As regards liabilities, with reference to the technical reserves, these totalled approximately EUR 501.6 million as at 31 December 2014, with an overall increase of approximately 9.7% from the previous year.

Most of technical reserves (81.4%) referred to contracts, where performance was linked with dedicated internal fund and market indices, whereas the remaining 18.6% consisted of mathematical reserves and other “Class C” technical reserves that increased from EUR 71.1 million in 2013 to approximately EUR 93.6 million at the end of 2014.

At the end of 2014, an aggregate of 51 persons are registered in the Public Register of Insurance Intermediaries, divided into natural persons and sole proprietorships (10 persons), companies (27 persons) and banks and other FIs (14 persons).

In 2014, there were three cancellations from the Register (two of which related to previously suspended parties) and three new entries.

From the data supplied by the persons included in the Register, it emerged that the aggregate amount of the premiums mediated in 2014, with the exclusion of the funds collected on behalf of the two insurance undertakings incorporated in San Marino, was equal to approximately EUR 43.5 million, mainly concentrated on the non-life sector, remained unchanged compared with the total of premiums mediated in 2013.

#### *ML Vulnerability of products and services provided*

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<sup>89</sup> [CBSM Regulation 2007-02](#)

The most ML vulnerable products and services are *dedicated contacts*, *life contracts* (issued by foreign insurance companies) and *whole life insurance contracts*.

*Dedicated contracts* have a relatively significant predominance in term of size among insurance products, distributed by banks to HNWI. The presence of such products in ML cases and STRs increase the actual and potential ML vulnerability.

The category of *life contracts* includes all insurance products issued by foreign insurance companies and sold by San Marino insurance and re-insurance intermediaries, with a high financial content, which are "potentially" more vulnerable to ML risks than traditional life products. The presence in ML criminal cases and STRs make products vulnerable to ML.

The aim of *whole life insurance contracts* is to provide the need for insurance coverage against the insured's risk of death, whenever it occurs. The products that fall under this category are single-premium policies with the option to make additional payments and recurring single-premium policies issued by the San Marino insurance companies. A presence of a ML case where such product was used has been noted.

#### *Other Financial Institutions Sector Vulnerability (Fiduciary and Financial Companies)*

##### *Sectorial legal framework and size of the sector*

CBSM Regulation 2011-03 "Regulation on the granting of corporate financing (financial companies)", implementing LISF, regulates non-banking companies granting credit, both in terms of structural and prudential supervision.

The CBSM Regulation 2011-03 has been extended to financial companies with regard to all the provisions regarding quality and transparency of ownership of corporate entities, capital adequacy (in order to hedge credit and operational risks), organisational adequacy (with a special attention to the system of internal controls and to the fair distribution of powers and responsibilities) and fairness in business relations with customers. That Regulation brought San Marino's financial company sector into line with international standards and, as CBSM Regulation 2007-07 did for banks, CBSM Regulation 2011-03 marked a true break with the past.

Worth mentioning is that CBSM Regulation 2011-03 has introduced for financial companies the same supervisory provisions banks are subject to, although these are applied with the necessary adjustments due to their different scope of action and, especially, their impossibility to attract savings from the public outside the limits laid down by the law for bonds issuing. The principle of proportionality, which inspired the measure at hand, was especially effective for transitional rules, that is provisions conceived for pre-existing financial companies, established pursuant to the legislation in force before LISF; for these financial companies new provisions were gradually applied over time, although the transitional period ended at the end of 2013.

If, prior to 2011, the legislation in force at that time only provided for a generic category of "financial companies", authorized to offer a wide range of services: fiduciary services, granting of corporate financing and investment services, the CBSM has then come to describe three different models of financial companies: a) financial company with full operational powers, subject to a standard supervisory regime; b) financial company with limited operational powers, subject to a simplified supervisory regime and c) un-specialised (diversified) company, authorised to carry out reserved activities pursuant to article 156 paragraph 1 of LISF, which is nevertheless subject to an enhanced supervisory regime.

It should be noted that, due to the aforementioned CBSM Regulation, some companies specialised in offering only one type of services, like fiduciary or investment services, have given up other "reserved activities".

As at 31 December 2014, nine companies were operating in fiduciary administration activities, with a total amount of EUR 349 million, showing, compared to the figure at the end of 2013, a decrease of EUR 33 million (-8.5%). This volume represents 70.8% of total fiduciary activities, noting that the remainder (29.2%) is managed by banks.

With reference to the breakdown of fiduciary activities by technical form, there is a prevalence of values attributed to the fiduciary administration of assets ("type 1"), which amounted to EUR 214 million, with a 61.4% impact on the total, although decreased by EUR 7.3 million compared to the previous year.

The fiduciary administration of equity investments ("type 2") summed up the figures at the end of 2014 reaching an amount of EUR 130 million, with a 37.3% impact on the total, also decreased compared to the previous year by EUR 19.3 million.

#### ML Vulnerability of products and services provided

As for the other FIs, ML vulnerability of products and services related to FFCs have been analyzed considering inherent factors<sup>90</sup> as well as specific AML controls that would reduce the inherent vulnerability of the assessed products and services.

As a result, *fiduciary administration of securities assets, leasing of tangible assets and fiduciary administration of shareholdings* have been considered the most vulnerable to ML.

The service of *fiduciary administration of securities assets* consists in the administration of assets on behalf of customers. Such service, considering the relative importance and relevance in the sector analysed and its inherent characteristic, is exposed to ML vulnerability. In some ML cases and STRs the presence of such product emerged.

*Leasing of tangible assets products* are mostly related to real estate, such as lands and buildings, both residential and factories. Although the characteristics of this product are not related to deposit and investment features that are mostly associated with ML, its misuse and abuse – as emerged in ML cases – has increased its ML vulnerability.

The materiality of *Fiduciary administration of shareholdings product* is quite significant among FFCs, the presence of ML cases and STRs make this product vulnerable to ML.

#### *Other Financial Institutions Sector Vulnerability (Ente Poste S.p.A.)*

##### Sectorial legal framework and size of the sector

The sector Other Financial Institutions includes also money remitters, transfer agents including any postal services that offers this facility. In this context, in the Republic of San Marino that category is identified with the Ente Poste of the Republic of San Marino.

Ente Poste is a public body, established by Law 54/2012<sup>91</sup> - as a result of the reform of public administration aimed to favor the more appropriate evolution in relation to changes in society and legislation. Ente Poste is equipped with its own organizational, administrative, accounting and regulatory autonomy. Ente Poste has a staff of about 130 employees. Ente Poste operates postal services and other activities listed in Annex A of Law 54/2012<sup>92</sup>.

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<sup>90</sup> Among others, the size and value, the client base profile, the level of cash activity associated, the frequency of international transactions associated and other vulnerable ML factors (among which, information on ML threat).

<sup>91</sup> [Law of 21 May 2012 n. 54](#) "Legge istitutiva dell'Ente Poste della Repubblica di San Marino" (available in Italian only).

<sup>92</sup> ANNEX A Postal Financial Services – Financial Activity Of The Agency:

In concrete terms, the Ente Poste activities consist of the postal services and postal financial services.

It is to say that with regard to the activities pertaining to the “Postal Financial Services”, as described and regulated by Delegated Decree of 27 December 2013 n.175<sup>93</sup>, Ente Poste shall be subject to supervision pursuant to banking legislation and it shall be considered as an “obliged party” under AML/CFT legislation.

Ente Poste started its activity in January 2013 and for the period under evaluation, Ente Poste carried out just the financial services referred to in letters d) and e) of Annex A to Law 54/2012.

At the time of the NRA exercise, it is worth specifying that Ente Poste does not carry out any financial activities.

Ente Poste has handled transfers for EUR 5 million, for 44.814 transactions, in 2014 which were related mostly (more than 80%) to payments of means of postal orders, related to Public Entities. The average transaction amount is considered very low (i.e. EUR 114 in 2014 and EUR 121 in 2013).

#### *Other Financial Institutions Sector Vulnerability – Confidi*

##### Sectorial legal framework and size of the sector

For the scope of national risk assessment, the category of “Credit guarantee corporations” is considered within the class of “Other Financial Institutions”. This category includes, in the Republic of San Marino, the Credit Guarantee Consortium of the Republic of San Marino called "Confidi".

The Credit Guarantee Consortium of San Marino is a mutual credit guarantee consortium with limited liability established among the economic operators of the Republic of San Marino and regulated by Law 42/1977<sup>94</sup>.

Confidi is a mutual entity carrying out the activities pertaining to mutual credit guarantee associations and providing related or ancillary services.

By using the resources of members and of supporting entities, Confidi provides, on a mutual non-profit making basis, guarantees, including co-guarantees, aimed at favoring short, medium and long-term financing of the economic operators that are members of the consortium by banks and financial companies. Confidi acts as a bridge between businesses and banking intermediaries.

Confidi guarantees transactions for investments and liquidity requested by consortium members to credit institutions. Confidi issues a fallback guarantee of a variable amount from 20% to 50% of the amount financed, depending on the credit ratings assigned to the customer.

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- a) It exercises the banking activity as far as collection of savings is concerned:
    - through deposits, including postal accounts;
    - through securities, including bonds;
  - b) It provides payment services, as defined in Annex I, letter I, of Law no. 165 of 17 November 2005 and subsequent amendments and supplements;
  - c) It provides electronic money issuance services, as defined in Annex J of Law no. 165 of 17 November 2005 and subsequent amendments and supplements;
  - d) It provides services for the collection and transfer of funds in the framework of the international networks of Eurogiro and Moneygram;
  - e) It provides money order issuance and payment services;
  - f) It places financial instruments on behalf of the State;
  - g) It incurs credit or financial exposure only to the State and the Overall Public Sector”.

<sup>93</sup> [Delegated Decree of 27 December 2013 n.175](#) “Disposizioni sull’espletamento dei servizi finanziari postali” (available in Italian only).

<sup>94</sup> [Law of 22 July 1977 n.42](#) “Consorzi” (available in Italian only).

Given the amount of guarantees issued by the consortium and the minimum number of credit lines, it is considered that the product concerned is not vulnerable to ML risk. With reference to ML threat, neither cases have been investigated, prosecuted or convicted where Confidi was involved, nor STRs have been received on Confidi or on activities or facts related to it.

Since 2013, six lines of credit have been guaranteed. The average of funding applications amounts to EUR 30.800 and Confidi has issued guarantees corresponding to 30-40% of such applications. Funding applications generally amount to a maximum of EUR 20.000 for liquidity and to EUR 50.000 for capital goods.

### **2.2.1 DNFBPs Sector**

#### *Dealers in Precious Metal and Stones*

The DPMSs sector, which in San Marino also includes dealing in “valuables” as a whole (for example luxury watches), both retail and wholesale, at the end of 2014 included a total of 52 operators, with an overall turnover on the same date of about EUR 69 million (5.1% of the GDP).

The DPMSs sector has been the focus of specific attention by the FIA over the years, considering the substantial value of the goods involved, and the likelihood that this sector might be associated with ML risk. For these reasons, the FIA has conducted a certain number of on-site inspections. The supervisory activities have detected breaches in the compliance with the AML/CFT legislative and regulatory requirements.

#### *Accountants, Auditors and Tax Advisers*

The sector of Accountants, Auditors and Tax Advisers in San Marino includes 124 persons, while the professionals who were actually in business amounted to a total of 122.

The overall turnover of the sector, at the end of 2014, was about EUR 18.3 million ( i.e. 1.36% of the GDP).

As regards cultural and educational standing and the types of activities and business conducted, this sector - within categories of DNFBPs - is undoubtedly one of the most structured because of the existence of a “Registry of Accountants” which – apart from dealing with the FIA – also promotes training events on the subject of AML/CFT, including topics of a strictly operational nature.

#### *Lawyers and Notaries*

The sector of Lawyers and Notaries in San Marino includes 121 persons included in the Register of Lawyers and Notaries Public.

In this respect it should be noted that, in San Marino, no professional distinction is made between these two legal offices (notaries and lawyers), which means that anyone who is certified for the profession may engage in both activities.

In line with the international standards, the legal professions are required to comply with AML/CFT obligations only for some types of services, which are indicated in the above mentioned article 20 para 1 letter c) of the AML/CFT Law and in the FIA Instruction 2009-06<sup>95</sup>.

The overall turnover of the sector, at the end of 2014, was about EUR 25.1 million, (i.e. 1.87% of the GDP).

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<sup>95</sup> [FIA Instruction 2009-06](#) (available in Italian language only).

As regards educational standing and background, having regard to the types of activities conducted by Lawyers and Notaries, this category of DNFBPs is one of the most structured and aware of the AML/CFT requirements.

#### *Assistance and Advice concerning Investment Services and Administrative, Tax, Financial and Commercial Matters*

San Marino AML/CFT legislation has included among DNFBPs a range of operators who, in general, carry out advisory activities (administrative, tax, financial, commercial, investment services). This because, in the absence of this provision, a professional who -under article 20- falls within the scope of the AML/CFT Law, could perform the same activities through a company without falling within the AML/CFT obligations.

At the end of 2014, the obliged parties belonging to this category were 120 and the total turnover of the sector was approximately EUR 29 million (2.1% of GDP).

A large part of the turnover originates from corporate structures of accounting or legal professionals, envisaged by law, which are often used by the same professionals to carry out certain activities relating to the profession.

Over time the FIA has conducted some inspections of these companies and has detected irregularities in their AML system, which have been duly sanctioned.

#### *Rental of Registered Movable Goods<sup>96</sup>*

The Rental of Registered Movable Goods sector has been included among DNFBPs with Decree – Law no. 134 of 26 July 2010<sup>97</sup> with the aim to introduce specific requirements or protections concerning “sensitive” parties or activities not previously disciplined, especially in the specific field of the luxury car rental.

In the past, this category was considered as high risk, as one of the main vulnerabilities for San Marino was represented by the undue advantages that could be achieved through “carousel fraud”<sup>98</sup>. The traditional product sectors that were the most affected by carousel fraud included: the food sector in its widest sense, electronics, telephony and photo-cine-optics. In addition to these areas, new sectors had been involved, such as the textile industry, including clothing, commerce and, above all, car rental, especially large-engined and luxury cars.

Based on the awareness of the risks related to rental of cars, Delegated Decree of 1 June 2011 n.94<sup>99</sup> “Provisions on vehicles rental” was approved. Such Decree has established restrictions to the rental of vehicles by foreigners, as well as record and contract-keeping requirements. After the adoption of that Decree, many companies were closed down. In the same year, the FIA on-site inspection activity has been characterized by a large number of general on-site inspections to entities carrying out the activity of selling or rental of registered movable goods.

The intermediaries operating in the sector were 16 at the end of 2014. The total turnover has been subject to a diminution in the last years going from a total amounting to EUR 32.3 million in year 2012 (equal to 2.31% of GDP), to a total of EUR 25.3 million, (equal to 1.89% of GDP) at the end of 2014.

#### *Gambling House, Casinos and Offer of Games*

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<sup>96</sup> Movable goods such as cars, boats and aircrafts.

<sup>97</sup> [Decree-Law of 26 July 2010 n. 134](#): Urgent provisions modifying the legislation on the prevention and combating of money laundering and terrorist financing.

<sup>98</sup> Such frauds involved a San Marino economic operator pretending to import goods exempt from VAT. Such goods were then formally resold to non-existing Italian operators (who did not pay the VAT), to the detriment of the Italian and San Marino Tax Authorities (the San Marino Tax Authority is requested to refund the single-stage import tax). See “ML threats” section for further details.

<sup>99</sup> [Delegated Decree of 1 June 2011 n. 94](#): Disposizioni sul noleggio di veicoli (available in Italian only).

The gambling sector in San Marino includes only one entity - which does not operate as a casino - authorized and supervised by the State. This entity, by Law, provides only game of chance services, with the exclusion of typical casino activities. A public authority (*Ente Giochi*) has been appointed to authorize and supervise subject or different game activity.

LEAs has carried out initiatives aimed at detecting on-line gambling. The activities have concluded that, for the analysed period, on-line gambling was not carried out in San Marino.

#### *Management of Auction Houses or Art Galleries, Trade In Antiques*

The sector of the auction houses, art galleries and antiques trade falls into the category of DNFBPs since the enactment of the AML/CFT Law in San Marino.

At the end of 2014, there were 10 obliged parties operating in the sector, thus a total number that is not considered high. The total turnover of the sector, at the same date, was EUR 10.5 million, corresponding to 0.79% of GDP.

Few FIA supervisory activities had been carried out in the past, as priorities have been identified in other categories of DNFBPs.

#### *Real Estate (Mediation Services – Agents)*

The Real Estate sector has been included in the category of DNFBPs since the enactment of AML/CFT Law. At the end of 2014, real estate brokers operating in San Marino were 23. The total turnover of the sector amounted, on the same date, to EUR 1.9 million (equivalent to 0.14% of GDP).

With reference to the AML profiles, the sector has been the subject of several supervisory activities by the FIA and has been among the first on which specific training activities were carried out.

It should be noted that in recent years, due to the severe economic crisis that also hit San Marino, the real estate sector and, consequently, the real estate brokerage sector, have decreased dramatically.

#### *Custody and Transport of Cash, Securities or Values*

Although the licenses granted to the operators are 6, currently in San Marino there is only 1 operator that offers services of "custody and transport of cash, securities or values". The remaining 5 operators in fact are engaged in surveillance activities and in particular in remote monitoring.

The service carried out by the sole operator of the category "custody and transport of cash, securities or values" has taken on, in the period considered but also to date, an insignificant weight as the number of rented safe deposit boxes has never exceeded few units, located in most cases by FIs. With regard to the transport of values it should be noted that almost all the contracts affect the transport of banknotes on behalf of the San Marino FIs, including the CBSM.

## D) Information on ML risk and AML/CFT priorities identified

Concerning money laundering risk, the FTF suggests to focus on three main components, namely threat, vulnerability and consequences<sup>100</sup>.

The concept of risk in the World Bank’s NRA tools follows a similar approach. The ML risk is considered to be a function of threats and vulnerabilities. The assessment of consequences is included in the assessment of threats and vulnerabilities as opposed to being treated as a separate independent factor.

The result of threat and vulnerability assessment is a **risk map** which can be used to locate the final risk level of the country as shown in the following figure.

The overall money laundering risk level is set at the level where the results of the threat assessment and the vulnerability assessment intersect (see figure 2). For example, if the threat has been assessed as “medium” and the vulnerability has been assessed as “medium-high,” the money laundering risk will be “medium high.” This means that, although the threat level in the assessed jurisdiction is at a medium level, the overall money laundering risk is medium-high, given the higher vulnerability level (the weaknesses in the country’s defense mechanisms). In figure 2, overall risk levels have been color-coded, with low levels green, medium levels yellow, and high levels red.

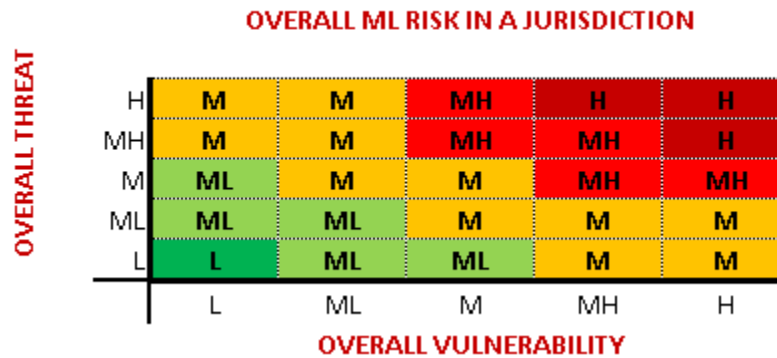


Figure 2 - Overall ML Risk Map

NRA tool generates also a priority ranking to help guide relevant authorities to prioritize actions to strengthen national ML combating ability factors and AML controls in the country. This helps the relevant authorities in deciding on what needs to be done first to improve the national ML combating ability.

The San Marino Authorities have identified ML risk at a national level as well as ML risk related to each sector analysed. Countermeasures, aimed at mitigating such ML risks, have been identified as described below.

<sup>100</sup> The International Organisation for Standardisation defines the risk as “The impact of uncertainty on the objectives” in general. Following this definition, it is suggested that threat and vulnerability together determines the probability of proceeds of crimes being laundered and corresponds to “uncertainty” in the above mentioned risk definition. On the other hand, the consequences correspond to the “impact on the objective”.



## 1. Responses to the ML risks and vulnerabilities identified at national level

Once ML risks have been identified and understood, authorities shall adopt coordinated actions to effectively mitigate such risks or prevent them when this is possible. The measures adopted shall be commensurate to the ML risks identified and aimed at reducing ML vulnerabilities identified at national and sectorial level.

Thus policy makers, AML/CFT competent Authorities and Public Administration Offices shall make reasonable decisions about the allocation and prioritization of AML/CFT resources.

For these reasons, San Marino authorities have adopted a national strategy and action plan aimed at reducing or limiting the ML vulnerability identified as illustrated in the next section.

At national level, some of the measures that shall be adopted are the following:

- ✓ Keeping the compliance of the AML/CFT legal and regulatory framework with FATF Standards, Guidance and Best practices monitored;
- ✓ Reinforcing AML/CFT supervisory activities by the FIA;
- ✓ Consolidating measures on cross border movements of cash;
- ✓ Coordinating AML/CFT Competent Authorities with other operational offices and authorities (e.g. OCSEA, Tax Office, CLO) in order to prevent and mitigate ML risks;
- ✓ Increasing the effectiveness of tax enforcement and discouraging informal economy;
- ✓ Improving financial integrity and developing education and expertise of independent auditors;
- ✓ Developing strategic analysis by the FIA;
- ✓ Centralising information concerning companies and the relevant registers.

## 2. Responses to the ML risks and vulnerabilities identified at sectorial level

According to the model adopted, while ML threat is affected by exogenous factors, ML vulnerability is mostly related to endogenous factors, where vulnerability at national as well as at sectorial level influences the assessment carried out.

These factors – as described in section C on National ML vulnerability - should be properly considered by national authorities and private sector in order to reduce or limit the exposure to certain elements that could affect the ML risk to which the single FI or DNFBPs operator is exposed.

For example, professionals<sup>101</sup> are exposed to ML risk due to the services provided in the context of San Marino ML threat where financial crimes, typically related to companies (i.e. “corporate crimes”), are considered the most relevant ML associated predicate offence. In these cases proceeds of crimes were channelled mostly through banking sector.

Thus, banks and professionals have been identified as *playing a key role* in the prevention and contrast of ML where predicate offences are “corporate crimes”. For this reason, AML/CFT preventive measures should be adopted in order to increase the quality and the effectiveness of the CDD as well as of the reporting of STRs, especially the latter for professionals.

At sectorial level, as described earlier in the report, additional efforts shall be done to:

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<sup>101</sup> I.e. Lawyers, Notaries and Accountants.

- ✓ Adopt measures aimed to increase the integrity of FIs staff (including senior managers and members of board of directors);
- ✓ Increase the quality of AML/CFT internal controls (including compliance and internal auditor);
- ✓ Increase the AML/CFT knowledge by promoting courses, seminars and other events where AML/CFT competent authorities participate;
- ✓ Strengthen the quality and the effectiveness of the CDD requirements;
- ✓ Increase the quality of monitoring and reporting mechanisms in particular for DNFBPs.

On products and services provided by FIs:

- ✓ The private sector should consider developing appropriate specific AML measures in order to reduce the “inherent” ML vulnerability of certain products and services.

## **E) Information on AML/CFT measures adopted to mitigate the ML risks identified**

In the light of the outcomes that emerged during the NRA, the Government has adopted<sup>102</sup> AML/CFT National Strategy, as part of the domestic AML/CFT co-ordination process, which defines mitigating measures for preventing and combating money laundering and terrorist financing for the three-year period 2016-2018.

Well aware that terrorism is a real danger for individual and collective security, the Government has already adopted Decision n. 6 of 19 July 2016<sup>103</sup> establishing a Working Group with the task of developing a national security plan in this field.

In the light of the above, the National AML/CFT Strategy has been developed on the basis of the Action Plan that the TCNC has drawn up, in compliance with the International Standards on ML Combating Ability and the Financing of Terrorism & Proliferation (summarised in the 40 FATF Recommendations). The National AML/CFT Strategy aims at achieving a more complete and effective system for combating economic crime.

Therefore, the document reflects the actions necessary to achieve the objectives, the expected results and the competent Authorities involved<sup>104</sup>.

The TCNC is entrusted with the task of periodically monitoring the implementation of the strategy, within the time limits indicated in the action plan.

The Authorities, Public Offices and bodies involved should adopt objectives and activities that are consistent with the “Strategic Objectives” and Actions described in the National Strategy.

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<sup>102</sup> The AML/CFT National Strategy and Action Plan have been adopted by the San Marino Government with the Congress of State Decision n. 23 of 22 August 2016.

<sup>103</sup> Congress of State Decision n. 6 of 19 July 2016.

<sup>104</sup> Methodological note: The priority levels defined in the action plan have been further graded by the Technical Commission in the document (High, Medium-High, Medium and Low Priority) in order to provide operational assistance to institutions, bodies and offices involved, taking into account all assessments emerged from the analysis made by individual WG and in which the institutions concerned may not have taken part.

The “Strategic Objectives”, set out here below, are inspired by the results of the NRA and by the International Standards. They have to be considered as a set of activities that the Authorities, Public Offices and bodies involved should carry out, following-up on any appropriate action assigned to them.

These activities have to be conducted on an ongoing basis, by informing the TCNC, at least every six months, about progresses, relevant updates or developments for the completion of the Action Plan resulting from the NRA.

The National Strategy identifies 4 “Strategic Objectives” and 16 “Actions” connected thereto:

- ✓ *Strategic Objective no. 1*: Definition of an updated legislative, regulatory and policy framework on the fight against money laundering, financing of terrorism and weapons of mass destruction;
- ✓ *Strategic Objective no. 2*: Assessment of risks related to money laundering and terrorist financing and adoption of measures to reduce such risks;
- ✓ *Strategic Objective no. 3*: Detection and reporting of illegal activities linked to money laundering and terrorist financing;
- ✓ *Strategic Objective no. 4*: Adoption of measures with regard to respect of AML obligations, principles of professional competence and good repute of corporate executives, audit controls.

The table below represents the level of identified priorities:

PRIORITY LEVEL	ACTIONS
HIGH	<ul style="list-style-type: none"> <li>✚ To adopt an updated legislative framework in relation to terrorism and its financing.</li> <li>✚ To strengthen understanding of ML/TF risk.</li> <li>✚ To establish the Commission on Combating Terrorism and Proliferation Financing.</li> <li>✚ To introduce specific signs on cross-border reporting requirements and to increase controls carried out by the Fortress Guard at borders.</li> <li>✚ To refine the supervisory model developed by the Financial Intelligence Agency on obliged parties.</li> </ul>
MEDIUM-HIGH	<ul style="list-style-type: none"> <li>✚ To update the legislative framework for AML/CFT and to adapt related rules.</li> <li>✚ Adoption by Authorities, Offices and bodies of coordinated actions aimed at mitigating the risks identified.</li> <li>✚ To identify effective operational solutions to be adopted by Authorities, Offices and bodies consistently with the actions identified.</li> <li>✚ To centralise information concerning companies and the relevant registers.</li> </ul>
MEDIUM	<ul style="list-style-type: none"> <li>✚ To adopt a legislative framework for measures to counter the proliferation of weapons of mass destruction.</li> <li>✚ To implement effective control mechanisms/systems of detection of cross-border movements.</li> <li>✚ To implement strategic analysis carried out by the Financial Intelligence Agency.</li> <li>✚ To develop identification mechanisms for informal economy and to adopt an action plan to verify compliance with the new tax system.</li> <li>✚ To consolidate preventive measures.</li> <li>✚ To strengthen the principles of professional competence and</li> </ul>



PRIORITY LEVEL	ACTIONS
	<p>good repute for corporate executives.</p> <p> To strengthen the activity of external audit on financial entities.</p>
LOW	<p> To carry out additional activities that are better specified in the Action Plan.</p>

Table 11 – Priority identified

## ANNEXES

### A) Structure of the World Bank Tool

In order to identify, assess and evaluate ML threats, risks and vulnerabilities, the Republic of San Marino (San Marino) has adopted the National ML/TF Risk Assessment tool developed and provided by the World Bank. This provides for a self-assessment model of risks related to ML based on the analysis of threats and vulnerabilities in the country.

The NRA Tool has been developed by the World Bank with a view to enable more rigorous and sophisticated risk assessment. It utilizes the laws of probability at its core of the modeling and analyzes the sources and causes of risk. A strong logical sequence of events and causal relations between variables affecting risk is carefully built in the model. This enables capturing main drivers of the money laundering risk, formularizing the complex environment of money laundering taking into account the interactions among various components of risk and vulnerability and generating a final measure of the risk/vulnerability in a jurisdiction.

In order to make it user friendly and easily accessible, the tool has been modeled using the excel software.

The tool is centered around the seven modules that focus on the money laundering risk assessment:

- ✓ “Module 1” is related to “ML threats” examined through the analysis of cases, investigations, criminal proceedings, information related to international cooperation (MLA , FIU and LEAs exchange of information), movement of funds and related obtainable data and information.
- ✓ “Module 2” covers main national ML vulnerabilities (i.e. the weaknesses and gaps that have emerged from the mechanisms for defense and for the protection of the risk of ML) and the ML vulnerabilities related to the “obliged parties” (i.e. FIs, DNFBPs and other natural and legal persons) that fall under the scope of the AML/CFT obligations.

This assessment is influenced by the following sub-modules (Modules 3 to 7):

- Banking sector (“Module 3”);
- Securities sector (“Module 4”) where Investment Companies and Asset Managements have been analyzed;
- Insurance sector (“Module 5”);
- Other Financial Institutions Sector (“Module 6”) where Financial and Fiduciary companies have been analysed;
- Other Financial Institutions Sector (“Module 6”) where Ente Poste and Consortium Confidi were covered;
- DNFBPs (“Module 7”), where several sectors have been scrutinized.

The analysis process consists in the assessment and evaluation of “input variables” that determine ML threats and ML vulnerabilities (both at national and sectorial levels) as illustrated in the following box.

The result of threat and vulnerability assessment is a **risk map** which can be used to locate the final risk level of the country as shown in figure 2 above.

The analysis of threat and vulnerabilities has been carried out by WGs. The components of the WGs have been chosen taking into account the content of the modules, the functions, role, responsibilities and task of the San Marino authorities as well as their experience in the AML/CFT field. A broad range of authorities, public offices and other private and public entities have been involved: approximately 35 people participated in the process. During the WGs meetings, information, professional expertise, data and documents have been collected, analysed and discussed.

**INFORMATION ABOUT THE WORLD BANK NRA TOOL POSTED ON THEIR WEBSITE<sup>105</sup>**  
**RISK ASSESSMENT SUPPORT FOR MONEY LAUNDERING/TERRORIST FINANCING, February 29, 2016**

The World Bank has developed an advisory package to guide countries in conducting their ML/TF risk assessment. This advisory package consists of a risk assessment tool and a systematic and organized process, with the broad participation of public and private sector stakeholders. The development of the tool and the advisory package started in 2007 and incorporates the World Bank's experience in assisting more than 40 countries in performing their national risk assessments.

The World Bank facilitates a systematic and multidisciplinary participatory process to help countries perform their own assessment. This way, they can build capacity for the longer term and establish a process for regularly updating their understanding of the country's risks.

Central to the Risk Assessment advisory package is a methodological tool, developed by the World Bank. It is an Excel-based model that enables countries to identify the main drivers of ML/TF risks. It provides a methodological process, based on the understanding of the causal relations among money laundering risk factors and variables relating to the regulatory, institutional, and economic environment.

The tool comprises several interrelated modules. These are built on "input variables", which represent factors related to money laundering/terrorist financing threats and vulnerabilities. '**Threats**' here refer to the scale and characteristics of the proceeds of crime or financing of terrorism in the country. '**Vulnerabilities**' here refer to weaknesses or gaps in a country's defenses against money laundering and terrorist financing. Threats or vulnerabilities may exist at national or sector level.

The model is applied as follows. For each theme or sector, a multidisciplinary working group is set up consisting of experienced practitioners from government and, as appropriate, the private sector. Each working group assigns ratings to input variables related to their area of expertise, and justifies those ratings with quantitative and qualitative data. Each input variable has an assigned weight and impact on the vulnerability level of the assessed sector, area or product. The tool generates an overall rating, based on the inputs from the modules. But more importantly, it provides a systematic approach to analyze the country's ML/TF threats and vulnerabilities.

There is also a separate module for financial inclusion. This uses the outcomes from the national risk assessment to identify areas for appropriate simplification of AML/CFT controls in financial products to facilitate the greater access of underserved populations to financial services.

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<sup>105</sup> Please see the following links:

- WB site: <http://www.worldbank.org/en/topic/financialsector/brief/antimoney-laundering-and-combating-the-financing-of-terrorism-risk-assessment-support>
- Infographic: <http://www.worldbank.org/en/news/infographic/2016/01/20/money-laundering-terrorist-financing-risk-assessment>
- Video: <http://www.worldbank.org/en/news/video/2015/10/30/national-risk-assessment-support>

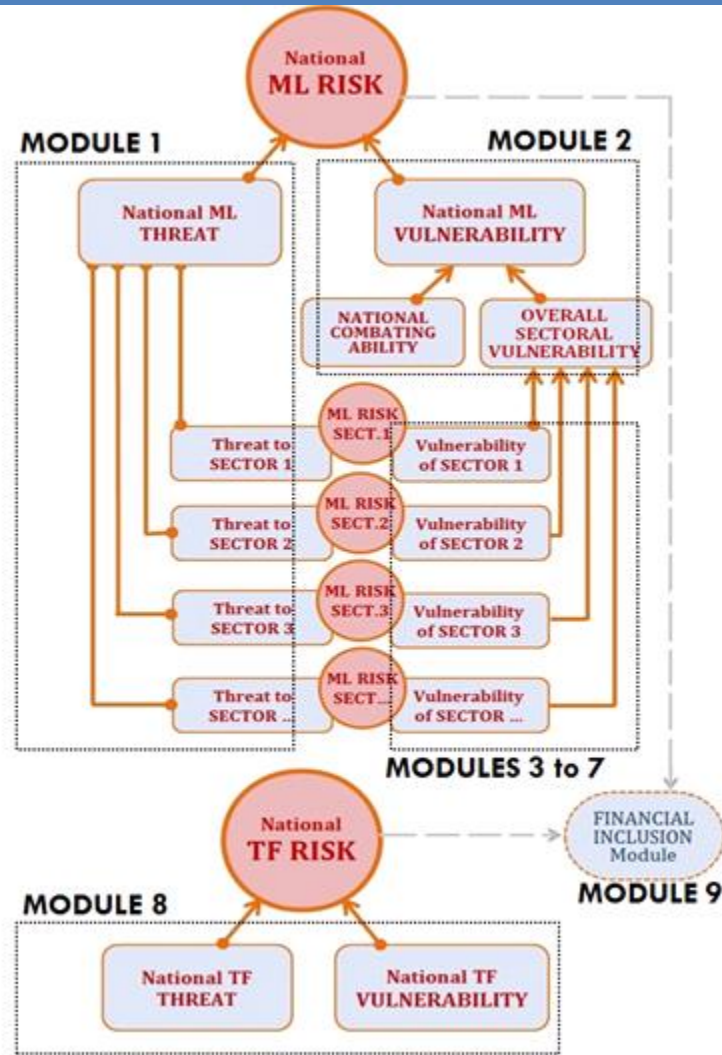


Figure 3 – NRA model – Third generation tool

Table 12 – Model of the WB NRA tool