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Financial Information Authority

Palazzo San Carlo
00120 Vatican City

Tel.: (+39) 06 698 71 522

Fax: (+39) 06 698 84 497

e-mail: aif@aif.va

www.aif.va

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INTRODUCTION

Further positive developments towards the effectiveness of the domestic system and its international accreditation has been shown in 2018.

As far as the prevention and countering of money-laundering (ML) and financing of terrorism (FT) is concerned, the first conviction for money-laundering pronounced by the Tribunal of the Vatican City State is worthy of mention, following the dissemination of a report by the Authority.

More generally, the General Risk Assessment (GRA), adopted by the Financial Security Committee (*Comitato di Sicurezza Finanziaria* – CoSiFi), confirms a low-medium level of ML risk, and a low level of FT risk. The assessment shows that the risk-mitigation measures recommended by the GRA in 2017 (see § 1.1) have been implemented, according to a risk-based approach, that is not limited to financial activities, but extends to all relevant sectors.

With reference to the area of financial and payment services, the process of adhesion of the Holy See/Vatican City State to the geographical area of the Single Euro Payments Area (SEPA) was successfully concluded. This is a relevant step forward towards the harmonization and the efficiency of transfers of funds within the European area, with benefits also for the customers.¹

Financial institutions of the jurisdiction will now be in the condition to join the sepa schemes (see § 1.2.). At the same time, a Vatican IBAN code (*International Bank Account Number*) has been registered by the *Society for Worldwide Interbank Financial Telecommunication* (SWIFT)² (see § 1.2.), making the uniqueness, autonomy and independence of the jurisdiction even more visible in the area of financial services.

The Authority has continued with its institutional activities in its two-fold function of supervisory authority and financial intelligence.

The supervision and regulation activity was conducted in a manner consistent with a risk-based approach (see § 3.1), and included remote and on-site inspections, which confirm the 2017 data on the stability of financial activities and of the Institute for the Works of Religion (IOR). The regulatory framework has been updated and enlarged, both for the purposes of preventing and combating money laundering and terrorist financing (see §§ 1.1. and 3.2.2.) and for the purposes of prudential supervision, in implementation of the commitments taken by the Holy See in the 2009 *Monetary Agreement between the European Union and the Vatican City State*. There were 15 cases of cooperation and exchange of information with foreign supervisory authorities. 2 new Memoranda of Understanding were signed for cooperation and exchange of information with the *Superintendencia de Bancos de Panamá* and the *Banco do Brasil*.

The financial intelligence activity has been characterized by a wide international cooperation, given also the uniqueness of the jurisdiction. The data on suspicious activity reports confirms the trend of a decrease in the number and an increase in the quality of the reports, also by the Authorities of the Holy See and the Vatican City State. There were 11 reports sent to the Office of the Promoter of Justice for further investigation activities. The increase in the quality of reports produced an increase in the ratio between number of reports received and number of reports transmitted. There were 231 cases of cooperation and exchange of information with domestic Authorities. There were 473 cases of cooperation and exchange of information with Financial Intelligence Units (FIUs). 6 new Memoranda of Understanding were concluded with the FIUs of Aruba, Bulgaria, Greece, Honduras, Mexico and Uruguay (see § 3.3).

As Pope Francis teaches: “If we speak of the relationship of the human being with things, the question arises as to the meaning and purpose of human action on reality”³. This invites an open reflection on current financial models, as well as on the values and logic underlying them, and their social impact. In this perspective, the promotion of transparency and integrity of the financial activities takes on a deeper meaning, favouring the realization of more noble ends that the human society is called to pursue.

TOMMASO DI RUZZA

Director

¹ See Release of the Press Office of the Holy See of 30.11.2018 [B0885].

² See *IBAN Registry, Release 81 – December 2018*, p. 80.

³ Pope Francis, Encyclical Letter *Laudato Si'* (24 May 2015), § 125.

PART I

GENERAL FRAMEWORK,
INSTITUTIONAL FUNCTIONS
AND MAIN ACTIVITIES

1. GENERAL FRAMEWORK

1.1. LEGAL FRAMEWORK

1.1.1. Legislative Framework

The pillars of the legal framework on supervision and regulation, and financial intelligence activities are established by the Apostolic Letter issued “*Motu Proprio*” by Pope Francis *for the prevention and countering of money laundering, the financing of terrorism and the proliferation of weapons of mass destruction* of 8 August 2013, and the Law *on transparency, supervision and financial intelligence*, no. XVIII of 8 October 2013 (Law no. XVIII). Title II of Law no. XVIII regulates the supervision for the prevention and countering of money laundering and the financing of terrorism, and the financial intelligence. Title III of Law no. XVIII regulates the prudential supervision.

In 2018, the Pontifical Commission for the Vatican City State made important interventions on the existing legislative framework, as a result of the commitments made by the Holy See at European level in the *Monetary Agreement between the European Union and the Vatican City State* of 17 December 2009.

With the Law *amending Law no. XVIII on transparency, supervision and financial intelligence of 8 October 2013*, CCXLVII of 19 June 2018 (Law no. CCXLVII), amendments were made to Law no. XVIII in order to transpose the Directive (EU) 2015/849 of 20 May 2015 *on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing* (so-called IV AML/CFT Directive).

Law *on Market Abuses*, no. CCLVII of 28 September 2018, also transposed into Vatican law the relevant and applicable provisions of Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 *on market abuse* (the so-called “Market Abuse Regulation”) – as amended by Regulation (EU) 2016/1033 of the European Parliament and of the Council of 23 June 2016, and supplemented by Commission Implementing Directive (EU) 2015/2392 of 17 December 2015 on Regulation (EU) no. 596/2014 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2016/522 of 17 December 2015 – and Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 *on criminal sanctions for market abuse* (the “Market Abuse Directive”). The new offences extend the range of potential predicate offences of money laundering and self-laundering.

Finally, the Law *on the Registration and Supervision of Non-Profit Organizations*, no. CCXI of 22 November 2017, is an important source of information in this area. Among other things, it introduced a specific obligation to report suspicious activities on the part of non-profit organizations with registered offices and registered in the Vatican City State⁴. With this obligation, the Holy See implements a very advanced policy in limiting the risks associated with non-profit entities and in promoting the transparency and integrity of their activities.

⁴ Art. 1 (3) of Law n. CCXI defines “Non-profit organizations” as “associations or foundations whose main activity is the collection and/or distribution of funds or other economic resources for charitable, religious, cultural, educational, social or humanitarian purposes”, in line with Recommendation n. 8 of the Financial Action Task Force (FATF).

1.1.2 Regulatory Framework

The Financial Information Authority (*Autorità di Informazione Finanziaria* - AIF) is responsible to establish the regulatory framework for prudential supervision and for preventing and combating money laundering and financing of terrorism through the adoption of regulations, instructions and guidelines, also taking into account the commitments taken by the Holy See with the 2009 Monetary Agreement.

In 2018, the new Regulation no. 3 on payment services has been introduced (see § 3.2.1) (c)), as well as the new Regulation no. 4 on due diligence (see § 3.2.2. (a)), and the new Regulation no. 5 on suspicious activity reporting (see § 3.2.2. (b)).

The new Regulation no. 3, adopted on 23 May 2018, was drawn up taking also into account Titles III and IV of Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 *on payment services in the internal market* (so-called PSD II), with the aim of strengthening payment systems and promoting the efficiency of payment services offered to customers within the SEPA circuit.

Regulations no. 4 and 5, adopted on 19 September 2018, introduce, respectively, new requirements on customer due diligence and the assignment of a consistent economic and risk profile, and new anomaly indicators, also taking into account the indications of the General Risk Assessment (GRA) adopted by the Financial Security Committee (CoSiFi) on 13 December 2018 (see § 3.1.).

Regulations into force have been amended to further consolidate the regulatory framework.

On 19 September 2018, Regulation no. 1 was amended and supplemented in order to receive the relevant and applicable provisions of the following sources indicated in the *Section of the Annex to the Monetary Agreement, in accordance with the ad-hoc regime of the Joint Committee at the request of the Holy See and the Vatican City State, concerning the inclusion of the relevant rules applicable to entities carrying out financial activities on a professional basis*:

- (a) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 *on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms* (so-called CRD IV);
- (b) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 *on prudential requirements for credit institutions and investment firms* (as amended by Commission Delegated Regulation (EU) No 2015/62 of 10 October 2014 and supplemented by Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014, as amended by Commission Delegated Regulation (EU) No 2015/923 of 11 March 2015) (the so-called CRR).

Regulation no. 2 has been amended and supplemented to take account of the changes introduced by Law no. CCXLVII (see § 1.1.1.).

Therefore, the main legal sources composing the current regulatory framework are the following:

- (a) Regulation no. 1 on *Prudential Supervision of the Entities Carrying Out Financial Activities on a Professional Basis* (entered into force on 13 January 2015, as amended and supplemented on 19 September 2018);

- (b) Regulation no. 2 *With which are established the data and information accompanying transfers of funds and the technical requirements for credit transfers and direct debits in euro* (12 December 2017, as amended and supplemented on 19 June 2018);
- (c) Regulation no. 3, *which regulates the payment services offered by entities carrying out financial activities on a professional basis* (23 May 2018);
- (d) Regulation no. 4 *on customer due diligence of entities carrying out financial activities on a professional basis* (19 September 2018);
- (e) Regulation no. 5 *on suspicious activity reporting* (19 September 2018);
- (f) Instruction no. 1 *With which is published the list of high-risk States, with strategic deficiencies in their anti-money laundering and combating the financing of terrorism systems* (23 October 2017);
- (g) Circular *on annual accounts and consolidated accounts of entities carrying out financial activities on a professional basis* (15 December 2016, as amended and supplemented on 31 October 2017);
- (h) Circular *on monetary and financial statistics of entities carrying out financial activities on a professional basis* (29 December 2016);
- (i) Circular *on interest rates applied by entities carrying out financial activities on a professional basis* (29 December 2016);

1.2. ECONOMIC AND FINANCIAL FRAMEWORK

By virtue of the Law *on the economic, commercial and professional sectors*, no. V of 7 June 1929, a public regime is established in the Vatican City State, and there are neither a financial market, nor private financial actors:

- (a) Regulated markets, multilateral trading facilities and organized trading facilities are not established;
- (b) Public debt instruments, capital instruments, securities or associated instruments are not issued;
- (c) Insurance companies, electronic money institutions, trust companies nor securities firms are not established;
- (d) Branches or subsidiaries of foreign financial institutions are not established.

Pursuant to the prudential regulatory framework into force, the conduct of one or more financial activities on a professional basis is subject to the prior authorization by AIF.

Currently, the only entity authorized to carry out financial activities on a professional basis is the Institute for the Works of Religion (IOR).

1.2.1. Single Euro Payments Area (SEPA)

In November 2018, the *European Payment Council* (EPC) approved the participation of the Holy See/Vatican City State in the geographical scope of the schemes of the *Single Euro Payments Area* (SEPA), with a favourable opinion of the European Commission⁵. From March 1, 2019, the financial institutions of the jurisdiction, once they have verified that they meet all the regulatory and technical requirements, will be able to adhere to the SEPA schemes. At the same time, the International Registration Authority for ISO 13616 (*Society for Worldwide Interbank Financial Telecommunication*, SWIFT) has entered a Vatican IBAN (*International Bank Account Number*) code in the IBAN Register, which can be used for the unique identification of payment accounts opened with financial institutions in the jurisdiction⁶.

⁵ See Release of the Press Office of the Holy See of 30.11.2018 [B0885] (<https://press.vatican.va/content/salastampa/it/bollettino/pubblico/2018/11/30/0885/01934.html>).

⁶ See *IBAN Registry, Release 81 – December 2018*, p. 80.

2. INSTITUTIONAL FUNCTIONS

2.1. STATUTE AND INSTITUTIONAL FUNCTIONS

AIF was established by Pope Benedict XVI with the Apostolic Letter issued “*Motu Proprio*” for the *prevention and countering of illegal activities in the area of monetary and financial dealings* of 30 December 2010. The AIF’s mandate was consolidated by Pope Francis with the Apostolic Letter issued “*Motu Proprio*” *approving the Statute of the Financial Information Authority* of 15 November 2013.

Pursuant to Art. 1 of the Statute, AIF has the *status* of an “Institution connected to the Holy See”, pursuant to Art. 186 ff. of the Apostolic Constitution *Pastor Bonus* of 28 June 1988, and is endowed with public legal personality under Canon Law. It has its registered office in the Vatican City State.

Pursuant to Art. 2 of the Statute, AIF carries out the following institutional functions in full autonomy and independence:

- (a) Prudential and AML/CFT supervision;
- (b) Financial intelligence;
- (c) Cooperation and exchange of information at the domestic and international levels.

2.2. STRUCTURE AND ORGANIZATION

The structure and organization of AIF is defined by the Statute (see § 2.1.).

Pursuant to Art. 3 (1), AIF’s Statutory bodies are:

- (a) The Board of Directors, competent to define the policies and strategies;
- (b) The President, who chairs the Board of Directors;
- (c) The Director, who is in charge of the operational activity of AIF, is a Member of the Financial Security Committee (CoSiFi) and takes part in the Delegation of the Holy See to international bodies responsible for countering money laundering and the financing of terrorism.

The Board of Directors is composed of the following Members: Ms Maria Bianca Farina (Italy), Mr Marc Odendall (Switzerland), Mr Joseph Yuvaray Pillay (Singapore) and Mr Juan C. Zarate (USA).

The President is Mr René Brülhart (Switzerland).

The Director is Mr Tommaso Di Ruzza (Italy).

Pursuant to Art. 3 (2) of the Statute, AIF's organization is subdivided into two Offices:

- (a) The Office for Supervision and Regulation;
- (b) The Office for Financial Intelligence.

The Statute ensures the functional separation between the supervisory and the financial intelligence activities. At the same time, and considering the uniqueness of the Jurisdiction, the coexistence of the two Offices within the same institutional framework ensures an effective coordination and constitutes an added value for the effectiveness of the AML/CFT system as a whole.

Office for Supervision and Regulation

Competent for the prudential and AML/CFT supervision, including the cooperation and exchange of information with the Authorities of the Holy See and the Vatican City State, and foreign supervisory Authorities, pursuant to Art. 2 (a) (b) of the Statute and Articles 46, 65 and 69 of Law no. XVIII.

Office for Financial Intelligence

Competent for the financial intelligence activities, including the cooperation and exchange of information with the Authorities of the Holy See and the Vatican City State and foreign Financial Intelligence Units (FIUs), under Art. 2 (c) of the Statute and Articles 48 and 69 of Law no. XVIII.

2.3. SUPERVISED SUBJECTS

According to the "Motu Proprio" of 8 August 2013 (see § 1.1.), all Dicasteries of the Roman Curia and other bodies and entities that depend on the Holy See, as well as Non-Profit Entities (NPOs) having their registered offices in the Vatican City State, fall under the scope of application of the legislation concerning:

- (a) Measures to prevent and counter money laundering and terrorism financing;
- (b) Measures against subjects who threaten international peace and security;
- (c) Prudential supervision of entities carrying out financial activities on a professional basis.

The effects of the legislation depend upon the institutional and legal status of the entities.

Art. 2 of Law no. XVIII (see § 1.1.) indicates the categories of subjects falling under the supervision by AIF, including the entities carrying out financial activities on a professional basis.

Pursuant to art. 4 of Law no. XVIII (see § 1.1.), AIF publishes and updates the list of supervised subjects.

The list includes one entity carrying out financial activities on a professional basis, the IOR.

2.3.1. *Institute for the Works of Religion (IOR)*

IOR is a public canon law foundation⁷. Pursuant to Art. 2 of the Statute approved by John Paul II with the *Chirograph providing a new status to the Institute of Works of Religion* of 1 March 1990, the mission of the IOR is: “the custody and administration of movable and immovable property transferred or assigned to the Institute by natural or legal persons, and intended to works of religion and charity”.

According to the policy adopted by the Board of Superintendence, the IOR is not open to the general public and currently provides its financial services to the following categories of natural and legal persons: Clerics and members of Institutes of Consecrated Life and Societies of Apostolic Life; Legal entities registered within the Vatican City State; Institutes of Consecrated Life and Societies of Apostolic Life; Dioceses, parishes and other entities of the Catholic Church; Diplomatic missions accredited to the Holy See; Causes of Beatification and Canonization; Legates; Organs and entities of the Holy See and Vatican City State and connected institutions, including Apostolic Nunciatures and Delegations; Employees (and retired persons) of the Holy See and Vatican City State; Diplomats accredited to the Holy See.

The IOR does not have branches or subsidiaries in foreign Jurisdictions.

⁷ See Art. 1 of the *Chirograph providing a new status to the Institute for Works of Religion* by Pope John Paul II of 1 March 1990.

3. MAIN ACTIVITIES

3.1. GENERAL RISK ASSESSMENT AND RISK-BASED APPROACH

In 2017, the Financial Security Committee (CoSiFi) adopted the General Risk Assessment (GRA) for the Holy See and the Vatican City State, in view of the identification and assessment of potential risks of money laundering and terrorist financing, as required by Law no. XVIII⁸, and in line with the recommendations of the *Financial Action Task Force* (FATF).⁹

The main object of the GRA, carried out using the World Bank's *National Money-Laundering and Terrorist Financing Risk Assessment Tool*, and involving all the competent Authorities of the Holy See and the Vatican City State, is the limited financial activities carried out on a professional basis within the Vatican City State. At the same time, the GRA focused on the AML/CFT system as a whole, including the safeguard of the governmental financial activities, the donations, and the NPOs registered in the Vatican City State, as a consequence of a comprehensive risk-based approach.

The GRA did not show significant domestic threats. The main risks identified are linked to cross-border activities and international factors. However, some sectors can be further strengthened – like donations, NPOS, public procurement contracts, cross-border transportation of currency - with a view to enhancing the effectiveness of the AML/CFT system as a whole.

Among the first results of the GRA, Law no. CCXI is worth-mentioning (see § 1.1.) introducing compulsory suspicious activity reporting for the NPOs with their registered offices in the Vatican City State, and the Instruction on high-risk States issued by AIF.

In 2018, CoSiFi updated the GRA, which confirms a low-medium level of AML risk, and a low level of FT risk. The update shows that the risk-mitigation measures recommended by the GRA in 2017 (see § 1.1) have been adopted, based on a risk-based approach that is not limited to financial activities, but extends to all relevant sectors. In this respect, the adoption of Regulation no. 4 – which introduced the more comprehensive definition of customer risk profiles and established the cases for the adoption of a simplified or enhanced due diligence based on a rigorous risk-based approach – is worth-mentioning (see § 3.2.2.(a)), as is the adoption of Regulation no. 5 – which, among other things, introduced specific anomaly indicators, with particular attention to the relevant areas identified in the GRA – (see § 3.2.2.(b)).

In the GRA update, additional measures were recommended to promote awareness of potential risks in the ML/FT area, including training sessions to the Holy See and Vatican City State offices active in relevant sectors, and to NPOs with registered offices in the Vatican City State, especially in the area of suspicious activity reporting.

In implementation of CoSiFi's indications, AIF provided specific instructions to NPOs through the *Circular on suspicious activities reporting to non-profit entities with registered office in the Vatican City State* (13 December 2018), and held training sessions addressed to the Vatican Post Office (22 and 30 November 2018).

⁸ See Art. 9 (1) (b) of Law no. XVIII.

⁹ See Recommendation no. 1 (*Assessing risks and applying a risk-based approach*) and Recommendation no. 2 (*National cooperation and coordination*); FATF, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, The FATF Recommendations*, February 2018.

3.2. SUPERVISION AND REGULATION OF THE ENTITIES CARRYING OUT FINANCIAL ACTIVITIES ON A PROFESSIONAL BASIS

In 2018, AIF continued its supervision of the financial activities carried out on a professional basis within the Vatican City State.

The domestic regulatory framework has been further consolidated through new regulations and guidelines and amendments to regulations into force, in line with the commitments taken by the Holy See with the *Monetary Agreement between the European Union and the Vatican City State* of 2009 and the *Ad hoc Arrangement* adopted on 19 December 2014 by the Joint Committee for the implementation of the same Agreement. The transposition of the relevant and applicable European Union legal sources has taken also into account the uniqueness of the economic and financial framework of the jurisdiction (see § 1.2.).

3.2.1. Prudential Supervision and Regulation

The prudential supervision was mainly focused on organisational and management models, with a particular attention to assessment and mitigation of potential risks, adequacy of regulatory capital with respect to financial assets held and services offered to customers.

In November 2018, AIF conducted a targeted on-site inspection at the IOR on granting and management of advances.

(a) Stability of the Financial Activities

The domestic prudential regulatory framework establishes strict rules to ensure the constant monitoring of potential risks, hence the proportionality of the regulatory capital and related first and second pillar risks for the entities carrying out financial activities on a professional basis (credit risk, counterparty risk, market risk, operational risk, systemic risk, concentration risk, liquidity risk, etc.), as well as the risks identified and assessed with the Risk Appetite Framework (RAF).

The amendments to Regulation no. 1 (see § 1.1.) further strengthen the capital requirements of supervised entities and the instruments of prudential supervision by AIF.

Consider, for example, the requirement to build up supervisory capital with core capital, equivalent to the equity of the supervised entity, and to hold additional capital reserves, in addition to regulatory capital (capital conservation buffer and countercyclical specific capital buffer)¹⁰, increased, if necessary, on the basis of specific indications from AIF on the stability of the economic and financial system of geographical areas or sectors, and/or specific counterparts.

¹⁰ See Articles 57-*bis* and 57-*ter* of Regulation no. 1.

Furthermore, on the basis of the new provisions, the supervised entities are required to periodically communicate to AIF the relevant data and information on their economic and financial condition. In particular, with regard to:

- (i) Capital requirements, including the size of reserves;
- (ii) Proportionality of regulatory capital and capital assets and associated risks, including the detailed calculation of risk weighted assets (RWA);
- (iii) Liquidity indicators (liquidity coverage ratio, LCR; net stable funding ratio, NSFR; etc.) and leverage.

The data and information provided are analysed and contribute to the assessment of the economic and financial stability of the supervised entities, carried out periodically by AIF as part of the Supervisory Review and Evaluation Process (SREP), pursuant to Article 117-*bis* of Regulation no. 1.

The results of the in-depth analyses conducted since the entry into force of the amendments to Regulation no. 1 at the end of 2018 do not indicate any risks to the economic and financial stability of the supervised entities.

(b) Strengthening of Prudential Supervision on Integrity, Organisation and Management

The amendments to Regulation no. 1 (see § 1.1.) have strengthened the prudential framework for the supervised entities on some significant elements.

In particular, the following have been introduced:

- (i) Stricter competence and integrity requirements for Directors and Senior Managers¹¹, as well as specific provisions to ensure that there are no conflicts of interest or other impediments¹², and that the conditions for their assignment remain during the term of office¹³;
- (ii) Stricter management requirements to ensure a smooth and continuous performance and monitoring of activities, including a specific framework for policy advice and strategic support bodies, the risk committee and the remuneration committee¹⁴;
- (iii) Organisational requirements capable of strengthening the internal control functions and their coordination¹⁵, including a specific framework for the supervisory body¹⁶;
- (iv) Specific provisions to strengthen existing safeguards for conflicts of interest¹⁷;
- (v) Specific provisions on the prevention and detection of market abuse¹⁸;

¹¹ For example, it should be considered that, in the context of the requirements of competence, the balance between the skills acquired in the economic and financial sector and the adequate knowledge and understanding of the peculiar institutional, legal, economic, commercial and professional framework of the Holy See and of the State has been included (see art. 18 (4) of Regulation no. 1); while, as regards the requirement of integrity, the obligation of not having been subjected to canonical sanctions or, in any case, not being known to be promoters or members of associations as per Can. 1374 of the Code of Canon Law (see Art. 19 (2) (d) of Regulation no. 1) has been included.

¹² See Article 19-*bis* of Regulation no 1.

¹³ See Article 20 of Regulation no 1.

¹⁴ See Articles 26-*bis*, 26-*ter* and 26-*quater* of Regulation no. 1.

¹⁵ See Articles 27, 28, 29, 30, 31 and 32 of Regulation no 1.

¹⁶ See Article 32-*bis* of Regulation no 1.

¹⁷ See Article 52 of Regulation no 1.

¹⁸ See Articles 52-*bis* and 52-*ter* of Regulation no. 1.

- (vi) More detailed periodic reporting requirements to AIF¹⁹;
- (vii) Stricter transparency requirements in communications to customers²⁰;
- (viii) Specific provisions on reporting potential breaches or illegitimate violations (“whistleblowing”) to AIF²¹.

(c) Strengthening the Regulation of Payment Services

Regulation no. 3 (see § 1.1.), has made it possible to introduce a systematic set of rules on payment services, which guarantee the correct and efficient functioning of the services and the protection of customers.

In recent years, considerable progress has been made in the integration of payment systems at international and, in particular, at European level. This integration has also been made possible by the definition of an appropriate set of common regulatory, technical and operational rules.

Adherence to the geographical scope of the SEPA schemes requires, inter alia, an adequate and efficient regulatory framework for payment services.

Regulation no. 3 meets these requirements and introduces:

- (i) Requirements regarding transparency of conditions and information requirements for payment services, including the stipulation of contracts with customers, the provision of general and specific information on relevant elements (timing, costs, etc.) and the regulation of contractual amendments and withdrawal²²;
- (ii) Provisions on the authorisation, authentication and execution of payment transactions²³;
- (iii) Provisions on the protection of personal data²⁴;
- (iv) Procedures for the identification, prevention and mitigation of operational and safety risks, including a mechanism for notification to AIF²⁵;
- (v) Provisions on complaint and redress handling, including conciliation and arbitration procedures²⁶.

¹⁹ See Article 118 of Regulation no. 1.

²⁰ See Art. 118-*bis* of Regulation no. 1.

²¹ See Article 120-*bis* of Regulation no. 1.

²² See Articles 5-25 and 49-53 of Regulation no. 3.

²³ See Articles 28 to 59 of Regulation no. 3.

²⁴ See Article 60 of Regulation no. 3.

²⁵ See Articles 61 to 64 of Regulation no. 3.

²⁶ See Articles 65 to 67 of Regulation no. 3.

(d) On-site Inspection on the Granting and Management of Advances

In November 2018, AIF conducted a targeted on-site inspection at the IOR on the granting and management of advances.

The IOR is not authorized to carry out credit activities. However, it carries out activities of granting “advances” to certain categories of customers (for example employees of the Holy See and the Vatican City State), owning an account at the IOR, against guarantees (salary, severance indemnity or securities in custody).

The inspection, which aimed to verify compliance with the legislative and regulatory framework into force (see § 1.1.), as well with the applicable special legislation,²⁷ had a substantially positive outcome.

3.2.2. Supervision and Regulation on Prevention and Countering of Money Laundering and Financing of Terrorism

The AML/CFT supervision was mainly focused on the implementation of a coherent risk-based approach and the fulfilment of the requirements on customer due diligence and reporting mechanisms, and transactions monitoring systems.

On the regulatory level, also in line with the actions suggested in the GRA, Regulation no. 4, on due diligence, and Regulation no. 5, on suspicious activities reports, were adopted. In addition, the list of high-risk countries in the Annex to Instruction no. 1 has been constantly updated (see § 3.1.).

In November 2018, AIF conducted a targeted on-site inspection at the IOR to assess the compliance of the way in which transfers of funds are carried out with the existing legal and regulatory framework on AML/CFT.

(a) Customer Due Diligence

On the basis of the provisions of Law no. XVIII²⁸ (see § 1.1), and also in view of the actions suggested by the GRA, AIF has adopted Regulation no. 4.

Following a risk-based approach, Regulation no. 4 lays down precise provisions for supervised entities on the policies and procedures to be adopted with regard to customer due diligence, as well as the cases where simplified and enhanced due diligence are applicable.

In particular, the phases of customer due diligence are established (identification; verification of identity; acquisition and evaluation of information on the nature and purpose of the relationship, operation or transaction, or transfer of funds, and on the beneficial ownership and origin of funds; definition of the customer’s profile; validation and updating of the customer’s profile) and of the financial institutions with which relations are maintained, the periodicity of constant updating of the due diligence, the obligations of abstention and reporting and those of data recording and data storing, documents and information.

²⁷ For the sources of reference in the regulations of the Holy See and of the Vatican City State, let us consider, by way of example: the “Rules for the concession of advances on the severance indemnity payment”, issued by His Eminence Cardinal Secretary of State Agostino Casaroli on 15 December 1987; Decree of the Pontifical Commission for the Vatican City State promulgating the “Regulation for the granting of salary loans to employees of the Governorate”, n. CCLIII of 14 May 1996; “Regulations for the granting of salary loans to employees of the Administrations of the Holy See”, approved by His Eminence Cardinal Secretary of State Angelo Sodano on 18 July 1997.

²⁸ See Articles 9(2)(b)(v)(viii), 13, 22(3), 24(2) and 25(2)(3) of Law No XVIII.

In order to support the independent assessments of supervised entities, to be carried out following a risk-based approach – which takes into account the main findings of the GRA and the particular risk assessment conducted by the individual entities –, Regulation no. 4 also provides indicators relating to low and high risk factors (associated with the geographical area, customer category, type of relationship, product or service, operation or transaction, and distribution channel), to be considered when deciding on the application of a simplified or enhanced due diligence.

(b) Suspicious Activities Report

On the basis of the provisions of Law no. XVIII and Law no. CCXI²⁹ (see § 1.1), and also taking into account the actions suggested by the GRA, AIF has adopted Regulation no. 5.

Regulation no. 5 provides the reporting entities (entities carrying out financial activities on a professional basis, public authorities and non-profit organisations) with the necessary information to send a suspicious activity report to AIF, as well as a substantial set of general anomaly indicators (connected with: the geographical area; the profile and behaviour of the customer – inconsistent, unusual, non-cooperative or suspicious behaviour, evasion of legal obligations –; the type of relationship, product or service, operation or transaction, including distribution channels – services ensuring anonymity, use of cash –) and specific anomaly indicators (related to donations, public procurement contracts, compliance with tax obligations, auditing of accounts, cross-border transport of cash and market abuse) aimed at facilitating the assessment by reporting agents of possible ML/FT risk and mitigating the margins of uncertainty associated with purely subjective or discretionary assessments, promoting the correct and consistent fulfilment of reporting obligations.

In order to further facilitate the fulfilment of reporting obligations for public authorities and non-profit organisations, Regulation no. 5 also provides a reporting form, which can be found on the institutional website of AIF.

(c) High-risk States

The integrity of financial activities is seriously threatened by States with strategic deficiencies in their anti-money laundering and terrorism financing systems. Consequently, as established by Art. 9 (2), (vi)-(viii), of Law no. XVIII, and in line with the indications provided by GRA, AIF issued Instruction no. 1 (see § 1), establishing an *ad hoc* reporting system, instrumental also in the protection of humanitarian and charitable activities in high-risk or unstable environments, where the Holy See and its instrumentalities are particularly active to meet the requirements of the civil population.

The Instruction has been issued taking into account the statement by the relevant international and regional bodies, in particular the FATF³⁰, and the European Union. The Instruction was then updated on 12 December 2017³¹. During 2018, 3 further updates were made: on 1 March 2018³², 9 July 2018³³ and 29 November 2018³⁴.

²⁹ See art. 40 (5) of Law no. XVIII, and art. 7 of Law no. CCXI

³⁰ See *Public statement and Improving Global AML/CFT Compliance: On-going Process* published by the FATF on 23 June.

³¹ See *Public statement and Improving Global AML/CFT Compliance: On-going Process* published by the FATF on 3 November 2017.

³² See *Public statement and Improving Global AML/CFT Compliance: On-going Process* published by the FATF on 23 February 2018.

³³ See *Public statement and Improving Global AML/CFT Compliance: On-going Process* published by the FATF on 29 June 2018.

³⁴ See *Public statement and Improving Global AML/CFT Compliance: On-going Process* published by the FATF on 19 October 2018.

Following the publication of the Instruction, AIF provided the supervised entities with detailed instructions, including a template for communications, in order to guarantee a timely and adequate fulfilment of the reporting requirements, and flow of information.

(c) On-site Inspection on Transfers of Funds

In November 2018, AIF conducted a targeted on-site inspection at the IOR to verify the compliance of the execution of transfers of funds with the existing legal and regulatory framework for preventing and combating money laundering and terrorist financing.

The inspection, which aimed to verify compliance with the legislative and regulatory framework into force (see § 1.1.) had a substantially positive outcome.

3.2.3. *International Cooperation and Exchange of Information*³⁵

AIF exchanged information with foreign Supervisory Authorities in 15 cases (13 requests *to* foreign Authorities and 2 requests *from* foreign Authorities). The international cooperation produced concrete results and in some cases allowed for the analysis of complex financial schemes with connections with several Jurisdictions, leading to the reporting of potential breaches and misconducts. With some counterparts, since the respective Jurisdictions have closer financial interactions, the cooperation and exchange of information is carried out on a regular basis and its scope is not limited to the prevention of potential breaches and misconducts, but covers the overall stability of the financial activities, also from the perspective of prudential supervision.

In 2018, AIF signed new Memoranda of Understanding (MoUs) with the Supervisory Authorities of Brazil (*Banco Central do Brasil* – BCB) and Panama (*Superintendencia de Bancos de Panamá* – SBP). Since 2014 AIF has signed MoUs with the Supervisory Authorities of 8 foreign Jurisdictions, namely Brazil (*Banco Central do Brasil* – BCB and *Conselho de Controle de Atividades Financeiras* – COAF), Germany (*Bundesanstalt Für Finanzdienstleistungsaufsicht* – BaFin), Italy (*Banca d'Italia*), Luxembourg (*Commission de Surveillance du Secteur Financier* – CSSF), Malta (*Malta Financial Services Authority* – MFSA), Panama (*Superintendencia de Bancos de Panamá* – SBP), Poland (*Komisja Nadzoru Finansowego* – KNF) and United States of America (*Office of the Controller of the Currency* – OCC).

³⁵ Pursuant to Art. 69 (b) of Law no. XVIII, AIF: “cooperates and exchanges information with equivalent authorities of other States, on the condition of reciprocity and on the basis of memoranda of understanding. The Secretariat of State is informed of such memoranda being entered into.”

3.3. FINANCIAL INTELLIGENCE

The financial intelligence activities imply three main phases:

- (a) Reception of Suspicious Activities Reports (SARs) from supervised subjects, Authorities of the Holy See and the Vatican City State, non-profit entities and other subjects;
- (b) Strategic and operational analysis of the SARs, including the access of documents, data and information, the adoption of preventive measures, and the cooperation and exchange of information at the domestic and international levels;
- (c) Filing reports, documents, data and information to the Office of the Promoter of Justice.

3.3.1. *Suspicious Activities Reports*

In 2018, AIF received 56 SARs: 50 from Supervised Subjects; 4 from Authorities of the Holy See and Vatican City State; 2 from other Subjects (see § 4.2.1.).

The SARs filed by the reporting subjects confirmed the trend already observed in 2017³⁶ of a constant increase in terms of quality, considered also the guidance provided with more specific indicators of anomaly (§ 3.2.2), and a more conscious implementation of a risk-based approach (see § 3.1), and the parallel decrease in number. The trend is also linked to the stabilization and normalization of the reporting system, and the intensification of the preventive measures taken by the IOR itself. The audit and closure of certain categories of accounts and the participation of customers in voluntary disclosure programmes in foreign countries, which had led to a peak in the number of suspicious activity reports in 2015-2016, were also completed (see Statistics).

Within the framework of the analytical activities, in 2018, AIF ordered 5 preventive measures – 3 transactions were suspended pursuant to art. 48 (j) of Law no. XVIII, for 422,077 euro and 2 accounts were frozen pursuant to art. 48 (k) of Law no. XVIII, for 2,362,725.53 euro³⁷ – thus confirming the consolidation of a rigorous preventive approach in countering potential suspicious activities (see § 4.2.2.).

Box 1 – Example case

A foreign citizen and businessman is commissioned by a financial institution based in the Vatican City State to take care of the transfer of part of the real estate assets.

Following internal audit activities, the same financial institution sends a suspicious activity report to AIF. The analyses carried out by AIF show, among other things, that the sale was made at prices lower than market prices, and that part of the proceeds of the sale would have been embezzled by the businessman, who would have deposited it in personal current accounts opened with foreign financial institutions.

AIF, after having activated also the channels of collaboration and exchange of information with the Financial Intelligence Units (FIU) of the Countries concerned, disseminates a report to the Office of the Promoter of Justice.

The Office of the Promoter of Justice opens a criminal proceeding for carrying out of further investigation activities, adopting measures of seizure carried out in foreign Countries for a total of approximately 15 million Euros, and giving impetus to requests for international judicial assistance, formalized with two letters rogatory.

At the conclusion of the investigations, the businessman, together with other subjects, was sent to trial, among other things, for self-laundering.

³⁶ See Financial Information Authority, *Annual Report 2017*, § 3.3.1., p. 10.

³⁷ Pursuant to Art. 48 (j) (k) of Law no. XVIII, AIF: “suspends the execution, for up to five working days, of transactions and operations suspected of money laundering or financing of terrorism, as well as any other linked operation or transaction, where this does not obstruct investigative or judicial activity; adopts the preventive freezing of accounts, funds and other assets, up to five working days, in the case of suspect of money laundering or financing of terrorism, where this does not obstruct investigative or judicial activity”.

Box 2 – Example case

A company based in a foreign state has signed a contract with the Vatican City State. The company is owned by a foreign citizen and entrepreneur who holds a personal account with a financial institution based in the Vatican City State. The financial institution sends a suspicious activity report to AIF. The analyses carried out by AIF show that the company's credits were paid into the businessman's personal account, to the detriment of the company itself. AIF, after having also activated the channels of collaboration and exchange of information with the Financial Intelligence Units (FIU) of the countries concerned, disseminates a report to the Office of the Promoter of Justice. The Office of the Promoter of Justice opens a criminal proceeding for further investigation activities, adopting a seizure order executed in the Vatican City State for a value of approximately 1.1 million euros. Thanks to the information provided by AIF to the FIU of the country concerned, the businessman is convicted for the crimes of fraudulent bankruptcy and money laundering in the same country. Subsequently, the businessman is sentenced to trial in the Vatican City State and convicted for the crime of self-laundering, including the confiscation of seized amounts. The sentence has been appealed.

IT structures (hardware and software) and cyber-security systems have been further strengthened to ensure the highest level of integrity, security and confidentiality of data storage and processing. In particular, since March 2018, the IOR has started the regular transmission of SARs through the *goAML* system, under license from the *Office of Information and Communications Technology (ICT)* of the United Nations Organization, which has undergone a further adjustment to better respond to the specific analytical needs of financial *intelligence* activities carried out by AIF.

3.3.2. Reports to the Office of the Promoter of Justice

In 2018, AIF disseminated 11 Reports to the Office of the Promoter of Justice (see § 4.2.3.), recording an increase in the proportion between Reports disseminated and SARs received, also demonstrating the higher quality of SARs filed by reporting subjects.

Almost all the potential financial crimes involve foreign subjects or conducts undertaken in, or in connection with, foreign Jurisdictions. The main detected potential predicate offenses are serious international fraud, including fiscal fraud, and market abuse.

3.3.3. Combating the Financing of Terrorism

Against the current international backdrop, the fight against financing of terrorism remains a priority.

In 2018 no SARs relating to financing of terrorism have been filed, and, more in general, the update of the GRA in 2018 confirmed a low level of risk connected to financing of terrorism.

At the same time, AIF maintained a preventive and pro-active approach, ensuring its cooperation at international level and guaranteeing a constant support to the FIUs of those Jurisdictions that are more exposed to the risk of terrorist attacks.

More in general, pursuant to Art. 71 (1) of Law no. XVIII, the President of the Governorate of the Vatican City State issues Ordinances on a regular basis, through which a list of subjects threatening the international peace and security is published, taking into account the indications of the Security Council of the Organization of the United Nations and the European Union.

In 2018, the President of the Governorate issued 21 Ordinances.

AIF, in forwarding the lists to the IOR, has requested an enhanced monitoring and the adoption of potential preventive measure, including the freezing of potential funds and other assets owned, held, controlled or detained, exclusively or jointly, directly or indirectly, by subjects included in the lists; potential benefits and profits generated by the aforementioned funds and assets, and potential funds and other assets held or controlled by other subjects, natural persons or entities, in the name or on behalf of or in favour of subjects included on the lists.³⁸

The analyses and following monitoring activities did not show links between the designated subjects and the Jurisdiction.

In view of promoting a greater awareness of the potential risks among the Authorities of the Holy See and the Vatican City State and the NPOs registered in the Vatican City, the lists are published in the AIF's official website³⁹.

3.3.4. *Domestic and International Cooperation and Exchange of Information*⁴⁰

The domestic cooperation with competent Authorities of the Holy See and the Vatican City State is effective and produced exchanges of information in 234 cases (230 requests *to* competent Authorities and 4 requests *from* competent Authorities). These cases include 54 spontaneous communications of information to competent authorities and 4 spontaneous communications of information from competent authorities (see § 4.2.4.).

In particular, the cooperation with the *law enforcement* Authorities, namely the Office of the Promoter of Justice and the Corps of the Gendarmerie, is a relevant component of the activity of the AIF, producing concrete results in the use of financial intelligence. Furthermore, in view of ensuring an appropriate coordination of the relevant operational activities, meetings between AIF, the Sections for the fight against the economic and financial crimes of the Office of the Promoter of Justice and the Section of economic and financial police of the Corps of the Gendarmerie, have taken place on a regular basis. Following the amendment of Law no. XVIII (see § 1.1.) and in particular the introduction of Article 48 (n), since 2018, AIF has been receiving feedback from the competent authorities, including the Office of the Promoter of Justice and the Gendarmerie Corps, on the use of the information provided and on the outcome of investigations or inspections carried out on the basis of that information. This is an important development for the effective functioning and coordination of the internal system.

³⁸ See Art. 75 (2), and Art. 76 (1) (2) of Law no. XVIII.

³⁹ See Art. 71 (3) of Law no. XVIII.

⁴⁰ Pursuant to Art. 69 (a) (b) of Law no. XVIII, AIF: “cooperates and exchanges information with other authorities of the Holy See and the Vatican City State, which provide the Financial Intelligence Authority with the relevant documents, data and information; cooperates and exchanges information with equivalent authorities of other States, on the condition of reciprocity and on the basis of memoranda of understanding. The Secretariat of State is informed of the memoranda entered into.”

Box 3 – Example case

A financial institution based in the Vatican City State sends a suspicious activity report to AIF related to a foreign company and an alleged foreign non-profit organization, holders of current accounts abroad, attributable to foreign nationals.

The analyses carried out by AIF show that the beneficial owners of the alleged non-profit organization present themselves as a canon law foundation, abusing symbols traceable to the Holy See, fraudulently using the name of a financial institution based in the Vatican City State, in order to obtain donations.

After having activated the channels of collaboration and exchange of information with the Financial Intelligence Unit (FIU) of the country concerned, AIF spontaneously disseminated the information available to the Gendarmerie Corps, which has activated the channels of collaboration with the Police Authority of the country concerned.

Thanks to the information provided to the authorities of the country concerned, the beneficial owners of the company were arrested on charges of criminal conspiracy, and sums of money and valuables, including firearms, were seized.

Box 4 – Example case

A financial institution based in the Vatican City State sends AIF a suspicious activity report, which is connected to a foreign non-profit organisation, and which can be traced back to an ecclesiastic, foreign citizen, who holds a personal current account with the same institution.

The analyses carried out by AIF show the diversion of large funds transferred to the non-profit organization.

After having also activated the channels of collaboration and exchange of information with the Financial Intelligence Units (FIU) of the countries concerned, AIF disseminated a report to the Office of the Promoter of Justice, which opened a criminal proceeding for further investigation activities.

Thanks to the information provided by AIF to the FIU in the relevant foreign jurisdiction, the beneficial owner of the non-profit organization was arrested for the crimes of fraud, tax evasion and money laundering, and sums worth about 9 million euro were seized.

AIF exchanged information with foreign FIUs in 473 cases (231 requests *to* foreign FIUs and 242 requests *from* foreign FIUs) (see § 4.2.5.). At the same time, 158 spontaneous communications were sent to foreign FIUs and 15 spontaneous communications from foreign FIUs were received. Also in this context the international cooperation produced concrete results, and in some cases allowed the analysis of complex financial schemes with connections with several Jurisdictions, leading to the dissemination of relevant financial intelligence to the Office of the Promoter of Justice.

In 2018, AIF signed new MOUs with the FIUs of 6 foreign Jurisdictions, namely: Aruba, Bulgaria, Greece, Honduras, Mexico, Uruguay, for a total of 56 MOUs that have been signed since 2012⁴¹ (see § 4.2.6.).

⁴¹ In alphabetical order: Albania, Andorra, Argentina, Armenia, Aruba, Australia, Austria, Belgium, Brazil, Bulgaria, Capo Verde, Canada, Chile, Colombia, Cuba, Cyprus, Ecuador, Estonia, France, Germany, Ghana, Gibraltar, Greece, Guernsey, Honduras, Hungary, India, Isle of Man, Jersey, Italy, Latvia, Liechtenstein, Luxemburg, Malta, Mexico, Moldova, Monaco, Netherlands, New Zealand, Norway, Panama, Paraguay, Peru, Poland, Portugal, Romania, Russian Federation, San Marino, Slovenia, South Africa, Spain, Switzerland, Taiwan (Republic of China), United Kingdom, United States of America, Uruguay.

3.4. ADDITIONAL ACTIVITIES

3.4.1. *Declarations of Cross-Border Transportation of Currency*

Art. 81 of Law no. XVIII establishes the duty to declare cross-border transportation of currency (cash and bearer negotiable instruments) for an amount equivalent to, or greater than, 10,000 euro. The declaration must be presented to the Corps of the Gendarmerie, namely the customs competent Authority, or to the offices authorized by AIF.

In 2018, 291 incoming declarations, amounting to a total of 7,416,789.14 euro, and 948 outgoing declarations, amounting to a total of 18,668,597.59 euro, have been registered. The number and amount of cross-border declarations confirm the progressive decrease in the use of cash registered since 2015 (see § 4.3.1.). The trend is also due to the availability of other systems of transfer of funds carried out by the IOR, ensuring a better standard of security and traceability.

In 2018, the analysis of the declarations carried out by AIF did not show significant anomalies or risk indicators.

3.4.2. *Tax Compliance*

Within the Vatican City State there are no productive economic activities (see § 1.2.) and a structured domestic tax system is not in place.

At the same time, the Holy See has a strong commitment to ensure the international cooperation and exchange of information for the prevention of tax evasion and the promotion of the fulfilment of fiscal requirements by foreign citizens and legal entities having an account at the IOR.

To this end, the Holy See signed two international treaties on fiscal matters: the *Convention between the Holy See (acting also in the name and on behalf of the Vatican City State) and the Government of the Italian Republic in fiscal matters* of 1 April 2015, and the *Agreement between the Holy See (acting also in the name and on behalf of the Vatican City State) and the United States of America to improve international tax compliance and exchange of tax information in view of the U.S. Foreign Account Tax Compliance Act (FATCA Agreement)* of 10 June 2015.

As far as the FATCA Agreement is concerned, AIF and the Secretariat for the Economy (identified by the signatory parties as the competent Authority of the Holy See for the transmission of data) on 10 November 2015 signed an MOU allowing AIF to monitor the implementation of the procedures adopted by the IOR for the fulfilment of the requirements established by the Agreement.

The checks and controls carried out by AIF in 2018 showed that the implementation of the procedures adopted by the IOR is effective. Furthermore, the overall monitoring activities did not show significant anomalies and risk indicators, and this is also a concrete result of the constant review of the adherence by the customers of the IOR to voluntary tax compliance programmes launched by their respective Jurisdictions, object of specific Instructions issued by AIF⁴², in line with the indications provided by FATF in view of preventing that voluntary tax compliance programmes are abused to circumvent AML/CFT policies⁴³.

⁴² See AIF, *Annual Report*, Year IV-2015, p. 14, Vatican City 2016.

⁴³ FATF, Best Practices Paper, *Managing the Anti-Money Laundering and Counter-Terrorist Financing Policy Implications of Voluntary Tax Compliance Programmes*, October 2012.

3.4.3. *Other International Activities*

In 2018, AIF actively participated in the meetings of the working groups of the Egmont Group (Buenos Aires, 12-15 March 2018).

AIF was also part of the Delegation of the Holy See to the 56th Plenary Meeting (2-6 July 2018), the 57th Plenary Meeting (3-7 December 2018) of the *Committee of Experts on the Evaluation of Anti-Money Laundering and Combating the Financing of Terrorism Measures* (MONEYVAL) at the Council of Europe.

Finally, AIF was part of the Holy See delegation at the annual meeting of the Joint Committee for the implementation of the Monetary Agreement between the European Union and the Vatican City State (Rome, 9 October 2018).

PART II

STATISTICS

4. STATISTICS

4.1. SUPERVISION AND REGULATION

4.1.1. International Cooperation

| | 2011 <i>(April)</i> | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------------------------|------|------|------|------|------|------|------|
| <i>Total</i> | 0 | 0 | 0 | 4 | 12 | 11 | 14 | 15 |
| <i>Requests to foreign Supervisory Authorities</i> | 0 | 0 | 0 | 2 | 10 | 11 | 11 | 13 |
| <i>Requests from foreign Supervisory Authorities</i> | 0 | 0 | 0 | 2 | 2 | 0 | 3 | 2 |

4.1.2. Memoranda of Understanding with foreign Supervisory Authorities

| | 2011 <i>(April)</i> | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------|------------------------|------|------|------|------|------|------|------|
| <i>Total</i> | 0 | 0 | 0 | 3 | 0 | 3 | 1 | 2 |

4.2. FINANCIAL INTELLIGENCE

4.2.1. Suspicious Activity Reports

| | 2011 (April) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-----------------|----------|------------|------------|------------|------------|------------|-----------|
| Total | 1 | 6 | 202 | 147 | 544 | 207 | 150 | 56 |
| <i>Supervised Subjects</i> | 1 | 5 | 193 | 141 | 537 | 192 | 136 | 50 |
| <i>Authorities of the Holy See / Vatican City State</i> | 0 | 1 | 5 | 4 | 6 | 8 | 9 | 4 |
| <i>Other Subjects</i> | 0 | 0 | 4 | 2 | 1 | 7 | 5 | 2 |

4.2.2. Preventive Measures

| | 2014 | | 2015 | | 2016 | | 2017 | |
|---|--------|-------------|--------|-------------------------------|--------|---------------|--------|-----------|
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| <i>Suspension of transactions and operations</i> | 3 | €561,574.89 | 8 | €8,262,565.42 \$ 1,714,800 | 4 | €2,113,838.55 | 0 | |
| <i>Freezing of accounts, funds and other assets</i> | | | 4 | €7,051,422.42 \$ 654,800 | 1 | €1,550,199.45 | 1 | €1,757.40 |

| | 2018 | |
|---|--------|---------------|
| | Number | Amount |
| <i>Suspension of transactions and operations</i> | 3 | €422,077.00 |
| <i>Freezing of accounts, funds and other assets</i> | 2 | €2,362,725.53 |

4.2.3. Reports to the Office of the Promoter of Justice

| | 2011 (April) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------|-----------------|------|------|------|------|------|------|------|
| Total | 0 | 2 | 8 | 7 | 22 | 24 | 8 | 11 |

4.2.4. Domestic Cooperation

| | 2011 (April) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------------|------|------|------|------|------|------|------|
| Total | 0 | 2 | 11 | 48 | 117 | 72 | 91 | 231 |
| <i>Requests to Authorities of the Holy See /Vatican City State</i> | 1 | 2 | 11 | 41 | 108 | 67 | 86 | 230 |
| <i>Requests from Authorities of the Holy See /Vatican City State</i> | 0 | 0 | 0 | 7 | 9 | 5 | 5 | 4 |

4.2.5. International Cooperation

| | 2011 (April) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-----------------|------|------|------|------|------|------|------|
| Total | 8 | 4 | 81 | 113 | 380 | 837 | 268 | 473 |
| <i>Requests to foreign Financial Intelligence Units</i> | 1 | 1 | 28 | 20 | 199 | 721 | 88 | 231 |
| <i>Requests from foreign Financial Intelligence Units</i> | 7 | 3 | 53 | 93 | 181 | 116 | 180 | 242 |

4.2.6. Memoranda of Understanding with foreign Financial Intelligence Units

| | 2011 (April) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------|-----------------|------|------|------|------|------|------|------|
| Total | 0 | 2 | 5 | 14 | 6 | 5 | 18 | 6 |

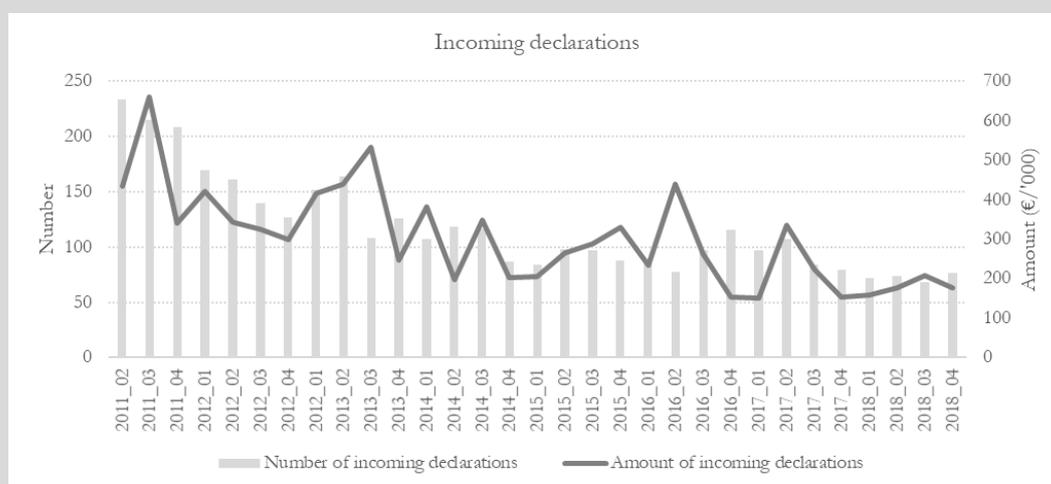
4.3. DECLARATIONS OF CROSS-BORDER TRANSPORTATION OF CURRENCY

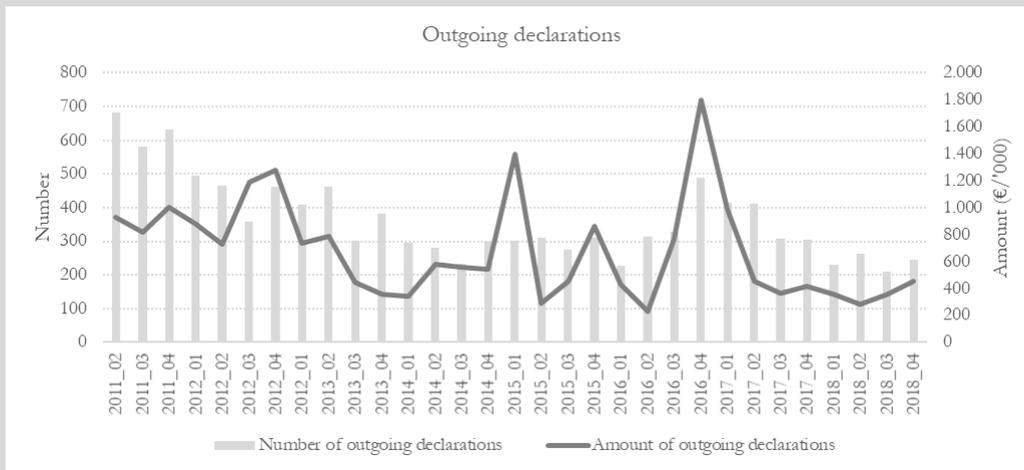
4.3.1. Number and Amount of the Declarations

| | 2011 (April) | 2012 | 2013 | 2014 |
|------------------------------|-----------------------|--------------------|-----------------------|-----------------------|
| Number | 2,552 | 2,380 | 2,107 | 1,540 |
| Amount | €59,689,056.03 | €63,604,278 | €50,055,535.53 | €33,279,632.64 |
| <i>Incoming declarations</i> | | | | |
| Number | 658 | 598 | 550 | 429 |
| Amount | €16,192,071.57 | €15,203,937.92 | €15,596,858.27 | €11,235,606.85 |
| <i>Outgoing declarations</i> | | | | |
| Number | 1,894 | 1,782 | 1,557 | 1,111 |
| Amount | €43,496,984.46 | €48,400,340.08 | €34,458,677.26 | €22,044,025.79 |

| | 2015 | 2016 | 2017 | 2018 |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Number | 1,563 | 1,737 | 1,806 | 1,239 |
| Amount | €33,853,411.37 | €33,598,780.16 | €32,630,799.91 | €26,085,386.73 |
| <i>Incoming declarations</i> | | | | |
| Number | 367 | 380 | 367 | 291 |
| Amount | €9,697,570.61 | €9,642,657.58 | €9,222,729.22 | €7,416,789.14 |
| <i>Outgoing declarations</i> | | | | |
| Number | 1,196 | 1,357 | 1,439 | 948 |
| Amount | €24,155,840.76 | €23,956,122.58 | €23,408,070.69 | €18,668,597.59 |

Box 5 – Declarations of Cross-Border Transportation of Currency





GLOSSARY/ACRONYMS

AML/CFT, *Anti-Money Laundering and the Countering of the Financing of Terrorism*

AIF, *Financial Intelligence Authority*

CoSiFi, *Financial Security Committee*

FATCA, *United States Foreign Account Tax Compliance Act*

FATF, *Financial Action Task Force*

FIU, *foreign Financial Intelligence Unit*

GRA, *General Risk Assessment*

IOR, *Institute for the Works of Religion*

MONEYVAL, *Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe*

MoU, *Memorandum of Understanding*

NPO, *Non-Profit Organization*

SAR, *Suspicious Activity Report*