

NEWS

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Italy's FIU Spots First Signs of COVID-19 Embezzlement, Theft

By Gabriel Vedrenne

Italy's financial intelligence unit, also known as UIF, gave a mixed report on national efforts to guard against the misuse of tens of billions of euros of economic support that the EU has delivered to the country in the wake of the novel coronavirus pandemic.

Among the more than 115,000 suspicious transaction reports filed to UIF last year, 152 flagged payments linked to the [Recovery and Resilience Facility](https://www.moneylaundering.com/news/in-eus-massive-recovery-plan-aml-holds-a-seat/) (<https://www.moneylaundering.com/news/in-eus-massive-recovery-plan-aml-holds-a-seat/>), or RRF, a €724 billion package of loans and grants aimed at helping the EU recover from COVID-19, especially by financing a “green transition” and “digital transformation” within the bloc's 27 nations.

Italian authorities submitted more than half of the 152 STRs that cited a suspected misappropriation of EU funds, for a combined value of more than €264 million, the agency disclosed Tuesday. But the scarce number of STRs suggests they still do not grasp the value that transaction monitoring anti-money laundering controls play in preventing fraud.

“The powerful public intervention in the economy that characterizes this current historical moment should lead government offices to play a more active and aware role,” Enzo Serata, the head of UIF, told reporters Tuesday.

Nowhere are the stakes higher than in Italy, not only because the country ranks as the largest beneficiary of the RRF—with €69 billion in grants and €123 billion pledged to date—but also because of organized crime's grip over public and private institutions alike.

Forty-two of the 152 RRF-related STRs filed in Italy last year flagged the suspected involvement of crime syndicates, which, according to UIF, have used strawmen to own or exert their control over companies in sectors that have most benefited, or stand to benefit, from the program.

The agency did not specify which sectors in Italy have obtained the most funds from the RRF.

Facilitators such as lawyers, accountants or consultants, played “a crucial

role” by helping submit applications for grants and loans—including the necessary, often forged—supporting documentation; managing the bank accounts receiving the funds; then rapidly transferring those funds to other companies and then overseas, particularly to China.

Many of the accounts allegedly used in such crimes tied back to companies geographically distant from the headquarters of the banks involved so as to reduce the visibility of the schemes to compliance departments.

Michele Riccardi, deputy director of Transcrime, an academic research center in Milan, said UIF’s findings regarding the vulnerability of the RRF to fraud and embezzlement track with the reality on the ground.

“The current modus operandi—mixing traditional organized crime with tax fraud, false invoicing, money laundering, political corruption and other economic crimes—is perfectly positioned to exploit the processes public administrations have for managing a huge amount of public funds in such a short time,” he told *ACAMS moneylaundering.com*.

In anticipation of the tens of billions of euros pledged to Italy, and having already [raised the alarm \(https://www.moneylaundering.com/news/to-protect-economic-recovery-italian-officials-must-file-more-strs/\)](https://www.moneylaundering.com/news/to-protect-economic-recovery-italian-officials-must-file-more-strs/) over the public’s sector’s insufficient efforts against illicit finance, UIF devoted much of last year to preparing the handful of government agencies tasked with handling applications and allocating funds from the RRF to counter the threat of exploitation.

UIF released a first round of guidance on the issue in April 2022, held meetings to raise awareness and set up a specific numerical code for flagging RRF-related cases in STRs.

Public sector STRs rose 40 percent in 2022 but a deeper look into those numbers, according to UIF, shows that no fewer than 170 of the 179 reports civil servants filed last year originated from only two publicly owned companies. The roughly 200 municipalities, other public companies and entities registered with the agency filed the remaining nine.

“Although embezzlement risks had been anticipated, most public administrations in Italy still have neither the awareness, nor the equipment, human capital and technology, to detect and report money laundering schemes,” Riccardi said.

The challenges posed by misappropriation of loans and grants from the RRF are not unique to Italy.

“Europol predicts a high risk of corruption in the procurement phase and ... the pre-financing phase, as experience shows that criminals usually act at this stage,” the agency told members of the European Parliament in November.

At that point, the agency knew of at least six administrative investigations into suspected attempts to defraud the RRF.

Four months later, in March of this year, European Public Prosecutor's Office confirmed the existence of 15 active criminal investigations into RRF-related schemes. Nine of those cases involved Italy.

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