Italy

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Italy	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

fruits, vegetables, grapes, potatoes, sugar beets, soybeans, grain, olives; beef, dairy products; fish

Industries:

tourism, machinery, iron and steel, chemicals, food processing, textiles, motor vehicles, clothing, footwear, ceramics

Exports - commodities:

engineering products, textiles and clothing, production machinery, motor vehicles, transport equipment, chemicals; food, beverages and tobacco; minerals, nonferrous metals

Exports - partners:

Germany 12.8%, France 11.3%, US 6.6%, Switzerland 5.8%, UK 5%, Spain 4.8% (2012)

Imports - commodities:

engineering products, chemicals, transport equipment, energy products, minerals and nonferrous metals, textiles and clothing; food, beverages, and tobacco

Imports - partners:

Germany 15.7%, France 8.9%, China 7%, Netherlands 5.8%, Spain 4.8%, Belgium 4.1% (2012)

Investment Restrictions:

Italy actively seeks foreign direct investment. As an EU member, Italy is bound by EU treaties and laws, including those directly governing or indirectly affecting business investments. Under the EU treaty's Right of Establishment and an Italy-U.S. Friendship, Commerce and Navigation Treaty, Italy is generally obliged to provide national treatment to U.S. investors established in Italy or in another EU member states. Exceptions include access to government subsidies for the film industry; capital requirements for banks domiciled in non-EU member countries; restrictions on non-EU-based airlines operating domestic routes; and restrictions in the shipping sector.

Additionally, GOI introduced an unusually broad national security screening system in early 2012 that applies to energy, transport, and communications sectors "in cases where an acquisition or other form or transaction triggers a threat of severe prejudice to essential interests of the State."

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Section 1 - Background

Italy became a nation-state in 1861 when the regional states of the peninsula, along with Sardinia and Sicily, were united under King Victor EMMANUEL II. An era of parliamentary government came to a close in the early 1920s when Benito MUSSOLINI established a Fascist dictatorship. His alliance with Nazi Germany led to Italy's defeat in World War II. A democratic republic replaced the monarchy in 1946 and economic revival followed. Italy is a charter member of NATO and the European Economic Community (EEC). It has been at the forefront of European economic and political unification, joining the Economic and Monetary Union in 1999. Persistent problems include sluggish economic growth, high youth and female unemployment, organized crime, corruption, and economic disparities between southern Italy and the more prosperous north.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Italy is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Italy was undertaken by the Financial Action Task Force (FATF) in 2016. According to that Evaluation, Vanuatu was deemed Compliant for 10 and Largely Compliant for 26 of the FATF 40 Recommendations.

Key Findings

Italy has a mature and sophisticated AML/CFT regime, with a correspondingly well developed legal and institutional framework. It is nonetheless confronted with a significant risk of money laundering (ML) stemming principally from tax crimes and activities most often associated with organised crime, such as corruption, drug trafficking, and loan sharking.

All the main authorities have a good understanding of the ML and terrorist financing (TF) risks, and generally good policy cooperation and coordination. Italy is now developing a nationally coordinated AML/CFT strategy informed by its 2014 national risk assessment (NRA).

Law enforcement agencies (LEAs) access, use, and develop good quality financial intelligence. The authorities are able to successfully undertake large and complex financial investigations and prosecutions, and have confiscated very large amounts of proceeds of crime.

Nevertheless, current results are not fully commensurate with the scale of ML risks. This is partly due to the insufficient focus on standalone ML cases and other cases, generated by foreign predicate and/or involving legal persons' offenses, as well as to the length of the judicial process.

The risk of TF in Italy appears to be relatively low, and Italy has effectively implemented targeted financial sanctions (TFS). It also actively mitigates the proliferation financing (PF) risk, but additional outreach to the private sector would be beneficial.

Financial institutions (FIs) generally have a good understanding of ML threats that they face, and the larger banks appear to be strongest in their mitigation efforts. The nonfinancial sector, with some exceptions, is far less attuned to ML/TF risk, and is hampered by the absence of detailed secondary legislation.

Customer due diligence (CDD) measures are well embedded in the financial sector, but there appears to be an over-reliance on the due diligence undertaken by the banks when accepting business through agency arrangements, and the processes for identifying beneficial owners are not consistent. Reporting by the nonfinancial sector is generally poor, especially among the lawyers and accountants, but on the rise.

Financial sector supervisors have been using a risk-based approach (RBA) to varying degrees, but their supervisory tools could be improved. Cooperation among domestic supervisory authorities, and with home country supervisors notably needs to be enhanced in regards to agents acting on behalf of remittance companies that have benefited from the EU passporting arrangements.

While the framework governing the supervision of EU payment institutions (PIs) operating in Italy under the EU framework is in place, there is very limited cooperation between Organismo Agenti e Mediatori (OAM) and the home country supervisor of the EU PI in the context of on-going supervision of these persons.

The sanctions regimes for ML and non-compliance with preventive measures need to be strengthened.

Information on beneficial ownership of legal persons is generally accessible in a timely fashion, but cross-checking is necessary to ensure its reliability. Companies are misused to some extent, in particular by organised crime

Risks and General Situation

Italy has a strong legal and institutional framework to fight ML and TF, but faces a particularly high amount of illegal proceeds-as acknowledged in the national risk assessment (NRA) most of which are domestically generated. Available estimates vary widely, ranging from 1.7-12% of GDP, with most pointing to the upper end of the range. The main proceeds-generating crimes are (i) tax and excise evasion (around 75% of total proceeds); (ii) drug trafficking and loan sharking (around 15% of the total); and (iii) corruption, fraud, counterfeiting, environmental crime, robbery, smuggling extortion, and illegal gambling (around 10% of the total). Categories of crime (ii) and (iii) are most closely associated with the activities of organised crime, a historically pervasive problem in Italy.

The channel most vulnerable to ML activity appears to be the banks due to their dominance of the financial sector, the range of products they offer, the transaction volumes they handle, and the interconnectedness of the banking sector with the international financial system. Lawyers, notaries, and accountants are in some cases involved in creating and managing structures that lack transparency and used to launder money. The high use of cash and relatively large informal economy very significantly increases the risk that illicit proceeds may be re-channeled into the regulated formal economy.

The risk of TF appears to be relatively low. While domestic extremist groups exist, they are very fragmented and do not, at present, seem to pose a significant risk. The risk is mainly connected to independent individuals who are devoted to Jihad, operating through small cells that are primarily self-funded.

US Department of State Money Laundering assessment (INCSR)

Italy is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Italy's economy is the eighth-largest in the world and the third-largest in the Eurozone. Italy has a sophisticated AML regime and legal framework, but a continued risk of money laundering stems from activities associated with organized crime. Numerous reports by Italian NGOs identify domestic organized crime as one of Italy's largest enterprises. Tax crimes also represent a significant risk and have been identified by Italy's national risk assessment (NRA) as accounting for 75 percent of all proceeds-generating crime in Italy. While on the rise, CDD and reporting remain weak among non-financial sectors, and regulations are inconsistent.

The Government of Italy continues to combat sources of money laundering. The current government has undertaken reforms to curb tax evasion and strengthen anti-corruption measures, and the government's fight against organized crime is ongoing and robust.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Drug trafficking is a primary source of income for Italy's organized crime groups, which exploit Italy's strategic geographic location to do business with foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax evasion and value-added tax fraud, smuggling and sale of counterfeit goods, extortion, corruption, illegal gaming, illegally disposing of hazardous waste, and loan sharking. Italian authorities have strong policy cooperation and coordination, and Italy continues to develop national AML policies informed by the NRA. Law enforcement agencies have been successful in undertaking complex financial investigations and prosecutions and have confiscated large amounts of criminal proceeds.

KEY AML LAWS AND REGULATIONS

The Ministry of Economy and Finance is host to the Financial Security Directorate, which establishes policy regarding financial transactions and AML efforts. The directorate published Italy's most recent NRA in July 2014. The Bank of Italy (BOI) is home to the Financial Information Unit (UIF), Italy's FIU, which is the government's main mechanism for collecting data on financial flows. The BOI continues to issue guidance on CDD measures to support banks and financial intermediaries with the development of their CDD policies.

Law No. 186, criminalizing self-laundering, was added to the Italian Penal Code and became effective on January 1, 2015, giving Italy increased authority to prosecute individuals for money laundering as a standalone crime. This law defines self-laundering as an operation aimed to conceal the illegal origin of the money, carried out by the same person who committed or participated in the predicate offense.

Italy has a MLAT with the United States and is party to the U.S.-EU MLAT.

Italy is a member of the FATF.

AML DEFICIENCIES

As of January 2014, regulations require the application of enhanced CDD measures for the financial sector in transactions with both domestic and foreign PEPs. However, DNFBPs are not required to apply enhanced CDD when dealing with domestic PEPs.

DNFBPs are not legally required to file a STR when the beneficial owner is not identified in a business transaction. Although the overall reported STR data was positive, the overall percentage of STRs reported by DNFBPs decreased by half, and 21 percent of the reports were voluntary disclosures. The government plans to continue to implement measures that will significantly increase the number of STRs from DNFBPs.

Money remitters operating under EU passport and free border arrangements are not adequately regulated or supervised, although the situation should improve with the implementation of the EU's Fourth Anti-Money Laundering Directive (AMLD).

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The criminalization of self-money laundering, which allows for expanded legal authority to prosecute individuals for money laundering has increased the severity of convictions for these crimes and has acted as a deterrent. However, penalties applied to persons convicted of money laundering may not be sufficiently dissuasive as there are numerous repeat offenders.

The UIF has worked to increase the number of STRs filed by DNFBPs, especially within the public administration sector. In 2016, STR filings saw a dramatic increase from 2015, attributed by the UIF to more active participation among non-financial professionals, particularly lawyers and accountants.

Italy continues to implement the 1988 UN Drug Convention and seeks to implement revisions to its AML policies in accordance with the EU's 2015 Fourth AMLD; Italy entered in compliance with the AMLD on May 25, 2017 with legislative decree number 90.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Italy does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

EU White list of Equivalent Jurisdictions

Italy is on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Italy is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017 (introduction):

Italy

Italy remains an important transit country and market for illegal drugs. Synthetic drugs, hashish, and marijuana are the most commonly consumed illicit drugs. Southwest Asian heroin arrives via the Middle East and Balkans, while cocaine reaches Italy directly from South America or through Spain and other countries in route to western and central Europe. The majority of cocaine found in Italy originates with Colombian and other South American criminal groups and is primarily managed in Italy by criminal groups from Calabria and Campania. Italy's numerous seaports enable the importation of multi-hundred kilogram (kg) shipments concealed in commercial cargo or aboard private vessels. South American and Mexican cocaine traffickers use Italy to repatriate drug proceeds via bulk currency shipments to Colombia and Mexico and wire transfers throughout the world.

In 2015 (the most recent year for which information is available), Italian authorities seized over 84 metric tons (MT) of illegal drugs. This included 4.05 MT of cocaine, primarily from Colombia; 767.5 kg of heroin, mostly from Afghanistan, refined in Iran and Turkey and trafficked via Bulgaria, Greece and Albania; 67.8 MT of hashish, mostly smuggled from Morocco and Libya across the Mediterranean; 9.3 MT of marijuana from Albania; 18,177 doses of amphetamine-type substances; and 29.17 kg of amphetamine powder. In 2015, 19,091 people were arrested in Italy on drug-related charges.

From March 2014 to June 2016, the Italian Financial Police and the U.S. Drug Enforcement Administration collaborated on a transnational drug trafficking investigation targeting 'Ndrangheta crime clans responsible for organizing cocaine consignments from Brazil, Peru, Chile, Panama, Colombia, and Ecuador to Italian seaports. The investigation, spanning 11 countries, was carried out in partnership with the U.S. Customs Border Protection Agency. It resulted in the seizure of 11 MT of cocaine in Italian and Colombian seaports, the destruction of seven cocaine production facilities in Colombia, and 111 arrests throughout Italy and Colombia. Italy is a member country of the Maritime Analysis and Operations Center-Narcotics, which coordinates international efforts to intercept vessels trafficking bulk shipments of cocaine across the Atlantic Ocean.

The United States and Italy have excellent counternarcotics cooperation, information sharing, and daily coordination in criminal investigations. The U.S. government will continue to work closely with Italian authorities to initiate, support, and exploit multilateral investigations focused on the disruption and dismantling of the most significant transnational drug trafficking and money laundering organizations operating throughout Italy.

US State Dept Trafficking in Persons Report 2016 (introduction):

Italy is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

Italy is a destination, transit, and source country for women, children, and men subjected to sex trafficking and forced labor. Victims originate from Nigeria, Romania, Morocco, China, and other countries. Female victims are often subjected to sex trafficking in Italy after accepting promises of employment as waitresses, dancers, singers, models, or caregivers. Eastern European women and girls are forced into prostitution by Romanian and Albanian criminal groups. Nigerian women and girls are subjected to sex and labor trafficking through debt bondage and coercion through voodoo rituals. Experts estimate approximately 3,000 children are exploited in street prostitution. Men from Africa, Asia, and Eastern Europe are subjected to forced labor through debt bondage in agriculture in southern Italy and in construction, house cleaning, hotels, and restaurants in the north. Chinese men and women are forced to work in textile factories in Milan, Prato, Rome, and Naples. Children subjected to sex trafficking, forced begging, and forced criminal activities are from Romania, Nigeria, Brazil, Morocco, and Italy, particularly Romani and Sinti boys who may have been born in Italy. Transgender individuals from Brazil and Argentina are subjected to sex trafficking in Italy. Unaccompanied children are at risk of trafficking, particularly boys from Somalia, Eritrea, Bangladesh, Egypt, and Afghanistan who often work in shops, bars, restaurants, and bakeries to repay smuggling debts or send money to their families. Official complicity in human trafficking crimes occurs at the local level. Italian men engage in child sex tourism abroad, including countries throughout Africa, Latin America, and East Asia.

During the reporting period, NGOs and government officials reported the number of trafficking victims in Italy increased significantly due to the dramatic rise in migrants and asylum-seekers arriving by boat from sub-Saharan Africa; one international organization estimated more than 2,800 likely trafficking victims arrived in 2015 from Nigeria alone. Most migrants and asylum-seekers rely on smugglers at some point during their journey and in some instances are forced into exploitation upon arrival in Italy. Italy received approximately 154,000 irregular arrivals by sea in 2015, more than half of whom requested asylum; these individuals were highly vulnerable to trafficking. Although the government operated temporary centers throughout the country to house asylum-seekers, the system was overwhelmed and the government was forced to house approximately 90,000 asylum-seekers in improvised shelters; international organizations reported increased incidents of labor and sex trafficking of asylum-seekers as a direct result of shelter shortages. Asylum-seekers, who are unable to legally work while their applications are reviewed, often sought employment in informal sectors, increasing their vulnerability to trafficking. More than one-third of the approximately 18,000 unaccompanied minors who arrived in Italy in 2015 left their protected communities to work, beg, or journey northwards, increasing their vulnerability. The Government of Italy fully meets the minimum standards for the elimination of trafficking. The influx of migrants to the country during the reporting period placed a significant strain on government resources, especially among agencies that combat human trafficking. Despite this challenge, the government convicted a significantly larger number of traffickers, passed its first national action plan, and continued to provide training to law enforcement officials. However, investigations and prosecutions decreased, government-supported NGOs remained severely underfunded, many victims among vulnerable groups went unidentified, and there remained a significant lack of government coordination on anti-trafficking efforts.

US State Dept Terrorism Report 2016

Overview: Italy aggressively investigated and prosecuted terrorist suspects and dismantled suspected terrorist-related cells within its borders. It also implemented counterterrorism legislation adopted in 2015 aimed at identifying, decreasing, and disrupting the recruitment and flow of foreign terrorist fighters. Criminal and low-level terrorist acts (incendiary devices and small improvised explosive devices by domestic anarchist groups remained a threat. Italy maintained a high level of professional cooperation with the United States and international partners in all areas, including terrorist information sharing and Global Coalition to Defeat ISIS efforts.

Italy was an important Defeat-ISIS Coalition partner. Italy maintained the second-largest number of troops deployed to Iraq, leading the Coalition's efforts to train Iraqi police and security forces. Approximately 500 Italian troops provided site security for workers with Italian engineering firm Trevi, engaged in critical repair work on the Mosul Dam. Italy also contributed aerial intelligence, surveillance, and reconnaissance and re-fueling capabilities from Kuwait in support of the Coalition. Italy continued to co-chair the Coalition's Counter-ISIS Finance Group with the United States and Saudi Arabia to enhance information sharing and develop coordinated countermeasures to disrupt ISIS financing.

Legislation, Law Enforcement, and Border Security: The Italian government made use of reinforced counterterrorism legislation enacted in 2015 that improved the existing legislative and regulatory instruments available to the Italian police and armed forces for anticipating, preventing, and countering acts of terrorism. Italy also continued to make use of 2005 legislation that facilitated the detention of terrorist suspects and expedited procedures for expelling non-citizens suspected of endangering national security. In 2016, Italy appointed a Coordinator of the Office of Anti-Terrorism Investigation, a new coordination position created inside the Ministry of Justice (MOJ) National Anti-Mafia and Anti-Terrorism Directorate, which was established under the 2015 counterterrorism law.

Italian law enforcement remained advanced in its capacity to detect and deter terrorist activity, links, and associations within Italy. Italy's long history of countering both organized crime and radical ideological movements has given it a strong legacy in fighting internal threats to security. Authorities are leveraging those capabilities to counter terrorist recruitment, radicalization to violence, and networking. The police (specifically the Central Directorate of the Prevention Police, or DCPP), ROS *Carabinieri* (the investigative unit of the gendarmerie), *Guardia di Finanza* (financial police), other specialized law enforcement agencies, and the intelligence services coordinate their counterterrorism efforts and meet on a regular and systematic basis to review terrorist threats and share information. The Minister of Interior has the authority to swiftly expel non-citizens for "seriously disturbing public order, endangering national security, or religious discrimination," even if insufficient evidence exists to prosecute the individual. Italy used this authority to expel more than 60 individuals in 2016.

Among other provisions, Italy's 2015 counterterrorism law criminalized the organization, financing, or promotion of travel for the purpose of performing acts of terrorism and made it a crime to take part in a conflict in a foreign territory in support of a terrorist organization, implementing UN Security Council resolution 2178. Italy maintained its readiness to enhance measures quickly to counter threats against civil aviation. The MOI worked with the U.S. Transportation Security Administration (TSA) to enhance local implementing procedures covering the Federal Air Marshal (FAM) program.

Italy strongly supported the passage of a European Union (EU) Passenger Name Records (PNR) Directive. Parliament in November 2016 adopted a "delegated law" on the PNR directive; the government is drafting the implementing decree laws. Italy also consulted U.S. Customs and Border Protection regarding development of a Passenger Information Unit and the use of the U.S. Automated Targeting System-Global (ATS-G) for screening passengers using API and PNR data under the EU PNR Directive.

Italy received approximately 180,000 asylum-seekers and economic migrants in 2016, mostly from sub-Saharan Africa and crossing the Mediterranean Sea from Libya. According to MOI and international organization contacts, Italian authorities successfully screened more than 90 percent of new arrivals against the European Criminal Records Information System (ECRIS) and the Italian Investigation System (SDI), which feed into the Schengen Information System and the Italian Automated Fingerprint Identification System (AFIS) databank. These databases, in turn, feed into the European Dactyloscopy (EURODAC) database.

Significant law enforcement actions included:

- On August 13, the Interior Minister expelled Hosni Hachemi Ben Hassen, a Tunisian imam of the Andria mosque, arrested in April 2013 together with four other Tunisians suspected of being members of an Islamist terrorist cell. The expulsion occurred after the Court of Cassation cleared Ben Hassen of international terrorism charges (while upholding his hate crimes conviction). According to Italian authorities, between 2008 and 2010, Ben Hassen's group had collected instructions on how to construct explosive devices, received training on the use of firearms, and tried to recruit and indoctrinate foreign terrorist fighters to send abroad.

- On December 19, a Milan court convicted in absentia Maria Giulia 'Fatima' Sergio, an Italian who left for Syria to fight for ISIS in 2014, to nine years in prison for international terrorism. Authorities believe Sergio is still in Syria with her Albanian husband, Aldo Kobuzi, who was sentenced to 10 years as part of the same ruling. The court also sentenced Canadian national Bushra Haik – who grew up in Bologna – to nine years in prison for recruiting and indoctrinating Sergio, and sentenced Sergio's father, Sergio Sergio – arrested in Italy in July 2015 as he and his wife Assunta (who died three months later) attempted to leave Italy for Syria – to four years in prison for the crime of organizing terrorist travel. The court's in-absentia conviction of Haik, Kobuzi, and Sergio was the first by an Italian court under Italy's 2015 counterterrorism law of foreign terrorist fighters in an overseas combat zone.

- On December 23 around 3:00 a.m. local time during a spot check outside of Milan's Sesto San Giovanni train station, Milan police shot dead Tunisian terrorist suspect Anis Amri, allegedly responsible for the December 19 attack on a Berlin Christmas market. When asked for his documents, Amri reportedly pulled out a gun and shot at an officer, hitting him in the shoulder (the officer survived). Agents then fired back, killing the suspect.

In 2016, Italy did not have the infrastructure to screen all international seaport arrivals, although it heightened security on maritime routes. Italy has the infrastructure to screen all international airport arrivals, including against the INTERPOL Lost and Stolen Travel Document Database, but authorities do not always do so in practice.

Countering the Financing of Terrorism: Italy is a member of the Financial Action Task Force (FATF) and is an observer in the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. The Financial Intelligence Unit for Italy is a member of the Egmont Group of Financial Intelligence Units. Italy co-chairs, with the United States and Saudi Arabia, the Coalition's Counter-ISIS Finance Group, a group of 36 states and multilateral bodies created in 2015 to enhance information sharing and coordinate countermeasures to disrupt ISIS financing.

Italy's 2016 FATF evaluation assesses the legal framework to counter the financing of terrorism to be mature and sophisticated, noting some shortcomings in financial sector oversight. Italy's government criminalizes terrorist financing in accordance with international standards, monitors and regulates money/value transfer and other remittance services, and requires the collection of Know Your Customer data for wire transfers. Italy does not require non-profit organizations to submit suspicious transaction reports. Nonetheless, reporting entities are required to consider the specific money laundering and terrorist financing risks when entering into a relationship or carrying out transactions that involve non-profit organizations.

Italy's 2015 counterterrorism law provides for a sentence of five to eight years for those found guilty of organizing, financing, or advocating travel abroad for the purposes of carrying out terrorist acts. It also seeks to ensure greater communication on such cases between financial institutions, law enforcement, and the judicial system. The Italian judiciary and *Guardia di Finanza* continued to identify and freeze the assets of sanctioned individuals and organizations and to prosecute terrorist financing cases. Pursuant to UN Security Council resolution 1267, Italy has frozen to date approximately US $110,000 in assets in relation to 53 transactions/accounts and 38 persons/entities, through counterterrorist financing sanctions. In addition, Italy carried out several counterterrorist finance operations and prevented international money transfers to terrorist groups.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	50
World Governance Indicator – Control of Corruption	60

Corruption is a major problem in Italy. The integrity of public officials is marred by their relationships with organised crime and businesses. Public procurement, particularly infrastructure, presents a very high risk of corruption, as it involves large resources and exposes companies to organised crime. Extortion, active and passive bribery, bribing a foreign public official, fraud and money laundering are criminalised under the Criminal Code of the Italian Republic. The anti-corruption laws broaden the scope and punishment of corruption offences, and are generally implemented effectively. Italy is a signatory to the OECD Convention and has rejected the exception for facilitation payments. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

Corruption and organized crime are significant impediments to investment and economic growth in parts of Italy. Corruption costs Italy an estimated €60 billion annually in wasted public resources, and effectively combating corruption has been a goal for successive Italian governments. In October 2012, the Italian parliament passed an anti-corruption law promoting transparency in public administration and prohibiting persons found guilty of serious crimes from holding public office. The law also provides for the appointment of an Anti-Corruption High Commissioner to head the new National Anti-Corruption Authority (CiVIT), which is responsible for adopting an anti-corruption plan; monitoring its implementation; recommending measures to be taken by other agencies; and conducting inspections and investigations in conjunction with the financial police. A potential lack of adequate funding provisions, however, could limit CiVIT's ability to carry out its mandate. In November 2012, the parliament passed legislation that expanded CiVIT's investigative powers and reorganized it as the National Anti-Corruption Authority. The legislation included stiffer penalties for those convicted of bribery-related offenses, protective measures for whistleblowers, and requirements for greater transparency in public contracts. It also prohibits anyone convicted of a serious crime from holding certain public administration positions.

Organized crime is particularly prevalent in four regions of the south (Sicily, Calabria, Campania, and Apulia). Organized crime (Mafia, Camorra, ‘Ndrangheta and Sacra Corona Unita) had an estimated turnover in 2011 of €140 billion (including legitimate commercial activities accounting for €92 billion), or 7 per cent of Italy's GDP. Organized crime is involved in murder, racketeering, loan-sharking, drug smuggling, illegal toxic waste disposal, money laundering, corruption of public officials, illegal construction, the manufacture and distribution of pirated and counterfeit products, and prostitution. There is anecdotal evidence that organized crime groups may be attempting to profit from the tight credit climate, by increasing their loan-sharking activities. However, organized crime is not limited to the south; in fact, the main crime syndicates are heavily involved in money laundering and drug trafficking throughout the country and abroad. There is increasing organized crime influence in the northern regions, particularly Lombardia, Emilia Romagna and Liguria. The statutes of Italy’s main business association (Confindustria) require it to expel members found to be paying protection money and to assist those in reporting extortion attempts to authorities.

Section 3 - Economy

Italy has a diversified economy, which is divided into a developed industrial north, dominated by private companies, and a less-developed, highly subsidized, agricultural south, where unemployment is higher. The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them family-owned. Italy also has a sizable underground economy, which by some estimates accounts for as much as 17% of GDP. These activities are most common within the agriculture, construction, and service sectors.

Italy is the third-largest economy in the euro zone, but its exceptionally high public debt and structural impediments to growth have rendered it vulnerable to scrutiny by financial markets. Public debt has increased steadily since 2007, topping 135% of GDP in 2015, but investor concerns about Italy and the broader euro-zone crisis eased in 2013, bringing down Italy's borrowing costs on sovereign government debt from euro-era records. The government still faces pressure from investors and European partners to sustain its efforts to address Italy's longstanding structural impediments to growth, such as labour market inefficiencies and tax evasion. In 2014, economic growth and labour market conditions continued to deteriorate, with overall unemployment rising to 12.7% and youth unemployment around 40%, but Italy began to recover in 2015, with marginal growth and a slight reduction in unemployment.

Agriculture - products:

fruits, vegetables, grapes, potatoes, sugar beets, soybeans, grain, olives; beef, dairy products; fish

Industries:

tourism, machinery, iron and steel, chemicals, food processing, textiles, motor vehicles, clothing, footwear, ceramics

Exports - commodities:

engineering products, textiles and clothing, production machinery, motor vehicles, transport equipment, chemicals; foodstuffs, beverages, and tobacco; minerals, nonferrous metals

Exports - partners:

Germany 12.3%, France 10.3%, US 8.7%, UK 5.4%, Spain 4.8%, Switzerland 4.7% (2015)

Imports - commodities:

engineering products, chemicals, transport equipment, energy products, minerals and nonferrous metals, textiles and clothing; food, beverages, tobacco

Imports - partners:

Germany 15.4%, France 8.7%, China 7.7%, Netherlands 5.6%, Spain 5%, Belgium 4.7% (2015)

Banking

Italy has a well-developed banking and credit system with numerous correspondent U.S. banks. Italian banks are subject to close government supervision, and the Bank of Italy must authorize the establishment of any new bank.

U.S. firms seeking to finance major portions of their capital investment outside the United States may find capital available in the Eurodollar market. U.S. bank branches in Italy can assist in financing capital investment. There almost 800 banks and over 34,000 branches performing commercial and other services throughout Italy. Currently, the country's largest banks are: Unicredit Group (established in 2007 by merger of Unicredit and Capitalia), Intesa San Paolo (established in 2007 by merger of Banca Intesa and Sanpaolo IMI), Monte dei Paschi di Siena, Banco Popolare, and UBI Banca. These banks are a principal source of credit information. Unicredit Group is the largest bank in Italy by market value and the second largest in Europe. Intesa Sanpaolo is the second largest bank in Italy by market value and the sixth largest in Europe.

The banking sector has undergone significant consolidation since the mid-nineties, with about 60 percent of total Italian banking assets involved. Since his appointment as new Governor of the Central Bank on January 16, 2006, Mario Draghi has publicly called for fragmented Italian banks to further consolidate, set aside their regional rivalries to prepare for international competition or face foreign takeovers. From 1996 to 2006, through mergers and acquisitions involving 349 banks, the number of banks decreased from almost 1,000 to less than 800 at end-2008, resulting in 81 Italian banking groups. Currently banking groups continued to rationalize their structure in the wake of past mergers, and no further significant acquisitions or mergers occurred in 2009 as the industry digested the previous years' deals. This consolidation process, already the largest among European countries in terms of bank assets, is expected to continue overthe next several years as the Italian banking sector becomes more competitive in the single European market.

Foreign currency transfers and foreign exchange transactions must be channeled via authorized intermediaries (for example, the Bank of Italy or the Italian Foreign Exchange Office).

The Bank of Italy, Italy's central bank, follows euro notes issues, performs credit, financial and market supervision, and regulates bank mergers. The financial market oversight reform bill, passed at end-2005 and drafted in consultation with the European Central Bank (ECB), cuts the Central Bank Governor's term from life to six years, limits the Governor to two terms in office, and divides the Central Bank's banking competition oversight responsibilities with Italy's anti-trust authority.

Extracted from IMF Report (July 2011): 'The Financial Sector'

Sound business models and prudent risk management practices, supported by effective supervision, account for the broad resilience of the Italian financial system during the

crisis. This notwithstanding, the 2008-09 recession has taken its toll on asset quality and profitability of Italian banks.

Non-performing loans of Italian banking groups, after rising substantially during the economic downturn (to 9.1 percent of total loans), have increased only moderately in 2010 to 9.9 percent.

At the same time, Italian banks have supported the corporate sector: in the twelve months leading up to April 2011, loans grew by 4.4 percent, the highest value among the main countries of the euro area.

In the face of rising interest rates in the money market, Italian banks increased their use of the Eurosystem's refinancing, from euro 29 billion in 2009 to euro 52 billion in 2010. Despite the increase in absolute terms, Italian banks' use of the Eurosystem refinancing is lower than that of other euro area banking systems, and well below the Italian banks' share of the euro area banking system as a whole. In the first half of 2011, total borrowing from the Eurosystem decreased to an average of close to euro 40 billion.

Since 2010, the Bank of Italy has asked banks to strengthen their capital levels. The average core tier 1 ratio of the five largest banks increased from 6.0 percent at end-2008 to 7.4 percent at end-2010. Since January 2011, five among the largest banks have completed or announced recapitalization plans for a total of euro 11.7 billion (as opposed to euro 4 billion for 2010 as a whole). Bank capitalization is also benefiting from retained earnings.

Stock Exchange

The Italian stock exchange in Milan ("Borsa Italiana") is a relatively expensive, but not inaccessible, source of capital that has a dedicated exchange for small firms. In 2007, the London Stock Exchange purchased it, raising expectations that governance standards and transparency of the Milan market would improve. To improve disclosure and transparency after a handful of securities' scandals and subsequent EU directives, Italy in 2005 strengthened the powers of its Companies and Stock Exchange Commission (CONSOB – the GOI's securities regulatory body) and reduced the Bank of Italy's scope in this area. On January 1, 2011, EU Member States established three EU- level regulatory agencies for financial services and related activities.

Section 4 - Investment Climate

Executive Summary

Italy's economy, the eighth largest in the world, is fully diversified, but dominated by small and medium-sized firms (SMEs), which comprise 99.9 percent of Italian businesses. Italy is an original member of the 19-nation Eurozone. Germany, France, the United States, Spain, Switzerland, and the United Kingdom are Italy's most important trading partners, with China continuing to gain ground. Tourism is an important source of external revenue, as are exports of pharmaceutical products, furniture, industrial machinery and machine tools, electrical appliances, automobiles and auto parts, food and wine, as well as textiles/fashion. Italy continues to lag behind many industrialized nations as a recipient of foreign direct investment, and Italy does not have a bilateral investment treaty with the United States.

Italy's relatively affluent domestic market, proximity to emerging economies in North Africa and the Middle East, and assorted centers of excellence in scientific and information technology research remain attractive to many investors. The government remains open to foreign investments in shares of Italian companies and continues to make information available online to prospective investors. The Italian government's efforts to implement new investment promotion policies to position Italy as a desirable investment destination were undermined in part by Italy's ongoing economic weakness and lack of consistent progress on structural reforms that could repair the lengthy and often inconsistent legal and regulatory systems, unpredictable tax structure and layered bureaucracy. However, Italy's economy has emerged from its longest recession in recent memory and the current government is making progress on its efforts to improve Italy's investment climate.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	61 of 167	http://www.transparency.org/cpi2015
World Bank's Doing Business Report "Ease of Doing Business"	2016	45 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	31 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014 (last available)	USD 26.7 billion	BEA
World Bank GNI per capita	2014 (last available)	USD 34,270	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Italy welcomes foreign direct investment (FDI). As a European Union (EU) member state, Italy is bound by the Union's treaties and laws. Under the EU treaties with the United States, Italy is generally obliged to provide national treatment to U.S. investors established in Italy or in another EU member state. Exceptions include access to government subsidies for the film industry (limited to EU member states); capital requirements for banks domiciled in non-EU member countries; and restrictions on non-EU-based airlines operating domestic routes. Italy also has investment restrictions in the shipping sector.

EU and Italian antitrust laws provide local authorities with the right to review mergers and acquisitions over a certain financial threshold. The Italian government may block mergers involving foreign firms if it is determined to be essential to the national economy (e.g., network industries) or if the government of the foreign firm applies discriminatory measures against Italian firms. Foreign investors in the defense or aircraft manufacturing sectors are more likely to encounter resistance from the many ministries charged with approving foreign acquisitions. Finmeccanica, a state-controlled defense conglomerate, operates domestically in these sectors.

Although many former monopoly operators have been partially privatized, the Government of Italy (GOI) retains a controlling interest, either directly or through the state-controlled sovereign wealth fund Cassa Depositi e Prestiti (CDP), in shipbuilder Fincantieri (72.5 percent), postal and financial services provider Poste Italiane (64.7 percent), electricity provider ENEL (25.5 percent), oil and gas major Eni (30 percent), defense conglomerate Finmeccanica (30.2 percent), natural gas infrastructure firm Snam (30.1 percent), as well as electricity transmission provider Terna (29.85 percent). Moreover, while it does not own any shares in former monopoly Telecom Italia (TI), the GOI retains a de facto veto power over ownership and investment decisions thought to pose a danger to national security (golden share), claiming that TI is of strategic importance because it still owns the largest portion of Italy's telecommunications infrastructure. Government policy in these key economic sectors may take into account the interests of these specific firms.

According to the latest available figures from the Italian Trade Commission (ICE) from December 2011, 8,492 foreign companies operate in Italy, employing 886,254 workers with overall sales of €498.5 billion. According to UNCTD, in 2014, total FDI stock in Italy was 17.4 percent of GDP.

Other Investment Policy Reviews

There has been no OECD, WTO or UNCTAD investment policy review the past three years. However, Italy cooperates with the European Commission and OECD to produce country reports on the economic situation, which may include investment climate issues (links to both: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations and http://www.oecd.org/italy/).

Laws/Regulations of Foreign Direct Investment

Italy is bound by EU laws.

Business Registration

Italy has a business registration website, available in Italian and English, administered through the Union of Italian Chambers of Commerce: http://www.registroimprese.it.

The online business registration process is clear and complete. Foreign companies may use the online process. Before registering a company online, applicants must obtain a certified e-mail address and digital signature, a process that may take up to five days. A notary is required to certify the documentation. The precise steps required for the registration process depend on the type of business being registered. The minimum capital requirement also varies by type of business. Generally, companies must obtain a value-added tax account number *(partita IVA)* from the Italian Revenue Agency, register with the social security agency *Istituto Nazionale della Previdenza Sociale* (INPS), verify adequate capital and insurance coverage with the Italian workers' compensation agency *Istituto Nazionale per L'Assicurazione contro gli Infortuni sul Lavoro* (INAIL), and notify the regional office of the Ministry of Labor. According to the World Bank Doing Business Index 2016, it takes five procedures and 5.5 days to start a business in Italy. Additional licenses may be required, depending on the type of business to be conducted.

The GOI has an investment promotion agency to promote inward investment, *Invitalia.* In addition, the Italian Trade Agency (ICE) has set up a "Foreign Investment Department" to assist those wanting to set up a new business in Italy (http://www.investinitaly.com/en/). In addition, many Italian localities have introduced one-stop shops to serve as a single point of contact for potential investors and provide advice in obtaining necessary licenses and authorizations. These services are available to all investors.

The GOI defines SMEs in line with the EU definition (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361&locale=en). Italy provides incentives to certain SMEs (e.g., "innovative SMEs"), which would also be available to qualifying foreign-owned companies.

Industrial Promotion

Italy does not limit its investment attraction efforts to specific industries. Information about available programs is available on the websites listed above.

Limits on Foreign Control

Under the EU treaties with the United States, Italy is generally obliged to provide national treatment to U.S. investors established in Italy or in another EU member state. Exceptions include access to government subsidies for the film industry (limited to EU member states); capital requirements for banks domiciled in non-EU member countries; and restrictions on non-EU-based airlines operating domestic routes. Italy also has investment restrictions in the shipping sector.

EU and Italian antitrust laws provide Italian national local authorities with the right to review mergers and acquisitions over a certain financial threshold. The Italian government may block mergers and acquistions involving foreign firms if it is determined to be essential to the national strategic interest or if the government of the foreign firm applies discriminatory measures against Italian firms. Foreign investors in the defense or aircraft manufacturing sectors are more likely to encounter resistance from the many ministries charged with approving foreign acquisitions.

Privatization Program

The GOI has committed to privatize €16 billion in state-owned assets in 2016 and 2017 (€8 billion in each year). The privatizations fall into two categories: minority stakes in state-owned companies and underutilized real estate holdings. The GOI will sell shares of state-owned companies through the Milan Stock Exchange (*Borsa Italiana*), while real estate sales are conducted through public bidding processes (typically online). The GOI sold shares in the national postal provider (*Poste Italiane*) in 2015. By year-end 2017, the GOI plans to sell minority stakes in the national railroad company (*Ferrovie dello Stato* – FS) and the air traffic controller (*ENAV*). The GOI solicits and encourages foreign investors to participate in its privatizations. The privatizations are easy to understand, non-discriminatory and transparent.

Screening of FDI

Italy does not actively screen, review or approve FDI. However, EU and Italian antitrust laws provide local authorities with the right to review mergers and acquisitions over a certain financial threshold. The Italian government may block mergers involving foreign firms if it is determined to be essential to the national economy or if the government of the foreign firm applies discriminatory measures against Italian firms. This practice has been rarely used and has not been the subject of complaints from U.S. companies.

Competition Law

The Italian Competition Authority (AGCM) is responsible for reviewing transactions for competition-related concerns. AGCM may examine transactions that restrict competition in Italy as well as the broader EU market. As a member of the EU, Italy is also subject to interventions by the European Commission Competition Directorate (DG COMP).

2. Conversion and Transfer Policies

Foreign Exchange

In accordance with EU directives, Italy has no foreign exchange controls. There are no restrictions on currency transfers; there are only reporting requirements. Banks are required to report any transaction over EUR 1,000 due to money laundering and terrorism financing concerns. Profits, payments, and currency transfers may be freely repatriated. Residents and non-residents may hold foreign exchange accounts. In 2016, the GOI raised the limit on cash payments for goods or services to €3,000 (from €1,000). Payments above this amount must be made electronically. Enforcement remains uneven. The rule exempts e-money services, banks and other financial institutions, but not payment services companies.

Italy is a member of the European Monetary Union (EMU), with the euro as its official currency. Exchange rates are floating.

Remittance Policies

There are no limitations on remittances, though transactions above €1,000 must be reported.

According to the Financial Action Task Force, Italy has a strong legal and institutional framework to fight money laundering and terrorist financing and authorities have a good understanding of the risks the country faces. There are areas where improvements are needed such as its money laundering investigative and prosecutorial action on risks associated with self-laundering, standalone money laundering, and foreign predicate offences, and the abuse of legal persons.

3. Expropriation and Compensation

The Italian constitution permits expropriation of private property for "public purposes," defined as essential services or measures indispensable for the national economy, with fair and timely compensation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Italian law is based on Roman law and on French Napoleonic code law. The Italian judicial system consists of a series of courts and a body of judges employed as civil servants. The system is unified, every court being part of the national network. Though notoriously slow, the Italian civil legal system meets the generally recognized principles of international law, with provisions for enforcing property and contractual rights. Italy has a written and consistently applied commercial and bankruptcy law. Foreign investors in Italy can choose among different means of dispute resolution, including legally binding arbitration.

In January 2012, the government introduced new “business tribunals” in each of Italy’s 20 Regions intended to expedite the resolution of shareholder disputes, intellectual property disputes and other corporate matters, but not to adjudicate business disputes such as contract disputes. These courts are resolving the majority of their cases within one year, much more quickly than general civil courts. The government also introduced measures designed to streamline the legal system, and to promote alternative dispute resolution techniques, such as mediation and the decriminalization of minor offenses. The World Justice Project’s 2015 Rule of Law Index scored Italy as 19th out of the 24 countries in the Western Europe and North America Region, unchanged from the previous year.

In 2014, the government introduced a package of justice reforms intended to reduce the backlog of civil cases and speed newly filed cases to conclusion. These reforms included a new emphasis on alternative dispute resolution and methods to make collecting judgments easier. In a positive sign, a civil court in Torino halved the average duration of its civil cases by implementing new internal practices: assigning one judge to the case, thus increasing accountability, and requiring judges to transfer incomplete cases to a colleague if going on an extended leave. The judge responsible for these changes now serves as a legal reform advisor to the Presidency of the Council of Ministers and is working to expand these changes nationwide. In 2016, the government introduced a new package of justice reforms intended to build on the 2014 efforts. The 2016 reforms will expand the jurisdiction of the business tribunals to hear commercial contract disputes and increase the use of arbitration. The 2016 reforms should be implemented by year-end 2016.

Italy is a member state to the World Bank's International Centre for the Settlement of Investment Disputes (ICSID convention). Italy has signed and ratified the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). Italian law recognizes and enforces foreign court judgments.

Bankruptcy

Italy's bankruptcy regulations are somewhat analogous to U.S. Chapter 11 restructuring, and allow firms and their creditors to reach a solution without declaring bankruptcy. In recent years, the judiciary's role in bankruptcy proceedings has been reduced in an attempt to simplify and expedite proceedings. In August 2015, the Italian parliament passed a package of changes to the bankruptcy law, including measures to ease access to interim credit for bankrupt companies and restructure debts. Implementing regulations are expected by the end of 2016. In the World Bank's Doing Business Report 2016, Italy ranks 23rd out of 189 economies in the category of Ease of Resolving Insolvency.

Investment Disputes

Italy has had very few investment disputes involving a U.S. person in the last 10 years. Post identified less than five such active disputes at the time of the drafting of this report.

International Arbitration

Italy is a party to the following international treaties relating to arbitration:

- The 1927 Geneva Convention on The Execution of Foreign Arbitral Awards (entered into force on 12 February 1931);
- The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (entered into force on 1 May 1969);
- The 1961 European Convention on International Commercial Arbitration (entered into force on 1 November 1970) and;
- The 1965 Washington Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (entered into force on 28 April 1971).

Italy's Code of Civil Procedure (Book IV, Title VIII, Sections 806-840) governs arbitration in Italy, including the recognition of foreign arbitration awards. Italian law is not based on the UNCITRAL Model Law; however, many of the principles of the Model Law are present in Italian law.

Parties are free to choose from a variety of Alternative Dispute Resolution methods, including mediation, arbitration, and lawyer-assisted negotiation.

ICSID Convention and New York Convention

Italy is a member state to the World Bank's, International Centre for the Settlement of Investment Disputes (ICSID convention). Italy has signed and ratified the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). Italian civil law (Section 839) provides for and governs the enforcement of foreign arbitration awards in Italy.

Duration of Dispute Resolution – Local Courts

In the World Bank's Doing Business Report, Italy ranks 111 out of 189 economies in the category of Enforcing Contracts, averaging 1,120 days to resolve the typical contract case. Judges grant often lengthy continuances.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The GOI is a Party to the World Trade Organization (WTO) Trade-Related Investment Measures (TRIMs) obligations. Foreign investors face specific performance requirements only in the telecommunications sector.

Investment Incentives

The GOI offers modest incentives to encourage private sector investment in targeted sectors (e.g., innovative companies) and economically depressed regions, particularly southern Italy. The incentives are available to eligible foreign investors as well. Incentives include grants, low-interest loans, deductions and tax credits. Some incentive programs have a cost cap, which may prevent otherwise eligible companies from receiving the incentive benefits once the cap is reached. The GOI applies cost caps on a non-discriminatory basis, typically based on the order that applications were filed.

Italy provides an incentive for investments by SMEs in new machinery and capital equipment ("New Sabatini Law"), available to eligible companies regardless of nationality. This investment incentive provides financing, subject to an annual cost cap. Sector-specific investment incentives are also available in targeted sectors.

The Italian tax system does not discriminate between foreign and domestic investors. Corporate income tax (IRES) rates are 27.5 percent. In addition, companies may be subject to a regional tax on productive activities (IRAP) at a 3.9 percent rate. The World Bank estimates Italy's total tax rate at 64.8 percent of commercial profits in 2015, the highest rate in the EU. As of March 2015, employers may also claim an IRAP deduction for each permanent new hire.

Several U.S. multinationals have sought U.S. Embassy assistance in dealing with Italy's tax enforcement, with some expressing concerns that the Italian Revenue Agency targeted large companies. According to the companies, Italian tax investigations may focus on corporate accounting practices deemed legitimate in other EU Member States, creating inconsistencies and uncertainty.

Research and Development

The Minister of Education, University and Research (MIUR) has identified, funded, and signed Framework Program Agreements with eight "National Technology Clusters," public-private partnerships, including companies, universities and research institutions focused on strategic sectors (Intelligent Factory, Green Chemistry, Life Sciences, Transport and Shipping, Agrifood, Aerospace, Technology for Smart Communities and Smart Living Technologies). The Clusters facilitate cooperation between public and private researchers and venture capitalists, support the research and development of key technologies, strengthen industrial research activities, and promote innovation in small- and medium-sized enterprises.

U.S.-owned and other foreign firms operating in Italy are able to participate in GOI-financed research and development programs. However, R&D initiatives funded by the EU may be subject to additional restrictions (administered by the EU).

Performance Requirements

Italy does not mandate local employment. Non-EU nationals who would like to establish a business in Italy must have a valid residency permit or be nationals of a country with reciprocal arrangements. For a list of countries with reciprocal arrangements, please see: http://www.esteri.it/mae/en/ministero/servizi/stranieri/condizreciprocita/.

Work permits and visas are readily available and do not inhibit the mobility of foreign investors. As a member of the Schengen Area, Italy typically allows short-term visits (up to 90 days) without a visa. The Italian Ministry of Foreign Affairs has specific information about visa requirements: http://vistoperitalia.esteri.it/home/en.

As a member of the EU, Italy does not follow forced localization policies in which foreign investors must use domestic content in goods or technology.

6. Protection of Property Rights

Real Property

According to the World Bank, Italy ranks 24th worldwide for the ease of registering property down two positions from 2015. Real property registration takes an average of 16 days, requires four procedures and costs an average of 4.4 percent of the value of the property. Real property rights are enforced in Italian courts. Mortgages and judgment liens against property exist in Italy and the recording system is reliable. Although Italy does not publish official statistics, post estimates that less than 10 percent of the land in Italy does not have clear title.

Intellectual Property Rights

Italy was removed from the Watch List in USTR's 2014 Special 301 Report, primarily due to the Italian Communications Authority's (AGCOM's) December 12, 2013 issuance of a new regulation to combat digital copyright theft. The regulation, which entered into force on March 31, 2014, provides AGCOM with the administrative authority to block domestic sites and access to international sites offering illegal content. This streamlined procedure to address illegal content has greatly reduced the need to go through a lengthy court process. In the two years since its inception, this regulation has effectively allowed AGCOM to block access to pirate websites and has seen an increase in sites voluntarily cooperating with rights holders to remove copyrighted material. Italy has remained off of the Special 301 report and continues to monitor and take down pirated materials.

Although Italy does not release data on a regular basis, an October 2014 government report said that between 2008 and 2013, Italian authorities made 99,748 seizures of counterfeit products, totaling 334 million pieces, with a value of €3.8 billion ($4.25 billion).

Italian IPR advocates have noted that the Government of Italy has enacted new reforms to the judicial system that decriminalizes many IPR violations. Part of a larger effort to reform the judicial system and clear out a lengthy backlog of cases, the reforms allow local magistrates to use discretionary authority for prosecution of crimes which provide for a jail sentence of five years or less. As most IPR crimes fall under this sentencing limit, some stakeholders are concerned that IPR violators will not face penalties for infringements.

Copyrighted works sold in Italy generally must bear a sticker issued by SIAE, Italy's royalty collection agency operating under loose authority from the Ministry of Culture. Business software is exempted although obtaining this exemption requires extensive paperwork. The music and film industries assert the system has become overly burdensome and costly, and has failed to provide adequate protection from piracy.

Italy is a member of the Paris Union International Convention for the Protection of Industrial Property (patents and trademarks), to which the United States and about 85 other countries adhere. U.S. citizens generally receive national treatment in acquiring and maintaining patent and trademark protection in Italy. After filing a patent application in the United States, a U.S. citizen is entitled to a 12-month period within which to file a corresponding application in Italy and receive rights of priority. Patents are granted for 20 years from the effective filing date of application and are transferable. U.S. authors can obtain copyright protection in Italy for their work first copyrighted in the United States, merely by placing on the work, their name, date of first publication, and the symbol (c).

Italy does not appear on USTR’s notorious market report.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Embassy point of contact:

RomeECON@state.gov

Local lawyers list: http://italy.usembassy.gov/acs/professionals/lawyers/lawyers-main.html

7. Transparency of the Regulatory System

Italy is subject to single market directives mandated by the EU, which are intended to harmonize regulatory regimes among EU countries.

Italy is slowly tackling some of the red tape and other obstacles that have hampered business in the past. The World Bank’s 2016 edition of its “Doing Business” guide ranks Italy 45th out of 189 countries, (up 11 places from last year and 20 places from two years ago) for ease of doing business. A “liberalization” decree in 2012 provided limited incentives for entrepreneurs under age 35 starting a new businesses, including cutting the registration fee to one euro and reducing filing requirements. The government issued a broader simplification decree in 2012 that eliminated 15 obsolete laws to reduce the amount of red tape and fees required for anyone seeking to open a business. In 2012, the government passed a decree providing tax credits for startups and incubators, as well as for private infrastructure investment. The decree also authorized creation of a new “Desk Italia” that provides a single contact point at the Ministry of Economic Development to attract FDI and support investors willing to invest in Italy. Desk Italia was subsequently followed by Destinazione Italia, a package of measures designed to simplify and improve the investment climate via a combination of both parliamentary actions and administrative procedures in cooperation with local Chambers of Commerce, regional authorities, the Institute for Foreign Trade (ICE) and Invitalia, Italy's agency to promote inward investment and economic development, owned by the Italian Ministry of Economic Development.

The government gives notice of draft regulations; there is a public comment process. The notice includes a general analysis of the proposed regulation, the draft regulation, and some specific questions on the approach taken by the regulators in drafting the proposal.

8. Efficient Capital Markets and Portfolio Investment

The GOI welcomes foreign portfolio investments, which are generally subject to the same reporting and disclosure requirements as domestic transactions. Financial resources flow relatively freely in Italian financial markets and capital is allocated mostly on market terms. Foreign participation in Italian capital markets is not restricted. In practice, many of Italy's largest publicly-traded companies have foreign owners among their primary shareholders. While foreign investors may obtain capital in local markets and have access to a variety of credit instruments, access to equity capital is difficult. Italy has a relatively underdeveloped capital market and businesses have a long-standing preference for credit financing. The limited venture capital available is usually provided by established commercial banks and a handful of venture capital funds.

Italy's regulatory system adequately encourages and facilitates portfolio investment. Italy's financial markets are regulated by the Italian securities regulator (CONSOB), Italy's central bank (the Bank of Italy) and the Institute for the Supervision of Insurance (IVASS). CONSOB supervises and regulates Italy's securities markets (e.g., the Milan Stock Exchange). The Bank of Italy supervises banks and other financial institutions, with the European Central Bank (ECB) assuming supervisory responsibilities for the largest Italian banks in 2015. IVASS supervises and regulates insurance companies. Liquidity in the primary markets (e.g., the Milan exchanges) is sufficient to enter and exit sizeable positions, though Italian capital markets are small by international standards. Liquidity may be limited for certain less-frequently traded investments (e.g., bonds traded on the secondary and OTC markets). Liquidity measures, turnover and trading information for the Milan Stock market can be found here: http://www.borsaitaliana.it/borsaitaliana/statistiche/statistiche.en.htm.

In general, Italian policies generally facilitate the flow of financial resources to markets. Dividends and royalties paid to non-Italians may be subject to a withholding tax, unless covered by a tax treaty. Dividends paid to permanent establishments of non-resident corporations in Italy are not subject to the withholding tax. A full list of countries subject to tax treaties can be found on the Revenue Agency website: http://www.agenziaentrate.gov.it/wps/content/Nsilib/Nsi/Documentazione/Fiscalita+internazionale/

In 2009, the United States and Italy enacted an income tax agreement to prevent double-taxation of each other's nationals and firms, and to improve information sharing between tax authorities.

On January 10, 2014 representatives of the governments of Italy and the United States in Rome signed an intergovernmental agreement to implement provisions of U.S. law known as FATCA (Foreign Account Tax Compliance Act). The FATCA intergovernmental agreement (IGA) allows for the automatic exchange of information between tax authorities and reflects an agreement negotiated between the United States and five European Union countries (France, Germany, Italy, Spain, and the United Kingdom). The automatic exchange of information takes place on the basis of reciprocity, and includes accounts held in the United States by persons resident in Italy and those held in Italy from U.S. citizens and residents. FATCA officially entered into force in Italy on July 8, 2015.

In 2015, the GOI signed tax information exchange agreements (TIEAs) with Switzerland, Lichtenstein, the Vatican, Andorra, the Cayman Islands and Monaco removing these countries from Italy's black list of tax avoidance countries. Italy also removed Guernsey, Jersey, Mauritius, the Isle of Man, Malaysia, Singapore and the Philippines from its black list in 2015.

Italy imposed a financial transactions taxes (FTT, a.k.a. Tobin Tax) beginning in 2013. Financial trading is taxed at 0.1 percent in regulated markets and 0.2 percent in unregulated markets. The FTT applies to daily balances rather than to each transaction. The FTT applies to trade in derivatives, with fees ranging from €0.025 to €200. Also, high frequency trading is subject to a 0.02 percent tax on trades occurring every 0.5 seconds or faster (e.g., automated trading). The FTT does not apply to "market makers," pension and small-cap funds, transactions involving donations or inheritances, purchases of derivatives to cover exchange/interest-rate/raw-materials (commodity market) risks, and financial instruments for companies with a capitalization of less than €500 million.

The GOI has sought to curb widespread tax evasion by improving enforcement and changing popular attitudes. GOI actions include a public communications effort to reduce tolerance of tax evasion; increased and very visible financial police controls on businesses (e.g., raids on businesses in vacation spots at peak holiday periods); and audits requiring individuals to document their income. The GOI is also engaged in limiting tax avoidance. In February 2014, Italy's Parliament approved the enabling legislation for a package of tax reforms, many of which entered into force in 2015. The tax reforms aim to institutionalize OECD best practices to encourage taxpayer compliance, including by reducing the administrative burden for taxpayers through the increased use of technology such as e-filing, pre-completed tax returns, and automated screenings of tax returns for errors and omissions prior to a formal audit. The reforms also offer additional certainty for taxpayers through programs such as cooperative compliance and advance tax rulings (i.e., binding opinions on tax treatment of transactions in advance) for prospective investors.

The GOI and the Bank of Italy have accepted and respect IMF obligations, including Article VIII.

Credit is allocated on market terms, with foreign investors eligible to receive credit in Italy. In general, credit in Italy remains largely bank-driven. In practice, foreigners may encounter limited access to finance, as Italian banks may be reluctant to lend to prospective borrowers (even Italians) absent a preexisting relationship. Although a wide array of credit instruments are available, bank credit remains constrained following the financial crisis. Credit conditions have begun to loosen in 2016.

Money and Banking System, Hostile Takeovers

The Italian banking system weathered the 2007-2013 financial crisis without resorting to government intervention. Italy's central bank, the Bank of Italy (BOI), is a member of the Eurosystem and the European Central Bank (ECB). In addition to ECB supervision of larger Italian banks, BOI maintains strict supervisory standards. The banking system remains sound and capital ratios exceed ECB thresholds though banks' profit margins have suffered since 2011 as a result of tightening European supervisory standards and requirements to increase banks' capital. The recession brought a pronounced worsening of the quality of banks' assets, which further dampens banks' profitability. The ratio of non-performing loans (NPLs) on total outstanding loans increased significantly, especially for lending to non-financial firms. NPLs have more than doubled since the crisis to reach €200 billion and accounted for 10.1 percent of all loans as of July 2015. The BOI expects NPLs to peak in 2016.

Italian banks remain exposed to sovereign risk, as Italian banks increased their holdings of Italian government bonds to €389 billion in 2015. Weak demand and risk aversion by banks continue to constrain lending, with banks tightening lending criteria. The latest business surveys show that credit conditions are easing, but availability of credit remains constrained, especially for smaller firms. Although banks loans to households returned to growth at the end of 2015, Italian bank lending to businesses was essentially unchanged from a year earlier, after falling by 5.3 percent in 2014.

The banking system in Italy has consolidated significantly since the financial crisis, but there are too many Italian banks and the GOI is taking steps to encourage consolidation and facilitate acquisitions by outside investors. As of September 2015, there were 646 banks in Italy, 26 fewer than a year earlier. In 2015, the GOI approved a reform of Italy's 37 cooperative banks (popolari), which together account for approximately 25 percent of Italian bank loans. The reform requires cooperative banks with annual revenue above €8 billion to convert to joint-stock companies within 18 months. For the 10 cooperatives banks covered by the reform, this will end the "one shareholder one vote" governance that allowed small stakeholders to remain in control of the largest cooperative banks. The Italian banking sector remains overly concentrated on physical bank branches for delivering services, further contributing to sector-wide inefficiency and low profitability. Electronic banking is available in Italy, but adoption remains below Eurozone averages.

The London Stock Exchange owns Italy's only stock exchange: the Milan Stock Exchange (Borsa Italiana). The exchange is relatively small -- 356 listed companies and a market capitalization of only 34.8 percent of GDP in 2015. Although the exchange remains primarily a source of capital for larger Italian firms, Borsa Italiana created "AIM Italia" in 2012 as an alternative exchange with streamlined filing and reporting requirements to encourage SMEs to seek equity financing. Additionally, the GOI recognizes that Italian firms remain overly reliant on banks for financing and have initiated some programs to encourage alternative forms of financing, including through venture capital and corporate bonds.

The Italian Companies and Stock Exchange Commission (CONSOB), is the Italian securities regulatory body.

Most non-insurance investment products are marketed by banks, and tend to be debt instruments. Italian retail investors are conservative, valuing the safety of government bonds over most other investment vehicles. Less than ten percent of Italian households own Italian company stocks directly. Several banks have established private banking divisions to cater to high-net-worth individuals with a broad array of investment choices, including equities and mutual funds.

There are no restrictions on foreigners engaging in portfolio investment in Italy. Financial services companies incorporated in another EU member state may offer investment services and products in Italy without establishing a local presence.

Any investor (Italian or foreign) acquiring a stake in excess of two percent of a publicly traded Italian corporation must inform CONSOB, but does not need its approval. Any Italian or foreign investor seeking to acquire or increase its stake in an Italian bank equal to or greater than ten percent must receive prior authorization from the Bank of Italy (BOI). Acquisitions of holdings that would change the controlling interest of a banking group must be communicated to the BOI at least 30 days in advance of the closing of the transactions. IVASS approval and advance authorization are required for any significant acquisition in ownership, portfolio transfer or merger of insurers or reinsurers. Regulators retain the discretion to reject proposed acquisitions on prudential grounds (e.g., insufficient capital in the merged entity).

9. Competition from State-Owned Enterprises

The Italian government has in the past owned and operated a number of monopoly or dominant companies in certain strategic sectors. However, beginning in the 1990s and through the early 2000s, the government began to privatize most of these state-owned enterprises.

Notwithstanding this privatization effort, the Government of Italy (GOI) retains 100 percent ownership of the national air traffic controller (*ENAV*), the national railroad company (*Ferrovie dello Stato*) and road network company (*ANAS*). The GOI holds a 99.56 percent share of RAI, the national radio and television broadcasting network. In addition, the GOI holds a controlling interest, either directly or through the state-controlled sovereign wealth fund Cassa Depositi e Prestiti (CDP), in shipbuilder Fincantieri (72.5 percent), postal and financial services provider Poste Italiane (64.7 percent), electricity provider ENEL (25.5 percent), oil and gas major Eni (30 percent), defense conglomerate Finmeccanica (30.2 percent), natural gas infrastructure firm Snam (30.1 percent), as well as electricity transmission provider Terna (29.85 percent). Moreover, while it does not own any shares in former monopoly Telecom Italia (TI), the GOI retains a de facto veto power over ownership and investment decisions thought to pose a danger to national security (golden share), claiming that TI is of strategic importance because it still owns the largest portion of Italy’s telecommunications infrastructure.

The GOI also owns a controlling interest in the national development bank and sovereign-wealth fund Cassa Depositi e Prestiti, which invests in public sector projects and in companies of public interest such as electricity transmission operator Terna and gas distributor Snam. However, the companies are operating in a competitive environment (domestically and internationally) and are increasingly responsive to market-driven decision-making rather than GOI demands. In addition, many of the state-controlled entities are publicly traded, which provides additional transparency and corporate governance obligations, including equitable treatment for non-governmental minority shareholders.

State-controlled entities are subject to the same tax treatment and budget constraints as fully private firms. Additionally, industries with state-controlled entities remain open to private competition.

A full list of GOI shareholdings is available at: http://www.dt.mef.gov.it/en/attivita_istituzionali/partecipazioni/elenco_partecipazioni/index.html

In terms of employment, Poste Italiane is Italy's largest SOE, with 142,000 employees nationwide in 2015. Italy's largest SOEs ranked by market capitalization in 2015 were Eni (with $177 billion in assets worldwide), ENEL ($201.6 in assets) and Finmeccanica.

As an EU member, Italy is covered by EU government procurement rules.

OECD Guidelines on Corporate Governance of SOEs

The GOI appoints the top management and members of the board for companies in which it holds a controlling interest. Once appointed, SOE management is not directly accountable to Italian government officials. SOEs are generally managed at arm's length as private-sector entities, to comply with EU state aid rules. The GOI does not intervene with the day-to-day operations of SOEs and adopts a more passive role as a portfolio investor for its minority shareholdings.

As Italy's national development bank, CDP has the mission of supporting Italian economic growth through long-term investments (e.g., funding of national infrastructure projects). To carry out this mission, CDP often takes a more active role in furthering and implementing GOI industrial policies than do other SOEs. Since 2004, CDP has not been part of the Government of Italy's national accounts. To maintain its status as a separate non-public entity, all CDP transactions must ensure a return on investment for its shareholders.

Sovereign Wealth Funds

GOI launched the Italian Strategic Fund (*Fondo Strategico Italiano* - FSI) in 2011. FSI is wholly owned by the GOI, through CDP (80 percent ownership) and the Bank of Italy (20 percent ownership). As of 2015, FSI had €6 billion in capital, with €3.7 billion of this invested in 11 portfolio companies. FSI generally adopts a passive role by purchasing minority interests as a non-managerial investor. It does not hold a majority stake in any of its portfolio companies. FSI invests solely in Italian companies with the goal of furthering the expansion of companies in growth sectors. FSI provides information on its funding, investment policies, criteria and procedures on its website (http://www.fondostrategico.it/en/index.html). FSI is open to capital investments from outside institutional investors, including foreign investors. As of March 2016, FSI has signed co-investment agreements with Qatar Holding, the Kuwait Investment Authority (KIA), China Investment Corporation (CIC), RDIF (a Russian fund) and the Korea Investment Corporation. FSI is a member of the International Working Group of Sovereign Wealth Funds and follows the Santiago Principles. FSI hosted the 2015 meeting of the International Working Group in Milan.

10. Responsible Business Conduct (RBC)

There is a general awareness of expectations and standards for responsible business conduct. Enforcement is generally fair, through the slow pace of civil justice may delay individuals' ability to seek effective redress for adverse business impacts. In addition, EU laws and standards on RBC apply in Italy. In the event that Italian courts fail to protect an individual's rights under EU law, it is possible to seek redress to the European Court of Justice (ECJ).

CONSOB has enacted corporate governance, accounting, and executive compensation standards to protect shareholders. Information on corporate governance standards is available at: http://www.consob.it/mainen/consob/publications/rcg/index.html.

Independent NGOs are able to do their work freely in Italy. Additionally, Italy's three largest trade union confederations actively promote and monitor RBCs. They serve on the advisory body to Italy's National Contact Point (NCP). Unions are able to work freely in Italy.

Since 2000, when it signed the Declaration on International Investment and Multinational Enterprises, Italy has supported and encouraged compliance with the OECD's Guidelines for Multinational Enterprises ("Guidelines"), which are recommendations addressed by governments to multinational enterprises operating in or from adhering countries (the OECD members plus Argentina, Brazil and Chile). The Guidelines provide voluntary principles and standards for corporate social responsibility, in a variety of areas including employment and industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology.

Key links: OECD Guidelines: http://www.oecd.org/dataoecd/12/21/1903291.pdf

Full text in English: http://www.oecd.org/dataoecd/56/36/1922428.pdf

The Italian National Contact Point (NCP) for encouraging observance of the Guidelines in Italy and for ensuring that the Guidelines are well known and understood by the national business community and by other interested parties is located in the Ministry of Economic Development. The NCP spreads and enforces the Guidelines; disseminates related information; and promotes collaboration among national and international institutions, the economic world and civil society. Italy's National Action Plan on Corporate Social Responsibility is available online. Internationally, the NCP works with the OECD Investment Committee and international stakeholders.

Key link: Italian NCP: http://pcnitalia.sviluppoeconomico.gov.it/en/

The NCP also maintains a list of partners and stakeholders that are involved in CSR. The list can be found here: http://pcnitalia.sviluppoeconomico.gov.it/en/partners

Italy encourages responsible supply chains and has provided operational guidelines for Italian businesses to assist them in supply chain due diligence.

Italy is a member of the Extractive Industries Transparency Initiative (EITI). The Italian Ministry of Foreign Affairs works internationally to promote the adoption of best practices.

11. Political Violence

Political violence is not a threat to foreign investments in Italy, but corruption, especially associated with organized crime, can be a major hindrance, particularly in the south – see next section.

12. Corruption

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law. Corruption and organized crime are significant impediments to investment and economic growth in parts of Italy and cost the country an estimated €60 billion annually in wasted public resources. Successive Italian governments have been engaged in the fight against corruption

Legislative Approaches to Corruption

In October 2012, the Italian parliament passed an anti-corruption law promoting transparency in public administration and prohibiting persons found guilty of serious crimes from holding public office. The law also provides for the appointment of an Anti-Corruption High Commissioner to head the new National Anti-Corruption Authority (ANAC – previously known as CiVIT), which is responsible for adopting a public administration anti-corruption plan; monitoring its implementation; recommending measures to be taken by other agencies; and conducting inspections and investigations in conjunction with the financial police. The legislation included stiffer penalties for those convicted of bribery-related offenses, protective measures for whistleblowers, and requirements for greater transparency in public contracts. It also prohibits anyone convicted of a serious crime from holding certain public administration positions. In March 2014, Prime Minister Renzi nominated respected prosecutor Raffaele Cantone, already a national figure for his courageous anti-mafia work, to head ANAC. In January 2016 the Italian Senate gave final approval to a law reforming public contracts. The law strengthens ANAC's powers to police public contracting and attempts to address some of the inefficiencies that may lead to delays and corruption in public works projects (limiting appeals, making it harder to change a project once it is already underway, and facilitating direct payment of smaller companies by the public administration).

In 2014, Italy's anti-money laundering laws specifically enhanced due-diligence procedures for politically exposed persons, defined as any person who has been entrusted with important political functions, as well as the immediate family members of these individuals. (This encompasses anyone from the head of state to members of the executive body in State-owned companies.) The law does not apply to members of political parties who are not serving in a public role. While anti-corruption laws and trials garner headlines, they have been only somewhat effective in stopping corruption. Italy has improved in Transparency International's Corruption Perceptions Index each year since 2012, though it still ranks behind 29 European countries.

Recent Corruption Cases in Italy

In 2014 and 2015 a number of officials were arrested on corruption charges related to Milan Expo. This scandal rose to a high level, with the Minister of Transport Maurizio Lupi eventually forced to resign due to allegations of his involvement in corrupt contract distribution. In 2015, there was a continuation of a major public sub-contracting scandal in Rome known as Mafia Capitale, which exposed not only public corruption but ties between organized crime groups and government officials. In November 2015, 46 individuals were placed on trial in connection with Mafia Capitale, the second-largest corruption trial in Italy's history. The services affected by the Mafia Capitale corruption scandal ranged from recycling to providing food and shelter for refugees. As of January 2016, four individuals had been convicted of corruption with sentences ranging from one year and ten months to two years and four months.

Impact on Private Companies

It is important for U.S. companies, irrespective of their size, to assess the business climate in the market in which they will be operating or investing, and to have effective compliance programs or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the anticorruption laws of both the foreign country and the United States in order to comply with them and, where appropriate, they should seek the advice of legal counsel. Relevant Italian laws include Italian legislative decree No. 231 of 08/06/2001, No. 146 of 16/03/2006, No. 81 of 09/04/2008 and No. 190 of 06/11/2012. According to Italian law a private party who is unlawfully induced to give or promise money or other advantage to a public officer or person charged with a public service commits an offence. It is likewise an offence for a person to take advantage of his or her relationship with a public officer for the purpose of receiving or promising money or other kind of economic advantage.

In order to avoid liability, Italian companies and foreign companies operating in Italy must demonstrate that they have put into place adequate organizational, management and control structures to detect and prevent corruption. These structures are described as the organizational model in Articles 6 &7 of legislative decree 231/2001. Business associations also encourage such measures. For example, the by-laws of Italy's main business association (Confindustria) require it to expel members found to be paying protection money and to assist those in reporting extortion attempts to authorities.

While the U.S. Embassy has not received specific complaints of corruption from U.S. companies operating in Italy, commercial and economic officers are familiar with high profile cases that may impact U.S. companies (such as the corruption allegations linked to Milan Expo (see above). The Embassy has received requests for assistance by companies facing a lack of transparency and complicated bureaucracy, particularly in the sphere of government procurement and specifically in the aerospace industry. There have not been any reports of government failure to protect NGOs that investigate corruption (such as Transparency International Italy).

U.S. Foreign Corrupt Practices Act

In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/fcpa/.

Other Instruments

It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Italy is party to the OECD Antibribery Convention and the UN Convention, and has signed and ratified both the Civil and Criminal Law Conventions on Corruption within the Council of Europe. However, Italy has not yet ratified the COE's additional protocol on corruption. Italy also works to counter corruption through various international bodies suck as the International Chambers of Commerce, International Business Leaders Forum, International Association of Anti-Corruption Authorities, and the G20 Anti-Corruption Working Group. Italy also has local branches/networks of the Global Organization of Parliamentarians Against Corruption, Transparency International, and UN Global Compact. Generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention

The OECD Antibribery Convention entered into force in February 1999. As of April 2016, there are 41 parties to the Convention including the United States (see http://www.oecd.org/daf/anti-bribery/WGBRatificationStatus.pdf). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Italy ratified the 1997 OECD Convention on Combating Bribery and implemented its provisions in September 2001.

UN Convention

The UN Anticorruption Convention entered into force on December 14, 2005, and there are 178 states and signatories to it as of December 2015 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Italy enacted the United Nations Convention against Corruption in 2009.

Council of Europe Criminal Law and Civil Law Conventions

Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of January 2015, the Criminal Law Convention has 50 parties and the Civil Law Convention has 42. Italy is a party to both. (See http://www.coe.int/t/dghl/monitoring/greco/default_en.asp.)

Free Trade Agreements

While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. Italy does not have an FTA with the U.S.

Local Laws

U.S. firms should familiarize themselves with local anticorruption laws. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel. Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption is punishable under Italian law. Italian criminal law provides sentencing guidelines and grants the presiding judge discretion to impose the sentence consistent with the guidelines. Most corruption in recent years has involved government procurement or bribes to tax authorities. Bribes are not considered deductible business expenses under Italian tax law.

Assistance for U.S. Businesses

The U.S. Department of Commerce offers services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in major U.S. and foreign cities, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at http://tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA

The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Commerce, U.S. Department of Commerce Website at https://ogc.commerce.gov/collection/office-chief-counsel-international-commerce . More general information on the FCPA is available at the Websites listed below.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

Information about the U.S. Foreign Corrupt Practices Act (FCPA), including the Lay-Person's Guide to the FCPA, is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/corruption/oecdantibriberyconvention.htm . See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm and http://www.oecd.org/daf/anti-bribery/44884389.pdf .

General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://2010-2014.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives .

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 167 countries and territories around the world. The CPI is available at: http://www.transparency.org/cpi2015. In the 2015 CPI report, TI placed Italy in 61st position (an improvement of eight places) alongside Lesotho, Montenegro, Senegal and South Africa. While highly publicized anti-corruption enforcement activities have been underway for years, there is general agreement that a high level of corruption limits Italy's economic growth and ability to attract foreign investment. TI also publishes an annual Global Corruption Report (GCR) which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/research/gcr.

The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 215 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.aspx#home . The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/reports/global-enabling-trade-report-2014 .

Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at http://www.state.gov/g/drl/rls/hrrpt/.

Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 109 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: https://www.globalintegrity.org/research/reports/ .

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Italy has signed and ratified the UN Anticorruption Convention.

Italy has signed and ratified the OECD Convention on Combatting Bribery.

Resources to Report Corruption

Autorità Nazionale Anticorruzione (ANAC)
c/o Galleria Sciarra
Via M. Minghetti, 10 - 00187 Roma
Phone: +39 06 367231
Fax: +39 06 36723274
Email: protocollo@pec.anticorruzione.it

Whilstleblower hotline phone: +39 02 49520512

Giorgio Fraschini
Whistleblowing.it
Via Vigano 4
21045 Gazzada Schianno (VA)
giorgiofraschini@whistleblowing.it

Transparency International Italia
Via Zamagna 19
20148 Milano – Italy
Phone: +39 02 40093560
Fax: +39 02 406829
Email: info@transparency.it

Report corruption at: https://alac.transparency.it/#/

13. Bilateral Investment Agreements

Bilateral Investment Treaties

Italy has not signed a bilateral investment treaty with the United States.

Italy has bilateral investment agreements with the following countries:

Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Belize (signed, not in force), Bolivia, Bosnia and Herzegovina, Brazil (signed, not in force), Cameroon, Cape Verde (signed, not in force), Chad, Chile, China, Congo, Cote d'Ivoire (signed, not in force), Croatia, Cuba, Cyprus (signed, not in force), Democratic Republic of Congo (signed, not in force), Djibouti (signed, not in force), Dominican Republic, Ecuador, Egypt, Eritrea, Ethiopia, Gabon, Georgia, Ghana (signed, not in force), Guatemala, Guinea, Hong Kong, India, Indonesia, Iran, Islamic Republic of, Jamaica, Jordan, Kazakhstan, Kenya, Korea, DPR of (signed, not in force), Korea, Republic of, Kuwait, Lebanon, Libya, Macedonia, Republic of, Malawi (signed, not in force), Malaysia, Mauritania (signed, not in force), Mexico, Moldova, Republic of, Mongolia, Morocco, Mozambique, Namibia (signed, not in force), Nicaragua (signed, not in force), Nigeria, Oman, Pakistan, Panama, Paraguay (signed, not in force), Peru, Philippines, Qatar, Russian Federation, Saudi Arabia, Senegal (signed, not in force), Serbia, South Africa, Sri Lanka, Sudan (signed, not in force), Syrian Arab Republic, Tanzania, United Republic of, Tunisia, Turkey, Turkmenistan (signed, not in force), Uganda, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela (signed, not in force), Vietnam, Yemen, Zambia (signed, not in force), Zimbabwe (signed, not in force).

Bilateral Taxation Treaties

Italy has a bilateral taxation treaty with the United States. The text of the treaties is available at https://www.irs.gov/Businesses/International-Businesses/Italy---Tax-Treaty-Documents

Several U.S. multinationals have sought U.S. Embassy assistance in dealing with Italy’s tax enforcement, with some expressing concerns that the Italian Revenue Agency targeted large companies. According to the companies, Italian tax investigations may focus on corporate accounting practices deemed legitimate in other EU Member States, creating inconsistencies and uncertainty.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The main free trade zone in Italy is located in Trieste, in the northeast. At Trieste FTZ, customs duties are deferred for 180 days from the time the goods leave the FTZ and enter another EU country. The goods may undergo transformation free of any customs restraints. An absolute exemption is granted from any duties on products coming from a third country and re-exported to a non-EU country. Legislation to create other FTZs in Genoa and Naples exists, but has yet to be implemented. A free trade zone operated in Venice for a period but is being restructured. Currently, goods of foreign origin may be brought into Italy without payment of taxes or duties, as long as the material is to be used in the production or assembly of a product that will be exported. The free-trade zone law also allows a company of any nationality to employ workers of the same nationality under that country's labor laws and social security systems.

A “tax free zone” has also been approved and financed by the Government of Italy for the Province of Caltanissetta in central Sicily with €50 million in European structural funds. The project was to have been launched in 2013, but has not moved out of the planning and discussion phase.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	$1.814 trillion	2014	$2.141 trillion	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2013	$17.3 billion	2014	$26.7 billion	BEA data
Host country’s FDI in the United States ($M USD, stock positions)	2013	$34.1	2014	$21.8 billion	BEA data

Total inbound stock of FDI as % host GDP	2014	17.4%	N/A	N/A	UNCTAD 2014 Data

* Italian GDP data taken from Istat, the official statistics agency. Italian FDI Data are from the Bank of Italy and are the latest available. ISTAT publishes preliminary year end GDP data in early February and issues revised data in early March. OECD 2015 Average Exchange Rate (1 USD = €0.901) used to convert official host country GDP data to dollars.

Table 3: Sources and Destination of FDI

The statistics below show Italy's largest investment partners to be within the European Union and the United States. This is consistent with Italy being fully integrated with its EU partners and the United States.

Direct Investment from/in Counterpart Economy Data 2014					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	339,895	100%	Total Outward	485,342	100%
Luxembourg	68,504	20.2%	Netherlands	79,101	16.3%
Netherlands	65,163	19.2%	Spain	42,132	8.7%
France	61,249	18.0%	Germany	40,555	8.4%
United Kingdom	38,675	11.4%	Austria	31,620	6.5%
Germany	26,514	7.8%	United States	29,908	6.2%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

The statistics below show Italy's largest investment partners to be within the European Union and the United States. This is consistent with Italy being fully integrated with its EU partners and the United States.

Portfolio Investment Assets 2014								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	1,162,588	100%	All Countries	649,327	100%	All Countries	513,261	100%
Luxembourg	428,631	37%	Luxembourg	399,026	61%	France	89,280	17%

France	153,642	13%	Ireland	73,908	11%	Germany	57,971	11%
Ireland	92,530	8%	France	64,362	10%	Spain	57,580	11%
United States	75,985	7%	United States	29,194	4%	United States	46,791	9%
Germany	74,346	6%	United Kingdom	28,241	4%	Netherlands	43,556	8%

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Civil law system; judicial review under certain conditions in Constitutional Court

International organization participation:

ADB (nonregional member), AfDB (nonregional member), Australia Group, BIS, BSEC (observer), CBSS (observer), CD, CDB, CE, CEI, CERN, EAPC, EBRD, ECB, EIB, EITI (implementing country), EMU, ESA, EU, FAO, FATF, G-20, G-7, G-8, G-10, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFAD, IFC, IFRCS, IGAD (partners), IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAIA (observer), MIGA, MINURSO, NATO, NEA, NSG, OAS (observer), OECD, OPCW, OSCE, Paris Club, PCA, PIF (partner), Schengen Convention, SELEC (observer), SICA (observer), UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, Union Latina, UNMISS, UNMOGIP, UNRWA, UNTSO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO, ZC

Exchange control

There are no exchange controls in Italy. However, banks and financial institutions are required to monitor any deposit/withdrawal over EUR 15,000 for anti-money laundering purposes. This duty was extended to audit firms, professionals, etc.

With effect from 6 December 2011, cash payments over EUR 1,000.00 (lowering the previous limit of EUR 2,500.00) are no longer permitted. This limit is applicable to all categories.

Penalties range from 1% to 40% of the amount transferred with a minimum penalty of EUR 3,000 (and EUR 15,000 when cash payments are greater than EUR 50,000).

Treaty and non-treaty withholding tax rates

Italy has signed **110 agreements** (**103 DTC** and **7 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Albania	DTC	12 Dec 1994	21 Dec 1999	Unreviewed	No
Algeria	DTC	3 Feb 1991	30 Jun 1995	Unreviewed	No
Argentina	DTC	15 Nov 1979	15 Dec 1983	Yes	No
Armenia	DTC	14 Jun 2002	5 May 2008	Unreviewed	No
Australia	DTC	14 Dec 1982	5 Nov 1985	Yes	No
Austria	DTC	29 Jun 1981	6 Apr 1985	Yes	No
Azerbaijan	DTC	21 Jul 2004	19 Jan 2012	Unreviewed	No
Bangladesh	DTC	20 Mar 1990	7 Jul 1996	Unreviewed	No
Belarus	DTC	11 Aug 2005	30 Nov 2009	Unreviewed	No
Belgium	DTC	29 Apr 1983	29 Jul 1989	Yes	No
Bermuda	TIEA	23 Apr 2012	not yet in force	Yes	Yes
Bosnia and Herzegovina	DTC	24 Feb 1982	3 Jul 1985	Unreviewed	No
Brazil	DTC	3 Oct 1978	24 Apr 1981	No	No
Bulgaria	DTC	21 Sep 1988	10 Jun 1991	Unreviewed	No
Canada	DTC	3 Jun 2002	25 Nov 2011	Yes	No
Cayman Islands	TIEA	3 Dec 2012	not yet in force	Yes	Yes
China	DTC	31 Oct 1986	13 Dec 1990	Yes	No
Cook Islands	TIEA	17 May 2011	not yet in force	Yes	Yes
Croatia	DTC	29 Oct 1999	15 Sep 2009	Unreviewed	No
Cuba	DTC	17 Jan 2000	not yet in force	Unreviewed	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Cyprus	DTC	24 Apr 1974	9 Jun 1983	Yes	Yes
Czech Republic	DTC	5 May 1981	26 Jun 1984	Yes	No
Côte d'Ivoire	DTC	30 Jul 1982	15 May 1987	Unreviewed	No
Denmark	DTC	5 May 1999	27 Jan 2003	Yes	No
Ecuador	DTC	23 May 1984	1 Feb 1990	Unreviewed	No
Egypt	DTC	7 May 1979	28 Apr 1982	Unreviewed	No
Estonia	DTC	20 Mar 1997	22 Mar 2000	Yes	No
Ethiopia	DTC	8 Apr 1997	9 Aug 2008	Unreviewed	No
Finland	DTC	12 Jun 1981	23 Oct 1983	Yes	No
Former Yugoslav Republic of Macedonia	DTC	20 Dec 1996	8 Jun 2000	Yes	No
France	DTC	5 Oct 1989	1 May 1992	Yes	No
Gabon	DTC	28 Jun 1999	not yet in force	Unreviewed	No
Georgia	DTC	31 Oct 2000	19 Feb 2004	Unreviewed	No
Germany	DTC	18 Oct 1989	26 Dec 1992	Yes	No
Ghana	DTC	19 Feb 2004	5 Jul 2006	Yes	No
Gibraltar	TIEA	2 Oct 2012	not yet in force	Yes	Yes
Greece	DTC	3 Sep 1987	20 Sep 1991	Yes	No
Guernsey	TIEA	5 Sep 2012	not yet in force	Yes	Yes
Hong Kong, China	DTC	14 Jan 2013	not yet in force	Yes	Yes
Hungary	DTC	16 May 1977	1 Dec 1980	Yes	No
Iceland	DTC	10 Sep 2002	14 Oct 2008	Yes	No
India	DTC	19 Feb 1993	23 Nov 1995	Yes	No
Indonesia	DTC	18 Feb 1990	2 Sep 1995	Yes	No
Iran	DTC	19 Jan 2005	not yet in force	Unreviewed	No
Ireland	DTC	11 Jun 1971	14 Feb 1975	Yes	No
Isle of Man	TIEA	17 Sep 2013	not yet in force	Unreviewed	Yes
Israel	DTC	8 Sep 1995	6 Aug 1998	Yes	No
Japan	DTC	20 Mar 1969	17 Mar 1973	Yes	No
Jersey	TIEA	13 Mar 2012	not yet in force	Yes	Yes
Jordan	DTC	16 Mar 2004	10 May 2010	Unreviewed	No
Kazakhstan	DTC	22 Sep 1994	26 Feb 1997	Unreviewed	No
Kenya	DTC	15 Oct 1979	not yet in force	Unreviewed	No
Korea, Republic of	DTC	10 Jan 1989	14 Jul 1992	Yes	No
Kuwait	DTC	17 Dec 1987	11 Jan 1993	Unreviewed	No
Kyrgyzstan	DTC	26 Feb 1985	30 Jul 1989	Unreviewed	No
Latvia	DTC	21 May 1997	16 Jun 2008	Unreviewed	No
Lebanon	DTC	22 Nov 2000	21 Nov 2011	No	No
Libya	DTC	10 Jun 2009	not yet in force	Unreviewed	Yes
Lithuania	DTC	4 Apr 1996	3 Jun 1999	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Luxembourg	DTC	3 Jun 1981	4 Feb 1983	Yes	No
Luxembourg	DTC Protocol	21 Jun 2012	not yet in force	Yes	Yes
Malaysia	DTC	28 Jan 1984	18 Apr 1986	No	No
Malta	DTC	16 Jul 1981	8 May 1985	Yes	Yes
Mauritius	DTC	9 Mar 1990	28 Apr 1995	Yes	Yes
Mexico	DTC	8 Jul 1991	12 Mar 1995	Yes	No
Mexico	DTC Protocol	23 Jun 2011	not yet in force	Yes	Yes
Moldova, Republic of	DTC	3 Jul 2002	14 Jul 2011	Unreviewed	No
Mongolia	DTC	11 Sep 2003	not yet in force	Unreviewed	No
Montenegro	DTC	24 Feb 1982	3 Jul 1985	Unreviewed	No
Morocco	DTC	7 Jun 1972	10 Mar 1983	Unreviewed	No
Mozambique	DTC	14 Dec 1998	6 Aug 2004	Unreviewed	No
Netherlands	DTC	8 May 1990	3 Oct 1993	Yes	No
New Zealand	DTC	6 Dec 1979	23 Mar 1983	Yes	No
Norway	DTC	17 Jun 1985	25 May 1987	Yes	No
Oman	DTC	6 May 1998	22 Oct 2002	Unreviewed	No
Pakistan	DTC	22 Jun 1984	27 Feb 1992	Unreviewed	No
Panama	DTC	30 Dec 2010	not yet in force	Yes	Yes
Philippines	DTC	5 Dec 1980	15 Jun 1990	Yes	No
Poland	DTC	21 Jun 1985	26 Sep 1989	Yes	No
Portugal	DTC	14 May 1980	15 Jan 1983	Yes	No
Qatar	DTC	15 Oct 2002	7 Feb 2011	Yes	No
Romania	DTC	14 Jan 1977	6 Feb 1979	Unreviewed	No
Russian Federation	DTC	9 Apr 1996	30 Nov 1998	Yes	Yes
San Marino	DTC	21 Mar 2002	3 Oct 2013	Yes	Yes
Saudi Arabia	DTC	13 Jan 2007	1 Dec 2009	Yes	No
Senegal	DTC	20 Jul 1998	24 Oct 2001	Unreviewed	No
Serbia	DTC	24 Feb 1982	3 Jul 1985	Unreviewed	No
Singapore	DTC	29 Jan 1977	12 Jan 1979	Yes	Yes
Slovakia	DTC	5 May 1981	26 Jun 1984	Yes	No
Slovenia	DTC	11 Sep 2001	12 Jan 2010	Yes	No
South Africa	DTC	16 Nov 1995	2 Mar 1999	Yes	No
Spain	DTC	8 Sep 1977	14 Nov 1980	Yes	No
Sri Lanka	DTC	28 Mar 1984	9 May 1991	Unreviewed	No
Sweden	DTC	6 Mar 1980	5 Jul 1983	Yes	No
Switzerland	DTC	9 Mar 1976	27 Mar 1979	No	No
Syrian Arab Republic	DTC	23 Nov 2000	15 Jan 2007	Unreviewed	No
Tajikistan	DTC	26 Feb 1985	30 Jul 1989	Unreviewed	No
Tanzania	DTC	7 Mar 1973	6 May 1983	Unreviewed	No
Thailand	DTC	22 Dec 1977	31 May 1980	Unreviewed	No
Trinidad and Tobago	DTC	26 Mar 1971	19 Apr 1974	No	No
Tunisia	DTC	16 May 1979	17 Sep 1981	Unreviewed	No
Turkey	DTC	27 Jul 1990	1 Dec 1993	Yes	No
Turkmenistan	DTC	26 Feb 1985	30 Jul 1989	Unreviewed	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Uganda	DTC	6 Oct 2000	18 Nov 2005	Unreviewed	No
Ukraine	DTC	26 Feb 1997	25 Feb 2003	Unreviewed	No
United Arab Emirates	DTC	22 Jan 1995	5 Nov 1997	Yes	No
United Kingdom	DTC	21 Oct 1988	31 Dec 1990	Yes	No
United States	DTC	25 Aug 1999	16 Dec 2009	Yes	No
Uzbekistan	DTC	21 Nov 2000	26 May 2004	Unreviewed	No
Venezuela	DTC	5 Jun 1990	14 Sep 1993	Unreviewed	No
Viet nam	DTC	26 Nov 1996	22 Feb 1999	Unreviewed	No
Zambia	DTC	27 Oct 1972	30 Mar 1990	Unreviewed	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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