

# San Marino

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RISK & COMPLIANCE REPORT

DATE: March 2018

<b>Executive Summary - San Marino</b>	
<b>Sanctions:</b>	None
<b>FATF list of AML Deficient Countries</b>	No
<b>Higher Risk Areas:</b>	Not on EU White list equivalent jurisdictions
<b>Medium Risk Areas:</b>	Compliance with FATF 40 + 9 Recommendations
<p><b>Major Investment Areas:</b></p> <p><b>Agriculture - products:</b> wheat, grapes, corn, olives; cattle, pigs, horses, beef, cheese, hides</p> <p><b>Industries:</b> tourism, banking, textiles, electronics, ceramics, cement, wine</p> <p><b>Exports - commodities:</b> building stone, lime, wood, chestnuts, wheat, wine, baked goods, hides, ceramics</p> <p><b>Imports - commodities:</b> wide variety of consumer manufactures, food, energy</p>	
<p><b>Investment Restrictions:</b> Information unavailable</p>	

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**Section 1 - Background**

Geographically the third smallest state in Europe (after the Holy See and Monaco), San Marino also claims to be the world's oldest republic. According to tradition, it was founded by a Christian stonemason named Marinus in A.D. 301. San Marino's foreign policy is aligned with that of the European Union, although it is not a member; social and political trends in the republic track closely with those of its larger neighbor, Italy.



**Section 2 - Anti – Money Laundering / Terrorist Financing****FATF status**

San Marino 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 San Marino was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, San Marino was deemed Compliant for 4 and Largely Compliant for 30 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 2 of the 6 Core Recommendations.

**Key Findings from latest Mutual Evaluation Report (2011):**

San Marino has a low crime environment. No specific money laundering (ML)/financing of terrorism (FT) risk assessment has been undertaken. The money laundering risks, according to the authorities continue to derive from the foreign predicate offenses (primarily offences of fraud, usury and bankruptcy), with proceeds being invested or transferred through San Marino, with the banking and fiduciary sectors being the areas with the greatest vulnerability. Money laundering is often committed by making use of fictitious business operations to justify movements of capital. Indicators suggest that San Marino is susceptible to ML, such as cross linked investments to launder in San Marino proceeds from tax evasion and from the Italian criminal organisations, possibly exploiting the vulnerabilities of San Marino's financial system. The TF risks are deemed to be low.

Money laundering is criminalised largely in line with the FATF standard and the legal framework provides an ability to freeze and confiscate assets in appropriate circumstances. There remain a number of deficiencies to ensure that FT offence is fully in line with the international requirements. Since the previous evaluation, there has been an increase in the number of money laundering investigations, with annual numbers rising from 4 in 2007 to 13 in 2008, and with the development of jurisprudence on money laundering, with convictions reached in 4 judgements. There has also been an increase of international co-operation with foreign authorities on money laundering cases, with predicate offences identified being inter alia fraud, usury, bankruptcy, international trafficking in narcotics, which have led to a number of seizure orders of important amounts. As of the assessment date, there have been no prosecutions or convictions for terrorism financing. Additional measures are required to ensure a comprehensive system for freezing terrorist assets in application of the United Nations Security Council Resolutions (UNSCR).

San Marino has made substantial progress to establish an operational financial intelligence unit (FIA), which is now at the centre of the overall AML/CFT effort. However, the additional functions entrusted to FIA and the over reliance by other authorities on FIA to carry out a number of non-FIU tasks impact on the workload of its staff and thus affect its effectiveness. Additional measures are required to ensure that the San Marino police officials start playing an active role in AML/CFT efforts.

Considering the large number of legislative, regulatory and institutional measures adopted by San Marino since March 2008, the authorities have demonstrated a clear commitment to implement AML/CFT standards. The preventive regime has undoubtedly been strengthened and while the legal framework is comprehensive for both financial and non financial institutions, it falls short of the international standards in some areas such as simplified due diligence and risk management procedures and raises certain concerns about the quality of the implementation.

The competence for supervision of compliance with AML/CFT requirements lies now with the Financial Intelligence Agency, which has a comprehensive supervisory mandate and powers, though the limited resources allocated to that effect appear to impact negatively on the implementation of its supervisory function. These resources need to be increased and supervisory action be strengthened to ensure that both financial and non financial institutions are adequately implementing the AML/CFT requirements.

The effectiveness of the operational co-operation and of the coordination mechanisms led by the Technical Commission of National Coordination gathering all domestic competent authorities has improved. The Commission's role should be enhanced by providing for a fora where trends and emerging money laundering risks could be examined and regular reviews undertaken of the AML/CFT strategic direction on the basis of risks identified, so as to make necessary adjustments to relevant policies and measures.

The legal framework for mutual legal assistance is sound and San Marino responds to requests for assistance generally in an efficient and effective manner. Further efforts appear necessary to ensure that the legal framework regarding non-MLA related assistance, in particular international cooperation with foreign supervisory authorities, is adequate and cooperation mechanisms in this area are effective.

#### **US Department of State Money Laundering assessment (INCSR)**

The Republic of San Marino is an extremely small country surrounded by Italy. Stricter monitoring regulations appear to have resulted in a decrease overall in financial crimes. Money laundering occurs in both the formal and informal financial sectors, and is primarily trade-based and perpetrated by foreigners to avoid higher taxes in their home countries. There are no free trade zones or casinos in San Marino, nor is there a significant market for illegal or smuggled goods.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US

CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes  
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES KYC covered entities: Banks and financial companies, the postal service, electronic money institutions, investment firms, insurance companies, lawyers, trust companies, accountants, auditors, gaming centers, and money exchangers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 141: January 1 – October 28, 2015  
Number of CTRs received and time frame: Not available  
STR covered entities: Banks and financial companies, insurance and reinsurance companies, accountants and tax advisors, real estate agents, notaries, lawyers, gaming centers, and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 19 in 2014  
Convictions: 4 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES  
With other governments/jurisdictions: YES

San Marino is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF- style regional body.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

San Marino continues to make improvements to its AML/CFT regime and to increase the transparency of its financial sector. San Marino has signed memorandums of understanding with a number of countries, including the United States. It also has signed tax information exchange agreements or double taxation agreements with 49 countries, including all major EU member states.

San Marino should become a party to the UN Convention against Corruption.

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

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

**States Party to United Nations Convention Against Corruption** - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

#### **EU White list of Equivalent Jurisdictions**

San Marino is not currently 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**

San Marino is not considered to be an Offshore Financial Centre



**International Sanctions**

None Applicable

**Bribery & Corruption**

<b>Index</b>	<b>Rating (100-Good / 0-Bad)</b>
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	N/A

### Section 3 - Economy

San Marino's economy relies heavily on tourism, banking, and the manufacture and export of ceramics, clothing, fabrics, furniture, paints, spirits, tiles, and wine. The manufacturing and financial sectors account for more than half of San Marino's GDP. The per capita level of output and standard of living are comparable to those of the most prosperous regions of Italy.

San Marino's economy has been contracting since 2008, largely due to weakened demand from Italy - which accounts for nearly 90% of its export market - and financial sector consolidation. Difficulties in the banking sector, the recent global economic downturn, and the sizable decline in tax revenues have contributed to negative real GDP growth. The government has adopted measures to counter the downturn, including subsidized credit to businesses and is seeking to shift its growth model away from a reliance on bank and tax secrecy. San Marino does not issue public debt securities; when necessary, it finances deficits by drawing down central bank deposits.

The economy benefits from foreign investment due to its relatively low corporate taxes and low taxes on interest earnings. The income tax rate is also very low, about one-third the average EU level. San Marino continues to work towards harmonizing its fiscal laws with EU and international standards. In September 2009, the OECD removed San Marino from its list of tax havens that have yet to fully adopt global tax standards, and in 2010 San Marino signed Tax Information Exchange Agreements with most major countries. In 2013, the San Marino Government signed a Double Taxation Agreement with Italy, but a referendum on EU membership failed to reach the quorum needed to bring it to a vote.

#### **Agriculture - products:**

wheat, grapes, corn, olives; cattle, pigs, horses, beef, cheese, hides

#### **Industries:**

tourism, banking, textiles, electronics, ceramics, cement, wine

#### **Exports - commodities:**

building stone, lime, wood, chestnuts, wheat, wine, baked goods, hides, ceramics

#### **Exports - partners:**

Italy 82.3% (2012 est.)

#### **Imports - commodities:**

wide variety of consumer manufactures, food, energy

#### **Imports - partners:**

Italy 81.8% (2012 est.)

## Banking

Banks and financial companies used to be licensed under Banking Law No. 21 of 12 February 1986 and Law No. 24 of 25 February 1986. Both laws were superseded in 2005 by a new Law on banking, financial and insurance businesses and services (Law No. 165 of 17 November 2005, hereinafter LISF), to include, among other things, new areas of business where licensed institutions may operate (e.g. collective investments, insurance and re-insurance).

The business of taking deposits from non-residents is a very important aspect of the banking business in San Marino with deposits from non-residents (mainly Italians) estimated to account for 60% of total deposits. The Central Bank and banking industry representatives advised that the main reasons for non-resident deposits in San Marino were the stricter banking secrecy provisions and the differential tax rates on deposits (although following implementation of the EU Savings Tax Directive this is not as significant now).

## Section 4 - 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 with Italian civil law influences

### International organization participation:

CE, FAO, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFRCs, ILO, IMF, IMO, Interpol, IOC, IOM (observer), IPU, ITU, ITUC (NGOs), LAIA (observer), OPCW, OSCE, Schengen Convention (de facto member), UN, UNCTAD, UNESCO, Union Latina, UNWTO, UPU, WHO, WIPO












## Section 5 - Tax


## Exchange control

For further information - <http://www.esteri.sm/on-line/en/home.html>

## Treaty and non-treaty withholding tax rates

San Marino has signed **46 agreements** (19 DTC and 27 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	
Andorra	TIEA	21 Sep 2009	7 Dec 2010	Yes	Yes	
Argentina	TIEA	7 Dec 2009	16 Jun 2012	Yes	Yes	
Australia	TIEA	4 Mar 2010	11 Jan 2011	Yes	Yes	
Austria	DTC	24 Nov 2004	1 Dec 2005	Yes	Yes	
Bahamas, The	TIEA	24 Sep 2009	10 Nov 2011	Yes	Yes	
Barbados	DTC	14 Dec 2012	not yet in force	Unreviewed	Yes	
Belgium	DTC	21 Dec 2005	25 Jun 2007	Yes	Yes	
Canada	TIEA	27 Oct 2010	20 Oct 2011	Yes	Yes	
China	TIEA	9 Jul 2012	not yet in force	Yes	Yes	
Croatia	DTC	18 Oct 2004	5 Dec 2005	No	No	
Croatia	DTC Protocol	1 Aug 2012	not yet in force	Unreviewed	Yes	
Cyprus	DTC	27 Apr 2007	18 Jul 2007	No	No	
Czech Republic	TIEA	25 Nov 2011	6 Sep 2012	No	Yes	
Denmark	TIEA	12 Jan 2010	19 May 2010	Yes	Yes	
Faroe Islands	TIEA	10 Sep 2009	3 Jun 2011	Unreviewed	Yes	
Finland	TIEA	12 Jan 2010	15 May 2010	Yes	Yes	
France	TIEA	22 Sep 2009	2 Sep 2010	Yes	Yes	
Georgia	DTC	28 Sep 2012	12 Apr 2013	Unreviewed	Yes	
Germany	TIEA	21 Jun 2010	21 Dec 2011	Yes	Yes	
Greece	DTC	26 Jun 2013	not yet in force	Yes	Yes	
Greenland	TIEA	22 Sep 2009	not yet in force	Unreviewed	Yes	
Guernsey	TIEA	29 Sep 2010	16 Mar 2011	Yes	Yes	
Hungary	DTC	15 Sep 2009	3 Dec 2010	Yes	Yes	
Iceland	TIEA	12 Jan 2010	3 Nov 2011	Yes	Yes	
Indonesia	TIEA	25 Sep 2013	not yet in force	Yes	Yes	
Ireland	TIEA	4 Jul 2012	12 May 2013	Yes	Yes	
Italy	DTC	21 Mar 2002	3 Oct 2013	Yes	Yes	
Liechtenstein	DTC	23 Sep 2009	19 Jan 2011	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Luxembourg	DTC	27 Mar 2006	29 Dec 2006	Yes	Yes	
Malaysia	DTC	19 Nov 2009	28 Dec 2010	Yes	Yes	
Malta	DTC	3 May 2005	19 Jul 2005	Yes	Yes	
Monaco	TIEA	29 Jul 2009	10 May 2010	Yes	Yes	
Netherlands	TIEA	27 Jan 2010	1 Jan 2011	Yes	Yes	
Norway	TIEA	12 Jan 2010	22 Jul 2010	Yes	Yes	
Poland	TIEA	31 Mar 2012	28 Feb 2013	Yes	Yes	
Portugal	DTC	18 Nov 2010	not yet in force	Yes	Yes	
Qatar	DTC	17 Mar 2013	not yet in force	Yes	Yes	
Romania	DTC	23 May 2007	11 Feb 2008	Unreviewed	Yes	
Saint Kitts and Nevis	DTC	20 Apr 2010	7 Jul 2011	Yes	Yes	
Samoa	TIEA	1 Sep 2009	21 Mar 2012	Yes	Yes	
Seychelles	DTC	28 Sep 2012	30 May 2013	No	Yes	
South Africa	TIEA	10 Mar 2011	28 Jan 2012	Yes	Yes	
Spain	TIEA	6 Sep 2010	2 Aug 2011	Yes	Yes	
Sweden	TIEA	12 Jan 2010	1 Jul 2010	Yes	Yes	
United Kingdom	TIEA	16 Feb 2010	27 Jul 2011	Yes	Yes	
Vanuatu	TIEA	19 May 2011	not yet in force	No	Yes	
Viet nam	DTC	14 Feb 2013	not yet in force	Unreviewed	Yes	

<b>Methodology and Sources</b>
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### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

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

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