Italy

RISK & COMPLIANCE REPORT

DATE: March 2017

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."

Contents

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 continued risk of money laundering stems from activities associated with organized crime. Numerous reports by Italian NGOs identify domestic organized crime as Italy's largest enterprise. 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.

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, and loan sharking. Italian authorities have strong policy cooperation and coordination, and Italy is now developing a national AML strategy 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 and receiving STRs. The BOI continues to issue guidance on CDD measures, in order to support banks and financial intermediaries in the definition 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 new 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.

The UIF reported an increase in STR filings of 33 percent in the first half of 2016 over the first half of 2015. Of these STRs, approximately 25 percent were voluntary disclosures. The UIF attributes this dramatic increase in STRs to more active participation among non-financial professionals, particularly lawyers and accountants. The UIF has worked to increase the number of STRs filed by DNFBPs, especially within the public administration sector. In the first half of 2016, the percentage of STRs reported by DNFBPs rose slightly, and the share received from professionals doubled. The government plans to continue to implement measures that will significantly increase the number of STRs from DNFBPs.

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 also not legally required to file a STR when the beneficial owner is not identified in a business transaction. Money remitters operating under EU passporting arrangements are not adequately regulated or supervised, although the situation should improve with the implementation of the EU's 4th AML Directive.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The criminalization of self-money laundering allows for expanded legal authority to prosecute individuals for money laundering and may help decrease the need for these lesser convictions. However, penalties applied to persons convicted of money laundering may not be sufficiently dissuasive as there are numerous repeat offenders. 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 Anti-Money Laundering Directive, which mandates compliance by June 26, 2017.

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 2014 (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 subjected to trafficking in Italy often originate from Nigeria, Romania, Morocco, Tunisia, Moldova, Slovakia, Ukraine, China, Brazil, Peru, Colombia, Pakistan, Bangladesh, Ecuador, Poland, Bulgaria, Pakistan, Egypt, Somalia, Eritrea, and India. Victims are subjected to sex trafficking after accepting false promises of employment as, waitresses, dancers, singers, models, or caregivers. Men are subjected to forced labor through debt bondage in agriculture in southern Italy and in construction, house cleaning, hotels, and restaurants in the north of the country. Some employers blackmail and exploit seasonal agricultural workers, taking advantage of labor contract terms requiring the workers to remain in Italy; the farmers compel the migrants to work in poor conditions and move them from region to region. Children subjected to sex trafficking and forced labor in Italy are from Romania, Nigeria, Brazil, Morocco, and Italy, specifically Roma and Sinti boys who may have been born in Italy. Transgender children from Brazil are subjected to sex trafficking in Italy. Experts estimate approximately 2,000 children are exploited on the streets in prostitution. Nigerian children and women are subjected to labor trafficking through debt bondage and coercion through voodoo rituals. Roma children from Italy are subjected to forced labor in begging or petty theft and sex trafficking. The December 2013 deaths of several workers highlighted an emerging form of labor trafficking: Chinese men and women are forced to work in textile factories in Milan, Prato, and Naples. Disabled victims of trafficking from Romania and Albania are subjected to forced begging by Romanian and Albanian transnational criminal networks. Men and women from Central Asia arriving in Italy through Russia, Turkey, and Greece are subjected to forced labor. Unaccompanied children, mainly boys from Bangladesh, Egypt, and Afghanistan, some of whom are employed in shops, bars, restaurants, and bakeries are at risk of trafficking.

The Government of Italy fully complies with the minimum standards for the elimination of trafficking. The government continued to vigorously investigate offenders and prosecute and convict defendants under the anti-trafficking law. The government's anti-trafficking protection efforts, however, significantly decreased. Victim identification decreased by 77 percent. In the context of general budget cuts for social protection, Italian authorities reduced funding for trafficking victim protection and assistance by more than 60 percent.

US State Dept Terrorism Report 2015

Overview: Italy aggressively investigated terrorist suspects, dismantled suspected terrorist-related cells within its borders, and maintained a high level of professional cooperation with U.S. and international partners in all areas, including Global Coalition to Counter the Islamic State of Iraq and the Levant (ISIL) efforts. Terrorist and criminal activity by domestic anarchists and other violent extremists remained a threat.

On February 20, Italy adopted new counterterrorism legislation, implementing its obligations under UN Security Council Resolution (UNSCR) 2178 to identify, decrease, and disrupt the flow of foreign terrorist fighters. The law criminalized participation in a conflict in a foreign territory in support of a terrorist organization, and allows the government to seize suspects' passports. The law also gave the government the authority to instruct internet service providers to block access to websites identified by authorities as being used for terrorist recruitment activities, increased government authority to collect personal data related to the perpetration of terrorist crimes, and extended the scope of power of the National Anti-Mafia Prosecutor –

renamed the National Anti-Mafia and Corruption Prosecutor – to also pursue anti-terrorism prosecutions.

Italy has remained a leading partner in the Global Coalition to Counter ISIL, contributing to coalition military support, humanitarian assistance to the crises in Iraq and Syria, continuous official statements and engagement with foreign leaders – including Middle East partners – in support of the coalition, and enhanced efforts to identify, decrease, and disrupt the flow of foreign terrorist fighters. Italy leads the Iraqi police training mission within the Counter ISIL Coalition and co-leads, with UAE, the Coalition Finance Working Group. Italy is the leading non-U.S. Counter ISIL troop contributor of trainers and advisors on the ground inside Iraq, and leads the international effort to train Iraqi police.

Legislation, Law Enforcement, and Border Security: The Italian government continued to make use of reinforced counterterrorism legislation enacted in 2005 that facilitates detention of suspects, mandates arrest for crimes involving terrorism, and expedites procedures for expelling persons suspected of terrorist activities. On February 20, new legislation came into force that amended the Criminal Code with respect to fighting terrorism. On April 17, Parliament subsequently upheld the law, officially known as, *Decree Law No. 7 of February 18, 2015, "Urgent Measures for the Fight against Terrorism, Including International Terrorism."*

The new law's purposes are described in its preamble, which notes the urgency, in light of recent incidents abroad, to improve the existing legislative and regulatory instruments available to the Italian police and armed forces for anticipating, preventing, and combating acts of terrorism. It states that a key aspect of the new legislation is strengthening police surveillance powers and the handling of personal data.

Persons recruited by others to commit acts of terrorism are subject to an increased prison term of a minimum of three and a maximum of six years upon conviction. The legislation punishes those who organize, finance, or promote travel for the purpose of performing acts of terrorism. It also imposes punishment on lone offenders – persons found guilty of training themselves in terrorist methods on their own and carrying out terrorist acts. Penalties are increased when the acts are performed through digital or telecommunications instruments. The law punishes those who, without legal authority, introduce or provide within the national territory substances or mixtures that serve as precursors of explosives. The failure to provide notice to the authorities about the theft or disappearance of such substances or mixtures is also punishable. The bill also authorized the government to make members of the Italian armed forces qualify as agents of public security to enable them to exercise preventative police functions in connection with acts of terrorism.

The law makes it a crime to take part in a conflict in a foreign territory in support of a terrorist organization, implementing in part UNSCR 2178. During criminal proceedings, prosecuting authorities are now granted the power to temporarily withdraw suspects' passports. Such action must be communicated immediately to the General Attorney of the Republic, who must obtain validation of the measure by the president of the provincial court in the jurisdiction where the accused resides. The law also authorizes the President of the Council of Ministers, through the General Director of the Department for Security Information, to permit the directors of Italian security agencies to interview detainees for the sole purpose of acquiring information to prevent terrorist crimes of an international character.

The Ministry of the Interior is empowered under the law to maintain a list of websites that are used for terrorist recruiting activities; authorities may instruct internet service providers to immediately block access to such websites identified by the authorities. The new legislation amends the current Code for the Protection of Personal Data by extending the scope of police powers to gather personal data that is directly related to preventing the perpetration of terrorist crimes.

Italy's long history of combating both organized crime and radicalized ideological movements has given it a strong legacy in fighting internal threats to security, and authorities are leveraging those capabilities to combat terrorist recruitment, radicalization, and networking. The Police, ROS *Carabinieri* (gendarmerie), *Guardia di Finanza,* other specialized law enforcement agencies, and the intelligence services coordinate their counterterrorism efforts and meet on a regular and systematic basis. The Ministry 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. The Government of Italy used this authority more than 60 times in 2015.

The Italian Civil Aviation Authority (CAA) continued to implement a Memorandum of Cooperation with the United States, allowing the Transportation Security Administration to conduct aviation security assessments at Italian commercial airports.

EU data privacy concerns prevented the United States and Italy from sharing biometric data, though Italy strongly supports the passage of an EU Passenger Name Records Directive that includes sharing data for internal EU flights.

Significant law enforcement actions included:

- On March 18, Carabinieri arrested a Pakistani, Ahmed Riaz, accused of having ties with terrorist networks in Brescia. The Minister of Interior ordered Riaz to be expelled, which followed the Interior Ministry's previous expulsion order against Riaz in February due to a Carabinieri request.

- On March 27, Abdel Mounime Halda, a 33-year-old Moroccan citizen, resident in Italy, who was an Imam in Capannori, a small town near Lucca, was expelled for using radical and contemptuous speech against the West in his sermons at a local prayer center. Although the Imam's home was searched, and nothing deemed relevant to any ongoing investigation was found, the Interior Ministry maintained that the Imam constituted a threat to the security of the state.

- On April 4, Khalid Smina, a Moroccan citizen resident in Imola, in the province of Bologna, was expelled from Italy on charges of having allegedly joined the network of Jarraya Khalil, a Tunisian national arrested in 2008 in Bologna for affiliation with Islamic terrorist networks.

- On April 21, Yahar Ahmed, a 27-year-old Pakistani resident in Prato, was expelled from Italy. He worked as a porter for a shipping company in Calenzano, in the Florence area. The expulsion order referred to suspicious activities and having acquaintances linked to Islamic terrorism.

- On April 22, police detained Noussair Louati, a Tunisian national living in Ravenna, who had been under investigation. Louati planned to move to Syria after a first failed attempt to reach the Middle East to join ISIL. Louati also posted messages in favor of jihad on his Facebook profile and claimed that he had been thrown out of a Milan mosque by the local Imam because he asked him for help in obtaining a flight ticket to reach Syria and join ISIL.

- On April 30, the Court of Cassation upheld the conviction of Alfredo Cospito and Nicola Gai for the 2012 domestic terrorist attack against Roberto Adinolfi, chief executive officer of the nuclear engineering company, Ansaldo, who had been knee-capped. The sentences were reduced, respectively, to nine years, five months, and 10 days and eight years, six months, and 20 days in prison. The Informal Anarchist Federation (IAF) claimed responsibility for the incident.

- On October 4, Italian authorities caught Ben Nasr Mehdi, a Tunisian who was first arrested in Italy in 2007 and sentenced to seven years in prison for plotting terrorist attacks with an Islamic State-linked group, trying to re-enter the country in Sicily (Lampedusa) on a migrant vessel. He was expelled from Italy 10 days later. He was identified by a biometric match after he filed for refugee status using a false identity.

- On October 8, the Court of Cassation confirmed the conviction of an Egyptian, Abu Omar, in absentia to six years in prison for international terrorism. Abu Omar was Imam of a Milan mosque in 2000 when he established a terrorist organization with the aim to conduct terrorist attacks in Italy and abroad.

- On October 27, a Bari Court of Appeal sentenced Hosni Hachemi Ben Hassem, former imam of Andria, along with Faez Elkhaldey, Ifauoi Nour, Khairredine Romdhane, Ben Chedli, and Chamari Hamdi to prison terms of between five years, two months and two years, eight months for having founded a subversive association supporting Islamic international terrorism.

- On November 16, Milan prosecutors requested the indictment of 11 persons charged with international terrorism and the organization of travel to join fighters abroad. Among them there was an Italian woman, Maria Giulia Sergio, who moved to Syria; her Albanian husband, Aldo Said Kobuzi; her parents, Sergio and Assunta Buonfiglio; her sister, Marianna Sergio; her mother in law, Donika Coku; and two uncles of her husband. Investigators believe that she received training to conduct suicide attacks.

- On November 23, the Ministry of Interior expelled four Moroccans, long-term residents of Bologna suspected of promoting jihadism. They had been found sharing messages and files regarding the training of foreign terrorist fighters, radical ideology, and use of weapons.

- On November 24, authorities announced the expulsion of a Tunisian man living in Brianza. The man was wiretapped expressing hatred against the West and possibly intended to carry out a terrorist attack.

- On December 1, police disrupted a cell of terrorists from Kosovo in Brescia, arresting three of them in Lombardy (a fourth was arrested in Kosovo). The group had posted photos of themselves with weapons and videos containing terrorist propaganda and threats against the Pope.

Countering the Financing of Terrorism: Italy is a member of the Financial Action Task Force (FATF) and the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a FATF-style regional body (FSRB). Italy also holds observer status within the Eurasian Group on Combating Money Laundering and

Terrorist Financing, an FSRB. Italy's financial intelligence unit is a member of the Egmont Group. Italy also implemented the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime in 2015.

Decree Law No. 7 of February 18, 2015, discussed above, 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 financial police (*Guardia di Finanza*) continued to identify and freeze the assets of sanctioned individuals and organizations and to prosecute terrorism financing cases. In addition, Italy carried out several counterterrorism operations and prevented international money transfers to terrorist groups. Italy co-leads, with the United States and Saudi Arabia, the Counter-ISIL Coalition Finance Working Group. Judicial and law enforcement efforts to combat terrorism financing include monitoring financial transactions (including financial services companies specializing in wire transfers), bank transfers, pre-paid electronic cards, payments on fraudulent invoices, and cash-in-transit. In the first three quarters of 2015, a total of 74 suspicious transaction reports (STRs) were filed due to concerns that the funds would be used to finance terrorism (compared to 93 STRs for all of 2014). In 2015, Italy was among the first countries to undergo a mutual evaluation of the level of effectiveness of its AML/CFT system and its level of compliance with the FATF Recommendations. This evaluation was conducted by the IMF and had not been published by the end of 2015.

Italy does not require that non-profit organizations send suspicious transaction reports. However, reporting entities are required to consider the specific money laundering and terrorism financing risks when entering in a relationship or carrying out transactions that involve non-profit organizations.

The Italian financial intelligence unit at the Bank of Italy publishes the UN, EU, and OFAC designations lists and any subsequent amendments on its website.

Countering Violent Extremism: Italy has a long history of countering organized crime and radical ideological movements. Italy's toolkit includes an anti-radicalization program in its prison system. The Ministry of Justice reported the establishment of informal places of worship in 52 prisons where approximately 190 imams were active. Monitoring of detainees at risk of radicalization was enhanced after the November 13 Paris attacks. Twenty cultural mediators and 60 volunteers conducted de-radicalization initiatives within prisons.

To the extent domestic recruitment of violent Islamist extremists occurred, it appeared largely concentrated in the more industrialized North and Tuscany, though there were unconfirmed media reports of some alleged foreign terrorist fighters emerging from Rome and Naples. The government has sought to address this vulnerability with its recent announcement that every euro of increased defense spending to protect Italy from terrorism would be matched by a euro of "cultural" spending, primarily focused on improving education and social conditions in underdeveloped areas and peripheral neighborhoods.

The government has been a committed participant in the White House Initiative to Combat Violent Extremism, which included hosting a CVE senior officials' meeting in Rome in July.

International and Regional Cooperation: Italy is a founding member of the Global Counterterrorism Forum, and actively participates in the GCTF's work. It is also a founding member of the Institute for International Justice and the Rule of Law and is a member of its governing board. Italy supported counterterrorism efforts through the G-7 Roma-Lyon Group, the OSCE, NATO, the UN, the Council of Europe, and the EU. As noted, Italy supports the swift passage of the EU Passenger Name Record Directive. Italy also promoted EUROPOL as a venue for EU-level coordination of law enforcement and intelligence cooperation across national borders. Italy is particularly active in international efforts to prevent and to *condemn* the destruction of cultural heritage in Iraq and Syria by ISIL, whether such destruction is incidental or deliberate, including targeted destruction of religious sites and objects.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	47
World Governance Indicator – Control of Corruption	57

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 industrial 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 133% of GDP in 2013, 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 long-standing structural impediments to growth, such as labor market inefficiencies and widespread tax evasion. In 2013 economic growth and labor market conditions deteriorated, with growth at -1.8% and unemployment rising to 12.4%, with youth unemployment around 40%. Italy's GDP is now 8% below its 2007 pre-crisis level.

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)

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 ninth-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 18-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 engineering products, mechanical machinery, and textiles/fashion. Italy continues to lag behind many industrialized nations as a recipient of direct foreign investment, and Italy does not have a bilateral investment treaty with the United States (see section on Bilateral Investment Agreements for the full list of countries that have such treaties with Italy).

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 in 2013 remained open to specific foreign sovereign wealth funds to invest in shares of Italian companies and banks and continued to make information available online to prospective investors. The Italian government’s efforts to implement new investment promotion policy that would paint Italy as a desirable direct investment destination were overshadowed in large part by Italy’s ongoing economic weakness, setbacks to reform initiatives, and lack of concrete action 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 is moving into fragile recovery after its longest recession in recent memory and this could provide political momentum for improvements to Italy’s investment climate.

1. Openness To, and Restrictions Upon, Foreign Investment

Italy welcomes foreign direct investment. As an EU Member State, 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 the Friendship, Commerce and Navigation Treaty 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; 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 anti-trust laws give EU and Italian authorities the right to review mergers and acquisitions over a certain financial threshold. The government may block mergers involving foreign firms for "reasons essential to the national economy" or if the home government of the foreign firm applies discriminatory measures against Italian firms. Foreign investors in the defense or aircraft manufacturing sectors are likely to encounter an opaque process and resistance from the many ministries charged with approving foreign acquisitions of existing assets or firms, most of which are controlled to some degree by the parastatal defense conglomerate Finmeccanica.

The Government of Italy (GOI) retains controlling interest (approximately 30 percent of shares), either directly or through quasi-sovereign fund Cassa Depositi e Prestiti, in former monopoly operators ENEL (electricity), Eni (oil/gas), Finmeccanica (industrials/defense), as well as Terna (a spin-off of ENEL specializing in electricity transmission). Moreover, while it does not own any shares in former monopoly Telecom Italia, the GOI has made sure to retain a de facto “golden share” (GOI veto power over ownership and investment decisions thought to pose a danger to national security), claiming that TI is of strategic importance because it still owns the largest portion of Italy’s telecommunications infrastructure. Some maintain that, government policy in these key economic sectors tends to favor the interests of these specific firms, and not necessarily the broader economic good. As part of government reforms to liberalize some services in Italy’s economy, the government approved the unbundling of natural gas distribution from the monopoly operator Eni in early 2012, making it formally independent of GOI control. Separately, General Electric Co. (GE) bought Avio’s aviation parts business for $4.3 Billion; Finmeccanica had been its largest shareholder prior to GE’s purchase. Finmeccanica retained 14 percent of Avio space assets, but negotiations with French aerospace groups continue that could further alter the ownership structure of Avio.

According to the latest available figures from the Italian Trade Commission (ICE) from December 2011, 8,492 foreign companies operate in Italy (compared to 8,396 December 2010), employing 886,254 workers (down from 900,019 in 2010), with overall sales of €498.5 billion (almost equal to €498 billion in 2010). The stock of foreign investment in Italy equals 15 percent of GDP, lower than in many EU countries. Approximately 82 percent of foreign companies operating in Italy are located in the north, a percentage that has grown in recent years as the number of companies in the southern Italy has contracted. The ICE study cites as key obstacles to foreign investment taxes on labor, lack of labor flexibility, bureaucratic red tape, and high corporate taxes.

2. Conversion and Transfer Policies

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 €15,000 ($22,500) 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. A tax-evasion measure in force since December 2011 requires all payments of goods or services of any kind over €1000 to be made electronically. Enforcement is spotty. The rule exempts e-money services, banks and other financial institutions, but not payment services companies (such as those who can perform wire transfers abroad).

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

Though notoriously slow (civil trials average seven years in length), the Italian legal system meets generally recognized principles of international law, with provisions for enforcing property and contractual rights. Businessmen and travelers to Italy should be aware, however, that the Italian legal system does not share all of the features found in U.S. and other European laws. Civil cases and most criminal cases are decided by judges, without the participation of a jury. Serious criminal cases are decided with lay jurors who sit on panels alongside judges. Italy has a written and consistently applied commercial and bankruptcy law. While the Italian judiciary is independent of the executive branch, parties to disputes sometimes accuse Italian judges of political partisanship. Foreign investors in Italy can choose among different means of dispute resolution, including legally binding arbitration.

Slow and expensive court processes over contract-related disputes, in part a product of the immense backlog of nearly ten million legal cases, have discouraged some companies from doing business in Italy. In January 2012, the government introduced new “business tribunals,” intended to cut down the time it takes to resolve business disputes, but these were really just specialized sections of the already-existing tribunals, and have had little to no impact. The government also introduced measures designed to streamline the legal system, and to promote alternative dispute resolution techniques, such as mediation and decriminalization of minor offenses. The World Justice Project’s Rule of Law Index scored Italy as 19th out of the 24 countries in the Western Europe and North America Region in each of the eight factors it evaluates.

The government mandated steps to speed up civil trials in August 2011, but did not complete implementation before the end of the Monti administration in December 2012. In a positive sign, a civil court in Torino halved the average duration of its arbitration cases simply by implementing two new internal practices: requiring judges to follow only one case at a time and requiring judges to transfer incomplete cases to a colleague if going on an extended leave.

Italy is a member of the World Bank's International Center for the Settlement of Investment Disputes (ICSID). Italy has signed and ratified the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States and is a signatory of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

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.

5. Performance Requirements/Incentives/Taxes

The GOI is in compliance with WTO Trade-Related Investment Measures (TRIMs) obligations. Foreign investors face specific performance requirements only in the telecommunications sector.

The GOI offers modest incentives to encourage private sector investment in economically depressed regions, particularly southern Italy. The incentives are available to foreign investors as well, and U.S. companies can usually access grants if the planned investment is located in priority (less developed) regions and if the companies have subsidiaries in the EU or are partnered with local firms.

The Minister of Education, University and Research has identified, funded, and signed Framework Program Agreements with eleven "Technology Districts" and public-private joint laboratories focused on strategic sectors. The GOI has created Technology Districts to facilitate cooperation between public and private researchers and venture capitalists, support the research and development of key technologies, strengthen industrial research activities, and promote innovative behavior in small- and medium-sized enterprises.

The Italian tax system does not discriminate between foreign and domestic investors. Corporate income tax (IRES) rates are 27.5 percent. The World Bank estimates Italy's effective tax rate on commercial profits at 65.8 percent (the average between 2009 and 2013), the highest rate in the EU. Austerity packages implemented in 2011 increased the IRAP – a separate regional tax on value-added business income – from 3.9 to 4.2 percent for companies with government contracts (agriculture, highway management and tunnels contracts were exempted), to 4.65 percent for banks and financial companies, and to 5.90 percent for insurance companies. Project financing through bonds for companies undertaking public infrastructure projects is granted the same tax advantages as direct government debt. Companies hiring women and youth or hiring in the south are exempted from part of IRAP. IRAP produced €24 billion in tax revenue for the GOI during 2013. The Renzi government announced plans to cut IRAP by 10 percent overall in the second half of 2014, at which point it will define eligibility parameters.

In part to increase tax revenues, Italy introduced new financial transactions taxes (FTT) on March 1, 2013. Financial trading in regulated markets is taxed at 0.12 percent (declining to 0.1 percent on January 1, 2014) and in unregulated markets it will be taxed at 0.22 percent (declining to 0.2 percent in 2014). The tax will apply to daily balances rather than to each transaction. As of July 1, 2013, a financial transactions tax will also apply to trade in derivatives. The fee will be from €.025 to €20.0 for non-speculative transactions and from €12.5 – €100 for speculative transactions. Also beginning in July, high frequency trading will be subject to a 0.02 percent tax on trades occurring every 0.5 seconds or faster (e.g., automated trading).

These financial transactions taxes will not apply to "market makers," pension and small cap funds, donation and inheritance transactions, 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 financial transaction tax (FTT, a.k.a. Tobin tax) only yielded €285 million in revenues in 2013, less than one quarter of the previous Monti government's €1.2 billion estimate back in 2012. Italy was one of the eleven EU member countries to actually implement the tax, despite the fact that senior finance officials were privately expressing skepticism that it would yield significant returns. The FTT is still in force and is expected to yield about €400 million in revenues in 2014.

In 2009 the U.S. 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.

To offset the effect of corporate tax cuts on public revenue, in 2011 the GOI introduced compensatory measures that keep effective rates of taxation high. They include:

- setting new limits to the deductibility of interest;
- abolishing accelerated depreciation; and
- revising the tax treatment of consolidated reporting.

The government has sought to curb rampant tax evasion by improving enforcement and changing popular attitudes. The 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 prove claims that they make less than the tax authorities believe. The GOI is also engaged in limiting tax avoidance.

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 under the IGA will take place on the basis of reciprocity, and will include accounts held in the United States by persons resident in Italy and those held in Italy from U.S. citizens and residents.

The Italian government approved a decree in January 2014 providing incentives for Italians to repatriate funds they had improperly moved to offshore accounts. In this voluntary disclosure program, those who repatriate funds and file the appropriate paperwork will be allowed to pay the outstanding capital gains taxes but will be spared a fine. The Finance Ministry estimates that €200 billion has been removed from Italy for the express purpose of evading taxes, and that the agreement could incentivize the repatriation of up to €80 billion. If successful, this could translate into almost €15 billion in capital gains revenues for the Treasury's coffers. Individuals will have from September 2014 until September 2015 to participate in the program.

On February 28, 2014 Italy's Parliament completed the final approval of the enabling legislation for a major tax overhaul that has been in draft since late 2011. The legislation has been on the list of "priority" reforms for the Monti, Letta and now Renzi governments. Once implemented, the legislation will reform the cadastral register (by basing real estate values on square footage of residences rather than number of rooms), simplify tax filing procedures, and tighten rules on litigation against tax evaders. The government now has one year to implement the enabling legislation through ten decrees of implementation.

6. Right to Private Ownership and Establishment

There is no limitation in the Italian constitution or civil law on the right to private ownership and establishment of investments.

7. Protection of Property Rights

Italy remained on the Watch List in USTR's 2013 Special 301 Report, primarily due to ongoing concerns about piracy over the Internet. However, the Italian Communications Authority (AGCOM) issued a new regulation to combat digital copyright theft on December 12, 2013. 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 will provide a streamlined procedure to address illegal content, largely reducing the need to go through the lengthy court system. This package was enacted after years of public debate over how to address the problem, and a vibrant public debate over AGCOM's authority to actually issue the regulation.

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, though obtaining this exemption requires some (tedious) paperwork. The music and film industries previously supported application of the sticker, but are now dissatisfied with the system, asserting it has become overly burdensome, 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).

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/.

Embassy point of contact: Ryan Miller: MillerRS1@state.gov

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

8. 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 2014 edition of its "Doing Business" guide ranks Italy 65th out of 189 countries, (up 8 places from last year) for ease of doing business. A "liberalization" decree in January 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 early February 2012 that eliminated 15 obsolete laws to reduce the amount of red tape and fees required for anyone seeking to open a business. In December 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" 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. Desk Italia still doesn't have a budget, staff, website or phone number as of early 2014, and it is unclear whether the Destinazione Italia measures will continue to be implemented given the recent change in government.

A web of sometimes contradictory laws and regulations serves as a useful tool at times for vested interests to use against foreign competitors. In addition, in some industries, such as new media and financial services, investors have complained that local judicial authorities seem to lack the technical capacity to enforce Italian laws on, for example, consumer protection, IPR, and competition.

9. Efficient Capital Markets and Portfolio Investment

The Italian banking system remains relatively sound but profit margins have suffered since 2011 as a result of tensions in the sovereign debt market, tightening of European rules for evaluating bank assets, and related requirements to increase banks' capital bases. According to the Bank of Italy, the recession brought a pronounced worsening of the quality of banks' assets. The ratio of non-performing loans on total outstanding loans increased significantly, especially for lending to non-financial firms. Non-performing loans doubled in four years to 160 billion euro and accounted for 8.1 percent of all loans at the end of 2013, and the Bank of Italy expects this lagging indicator to continue to rise throughout 2014, even after the start of a weak economic recovery in late 2013.

Banks are buying government bonds and stockpiling cash, according to BOI statistics. Italian bank loans to businesses fell by 5.3 percentage points from a year earlier as of December 2013, after falling by 3.4 percent the year before. This is the longest and deepest decline in lending in at least a decade. Lending to businesses continued to be affected both by the weak demand and risk aversion by banks, which have strengthened lending criteria to riskier customers thanks to the effect of the lengthy recession on banks' balance sheets. The latest business surveys confirm the difficulty in gaining access to credit, especially for smaller firms.

The banking system in Italy consolidated significantly during several major 2007 mergers, but Bank of Italy regulators are advising banks that they must undergo additional consolidations starting in 2014 in order to repair weak profitability, including significant reduction of personnel, sale of assets, and reduction in the number of branches. Despite worries that a Europe-wide asset quality review in 2014 will reveal underlying weaknesses in the Italian banking sector, the Bank of Italy maintains that its supervisory standards and its definition of non-performing loans remain among the strictest in Europe.

At the end of 2012 there were 24 subsidiaries of foreign companies or banks operating in Italy out of 706 total banks, 34 fewer than a year earlier. Two of these foreign subsidiaries – Deutsche Bank and BNP Paribas – figured among Italy's top ten banking groups, holding 8.4 percent of total Italian assets. Thirty-seven foreign shareholders – mainly from EU countries – held equity positions of at least five percent in 48 banks. In 2012, seven banks began to operate and forty-four closed as a result of 35 mergers, takeovers and assets disposals (largely to reorganizations within banking groups), five liquidations and the conversion of one bank into a financial company.

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. 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. What little venture capital that exists is usually provided by established commercial banks and a handful of venture capital funds.

The London Stock Exchange owns the Milan Stock exchange, Italy's only stock exchange. The exchange ("Borsa Italiana") is relatively small -- fewer than 300 companies -- and is effectively an inaccessible source of capital for most Italian firms. While Italian firms prefer to get capital from banks, the Bank of Italy governing board and the Ministry of Economy and Finance have initiated some programs to encourage firms of all sizes to seek alternative forms of financing, including through venture capital and corporate bonds. The Italian Companies and Stock Exchange Commission (CONSOB), established in 1974 and strengthened in 2005 after a spate of scandals, is the Italian securities regulatory body. In January 2011, EU Member States established three EU-level regulatory agencies for financial services and related activities: A London-based banking oversight institution (EBA), a Paris-based financial market oversight institution (ESMA), and a Frankfurt-based insurance and pension funds oversight institution (EIOPA).

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. Of those who do own stocks, the weight of direct stock shareholding in their portfolios averaged 14 percent in 2011. A few 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. Cross-EU standardization of regulations should address U.S. and other foreign banks' complaints that Italian interpretation of EU financial regulations tends to be stricter than in other countries. Any Italian or foreign investor 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 authorization from the Bank of Italy. See http://www.informazione.it/a/A6D77212-C268-4CA2-B0DA-05AB91CD21F4/Banche-autorizzazione-Bankitalia-adesso-solo-per-quote-oltre-10

10. 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 partially most of these state owned enterprises. Notwithstanding this privatization effort, as noted above, the government still retains a de facto controlling interest in several key industrial firms, including Finmeccanica (a defense/aerospace/security conglomerate), Eni (oil and gas), ENEL (electricity), and Terna (utilities). The GOI also maintains full ownership of Trenitalia (transportation) and Poste Italiane's financial services operations). Although the GOI no longer owns Telecom Italia, it can restrict who can buy large stakes in the company according to "golden share" provisions. In practice, these parastatal firms still benefit from their past monopoly status and, sometimes, their ownership of costly infrastructure. Existing laws and practices give them an advantage in public procurement decisions and other critical areas affecting their business. In some cases, particularly in the industrial sectors, U.S. firms seeking to do business in these strategic areas have found it advantageous to form partnerships with the parastatals rather than trying to compete head-to-head. Some opportunities have emerged for new firms in recent years, such as Nuovo Trasporto Viaggiatori (New Passenger Transport, commonly known as Italo), which began operating high-speed trains across Italy in 2012, breaking Trenitalia's monopoly.

11. Corporate Social Responsibility

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). They provide voluntary principles and standards for responsible business conduct, 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 (NPC) 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 NPC spreads and enforces the Guidelines, disseminates related information, promotes the collaboration among national and international institutions, the economic world and the civil society.

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

12. 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.

13. 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. 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.

14. Bilateral Investment Agreements

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
- 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)

15. OPIC And Other Investment Insurance Programs

The U.S. Overseas Private Investment Corporation (OPIC) does not operate in Italy, as it is a developed country. Italy's Export Credit Agency, SACE, is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

16. Labor

As a result of its longest recession in post-war history, Italy's unemployment rate reached 13.1 percent in February 2014, its highest level in nearly three decades.

Despite a fledgling recovery, most observers expect the unemployment rate, as a lagging indicator, will increase in 2014 and 2015. The official unemployment data does not account for temporarily laid-off employees who receive benefits from Italy's "wage guarantee fund" (for struggling or restructuring companies) and people who are discouraged and not looking for a job. Participation in the labor market is among the lowest in the industrialized world, especially among women, the young and the elderly.

In February 2014, the unemployment rate for youth between the ages of 14 and 25 reached 42.3 percent, the highest level since recordkeeping began in 1992. The level is well above the EU28 average (22.9 percent) and Euro Area average (23.5 percent); only Spain, Greece, Spain and Croatia have higher rates. An estimated 2.2 million Italians between the ages of 15 to 34 do not study, do not work, and are not looking for a job. Of those who do find work, most are hired under temporary contracts.

Traditional regional labor market disparities remain unchanged, with the southern third of the country posting a significantly higher unemployment rate compared to northern and central Italy. Despite these differences, internal migration within Italy remains modest, while industry-wide national collective bargaining agreements set equal wages across the entire country. Shortages in the North of unskilled and semi-skilled labor are often filled by immigrants from Eastern Europe and North Africa. Skilled labor shortages are also a problem in the north. On paper, companies may bring in a non-EU employee after the government-run employment office has certified that no qualified, unemployed Italian is available to fill the position. In reality, the cumbersome and lengthy process acts as a deterrent to foreign firms seeking to comply with the law, and there are language barriers that prevent outsiders from competing for Italian positions. Work visas are subject to annual quotas, although intra-company transfers are exempt from quota limitations.

There are substantial legal obstacles to hiring and firing workers although in recent years, the Italian labor market has become slightly more flexible. As a result of labor reforms in Italy between 1997 and 2012, including those under Labor and Welfare Ministers Treu (1997), Biagi (2003), and Fornero (2012), Italy's labor market is more flexible than 15 years ago overall, but this flexibility extends only to a limited number of workers. While the reforms in 1997 and 2003 improved incentives for companies to hire, many criticized that the rising number of temporary contract workers in Italy, especially youth, were not entitled to the same job protections and benefits as permanent employees. As a result, the reforms of 2012 reforms reversed some of those gains by limiting the length and terms of temporary contract workers. While companies complained this made it more difficult for companies to hire new workers, two successive governments have taken steps to reintroduce flexibility in hiring contract workers. High costs and legal obstacles associated with laying off workers still remain a disincentive to adding permanent employees. Companies may hesitate in giving new hires full-time contracts because job protection laws make it difficult to later fire them, despite new flexibility on the hiring side as noted above. Ironically given the high youth unemployment rate, firms interested in investing in Italy may have difficulty finding specialized and experienced young employees. This is at least partially a result of Italy's "brain drain" of especially well-educated young workers.

Italy is an International Labor Organization (ILO) member country. Terms and conditions of employment are periodically fixed by collective labor agreements in different professions. Most Italian unions are grouped into four major national confederations: the General Italian Confederation of Labor (CGIL), the Italian Confederation of Workers' Unions (CISL), the Italian Union of Labor (UIL), and the General Union of Labor (UGL). The first three organizations are affiliated with the International Confederation of Free Trade Unions (ICFTU), while UGL has been associated with the World Confederation of Labor (WCL). The confederations negotiate national level collective bargaining agreements with employer associations, which are binding on all employers in a sector or industry irrespective of geographical location.

17. Foreign Trade Zones/Free Ports

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.

An "urban tax-free zone" has also been set up in the city of L'Aquila that was hit by the earthquake in April 2009. Small and medium sized enterprises that set up activities in the city will pay no or reduced corporate income tax, property tax and payroll taxes for five years. The incentives are not automatic and must be applied for at the beginning of each calendar year until the €50 million set aside are committed and will not exceed €200 thousand per company. 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. It should take effect during in 2013 but the exact incentives were not known at the time of publication.

U.S. Companies in Italy

The largest U.S. companies in Italy, based on number of employees, are: IBM, General Electric, Pfizer, Whirlpool, Electronic Data Systems (EDS), Lear, and United Technologies.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

The Italian Trade Commission (ICE) reported that as of December 2011 8,492 foreign companies operate in Italy (compared to 8,396 December 2010), employing 886,254 workers (down from 900,019 in 2010), with overall sales of €498.5 billion (in line with €498 billion in 2010). Based on UNCTAD statistics and Italian GDP data, the stock of foreign investment in Italy was approximately 15 percent of GDP in 2011. Approximately 80 percent of foreign companies operating in Italy are located in the north, a percentage that has remained stable in the recent past. Key obstacles to foreign investment continue to include labor taxes, lack of labor flexibility, red tape, and high corporate taxes. Net direct investment inflows in 2011 totaled USD 29 billion (UNCTAD statistics).

Data on Italian Investment Inflows (direct and portfolio) is available at http://www.unctad.org/sections/dite_dir/docs/wir11_fs_it_en.pdf.

This section reports official direct investment statistics calculated by the Italian Central Bank. Data on Italian Investment Inflows (direct and portfolio) is available at http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf.

Table 1: Italian Foreign Direct Investment Inflows by Economic Sector (Net) 2010-2012 (USD Millions) (1)

	2010	2011	2012
Agriculture and Fishing	76.8	-22.3	-162.3
Mining	581.5	2499.4	317.5
Manufacturing	5119.2	14453.4	-7514.1
Electricity, water and gas	843.7	-374.1	5487.1
Constructions	786.8	1834.5	-910.0
Trade	8578.8	3616.1	-8845.8
Transportation/Communication	-5124.5	114.0	7073.3
Hotel and restaurant	1537.5	-87.6	-1002.6
Banking/Insurance	1573.5	6831.7	6425.4
Real Estate, Renting and R&D	370.9	-682.9	572.0
Other Services	-5162.7	6158.6	-1349.2
T O T A L	9181.5	34340.8	91.3

Table 2: Italian Direct Investment Outflows by Economic Sector (Net) 2010-2012 (USD Millions) (1)

	2010	2011	2012
Agriculture and Fishing	47.7	-671.8	-124.7
Mining	1994.7	3774.7	-7046.3
Manufacturing	13699.3	15317.1	21159.4
Electricity, water and gas	4260.9	1699.6	1079.7
Constructions	3229.1	6876.2	4789.2
Trade	394.7	-966.6	-4973.0
Transportation/ Communication	4700.7	12812.2	-2813.6
Hotel and restaurant	-3237.1	208.6	242.9
Banking/Insurance	2373.5	11260.1	-3606.7
Real Estate, Renting and R&D	1034.4	-682.9	329.0
Other Services	4144.5	2019.3	-1057.8
T O T A L	32642.4	53652.3	7978.1

Table 3a: Stock of Foreign Direct Investment in Italy by Major Investors; Year End 2010-2012 (USD Millions) (1)

	2010	2011	2012
United States	10147	11770	15283
EU of which:	266252	299775	291419
Belgium	20465	22266	21502
France	48420	64252	61833
Germany	27457	34516	25169
Luxembourg	68519	65120	57060

Netherlands	58253	70384	80779
Spain	11552	9529	9475
Sweden	4071	3211	2450
United Kingdom	27515	30495	33151
Liechtenstein	191	195	184
Switzerland	13199	15507	21254
Canada	358	388	539
Japan	3434	1903	2182
Argentina	157	194	298
Brazil	535	507	639
Other	27504	24820	31309
T O T A L	321777	355059	363107

Table 3b: Stock of Foreign Direct Investment in Italy by Major Investors; Year End 2010-2012 (Percentage of Total)

	2010	2011	2012
United States	3.2	3.3	4.2
EU of which:	82.7	84.4	80.3
Belgium	6.4	6.3	5.9
France	15.0	18.1	17.0
Germany	8.5	9.7	7.0
Luxembourg	21.3	18.3	15.7
Netherlands	18.1	19.8	22.3
Spain	3.6	2.7	2.6

Sweden	1.3	0.9	0.7
United Kingdom	8.6	8.6	9.1
Liechtenstein	0.1	0.1	0.1
Switzerland	4.1	4.4	5.9
Canada	0.1	0.1	0.1
Japan	1.1	0.5	0.6
Argentina	0.0	0.1	0.1
Brazil	0.2	0.1	0.2
Other	8.5	7.0	8.5
TOTAL	100.0	100.0	100.0

Table 4a: Stock Of Italian Direct Investment Abroad by Major Recipient; Year End 2010-2012 (USD Millions) (2)

	2010	2011	2011
United States	25495	29992	32039
EU of which:	272410	290153	269539
Belgium	18675	18485	14723
France	35978	33079	33038
Germany	42553	43933	45939
Luxembourg	14657	32158	11098
Netherlands	99190	101947	101718
Spain	42893	39487	40708
Sweden	2182	2142	2597
United Kingdom	16282	18922	16718

Liechtenstein	126	145	148
Switzerland	9889	12249	13678
Canada	2342	2401	2700
Japan	1039	1512	2127
Argentina	1519	1820	1951
Brazil	7072	7428	8718
Other	160384	173894	203374
T O T A L	480275	519594	534274

Table 4b: Stock of Italian Direct Investment Abroad by Major Recipient; Year End 2010-2012(Percentage of Total)

	2010	2011	2012
United States	5.3	5.8	6.0
EU of which:	56.7	55.8	50.4
Belgium	3.9	3.6	2.7
France	7.5	6.4	6.0
Germany	8.9	8.4	8.6
Luxembourg	3.1	6.2	2.1
Netherlands	20.7	19.6	19.0
Spain	8.9	7.6	8.4
Sweden	0.5	0.4	0.5
United Kingdom	3.4	3.6	3.1
Liechtenstein	0.0	0.0	0.0
Switzerland	2.1	2.3	2.6

Canada	0.5	0.5	0.5
Japan	0.2	0.3	0.4
Argentina	0.3	0.4	0.4
Brazil	1.5	1.4	1.6
Other	33.4	33.5	38.1
TOTAL	100.0	100.0	100.0

Table 5a: U.S. Investment in Italy by Economic Sector Year End 2010-2012 (USD Millions) (2)

	2010	2011	2012
Agriculture and Fishing	132	132	199
Mining	0	3	0
Manufacturing	2721	2912	3872
Electricity, water and gas	0	0	0
Construction	153	116	-150
Trade	1690	2191	2692
Transportation/ Communication	566	455	883
Hotel and restaurant	3	0	0
Banking/Insurance	3116	4075	3788
Real Estate, Renting and R&D	31	1383	3427
Other Services	1734	503	572
T O T A L	10146	11767	15283

Table 5b: U.S. Investment in Italy by Economic Sector Year End 2010-2012 (Percentage of Total)

	2010	2011	2012

Agriculture and Fishing	1.3	1.1	1.3
Mining	0.0	0.0	0.0
Manufacturing	26.8	24.7	25.3
Electricity, water and gas	0.0	0.0	0.0
Construction	1.5	1.0	-1.0
Trade	16.7	18.6	17.5
Transportation/ Communication	5.6	3.9	5.8
Hotel and restaurant	0.0	0.0	0.0
Banking/Insurance	30.7	34.6	24.8
Real Estate, Renting and R&D	0.3	11.8	22.4
Other Services	17.1	4.3	3.9
T O T A L	100.0	100.0	100.0

Table 6a: Italian Investment in the U.S. by Economic Sector -- 2010-2012 (USD Millions) (2)

	2010	2011	2012
Agriculture and Fishing	368	1	7
Mining	111	24	112
Manufacturing	5742	7697	11034
Electricity, water and gas	1	19	19
Construction	97	126	204
Trade	6509	5519	4643
Transportation/ Communication	2595	2665	1516
Hotel and restaurant	311	311	316

Banking/Insurance	5187	7472	7801
Real Estate, Renting and R&D	545	2106	2091
Other Services	4029	4052	4297
T O T A L	25495	29992	32040

Table 6b: Italian Investment in the U.S. by Economic Sector -- 2010-2012 (Percentage of Total)

	2010	2011	2012
Agriculture and Fishing	1.4	0.0	0.0
Mining	0.4	0.1	0.3
Manufacturing	22.5	25.7	34.4
Electricity, water and gas	0.0	0.1	0.1
Construction	0.4	0.4	0.6
Trade	25.5	18.4	14.5
Transportation/ Communication	10.2	8.9	4.7
Hotel and restaurant	1.2	1.0	1.0
Banking/Insurance	20.3	24.9	24.4
Real Estate, Renting and R&D	2.1	7.0	6.6
Other Services	15.8	13.5	13.4
T O T A L	100.0	100.0	100.0

(1) Annual net investment flow data compiled by Embassy Economic Section, based on Bank of Italy data and converted at the following year-average exchange rates:

	2010	2011	2012
Euro/Dollar	0.755	0.719	0.778

Net = New Investment Less Disinvestment. The volatility and huge changes from year to year in some sections can be explained in part by the fact that listed data are "Net": New Investment minus Disinvestment.

(2) Compiled by the Economic Section of the Embassy, based on Bank of Italy data and converted at the following year-end exchange rates:

	2010	2011	2012
Euro/Dollar	0.763	0.773	0.759

Sources: Bank of Italy

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

Section 6 - Tax

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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