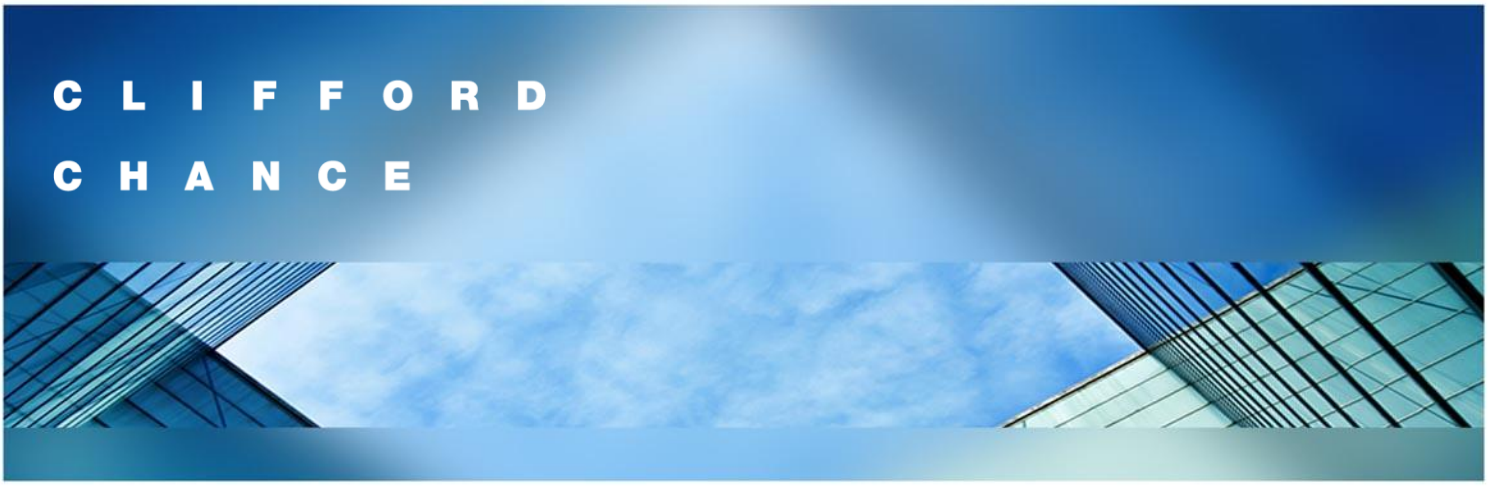

ENACTMENT AND IMPLEMENTATION OF THE NEW EBA ML/TF RISK FACTORS GUIDELINES

The new risk factor guidelines, published by the European Banking Authority (EBA) on 1 March 2021, have been effective as from 26 October 2021.

With Note No. 15/2021, the Bank of Italy has implemented the ML/TF Risk Factors Guidelines published by the EBA in March 2021.

The Guidelines came into force on 26 October 2021.

BACKGROUND

On 1 March 2021, the EBA published new guidelines on risk factors associated with money laundering and terrorism financing and on simplified and enhanced customer due diligence measures (the "**Guidelines**"), under Articles 17 and 18(4) of the Fourth AML Directive (Directive (EU) 2015/849).

Implementation of the Guidelines was set to start with translation in the official EU languages, and within the two months thereafter the national competent authorities would have to report that they comply or intend to comply with the Guidelines, or to explain the reasons for non-compliance.

The Bank of Italy reported to the EBA that Italy intends to comply with the Guidelines.

IMPLEMENTING NOTE BY BANK OF ITALY

The Bank of Italy commenced implementation of the Guidelines with its Note No. 15 of 4 October 2021 (the "**Note**"), concurrently classifying the Guidelines as *Supervisory Recommendations*.

Moreover, the Note clarifies that the Guidelines apply, as from 26 October 2021, to the addressees of the Bank of Italy's Instructions for customer due diligence of 30 July 2019. These addressees include banks, securities brokerage firms, asset management firms, collective investment undertakings in the form of SICAVs and SICAFs, intermediaries, and fiduciary companies registered in their respective professional rolls under Article 106 of the Italian Banking Act, electronic money and payment service providers.

The Guidelines are divided in two parts: the first part is general and applies to all addressees, i.e., credit and financial institutions as defined in Articles 3(1) and 3(2) of Directive (EU) 2015/849 (the "**Firms**"); the second part is sector-specific.

The sector-specific Guidelines analyse both the risk factors to be assessed by the intermediaries in the context of the required risk self-assessment process, as well as the related measures to be adopted. Sectoral guidelines are provided for the following: (i) correspondent relationships; (ii) retail banks; (iii) electronic money issuers; (iv) money remitters; (v) wealth management; (vi) trade finance providers; (vii) life insurance undertakings; (viii) investment firms; (ix) investment funds; (x) crowdfunding platforms*;* (xi) payment initiation service providers (PISPs) and account information service providers (AISPs); (xii) firms providing currency exchange services; (xiii) corporate finance services*.*

The Guidelines are incorporated by reference, as a legislative source, in the Instructions for customer due diligence of 30 July 2019, and thus supplement the provisions set out therein.

NEXT STEPS

The *Supervisory Recommendations*, in accordance with the Communication of the Bank of Italy on the modalities it uses to conform to the Guidelines and to the Recommendations of the European Supervisory Authorities, issued on 17 July 2019, are non-binding recommendations *"that explain to the Firms the modalities to be used to comply with Italian and European legislation and regulations".* Nevertheless, a Firm that uses different modalities from those set out therein must show the Bank of Italy that such different modalities are suitable to satisfy the requirements under the reference legislative framework.

Moreover, the Note expressly provides that Firms should make all possible efforts to comply with the Guidelines.

The Firms, for example, should verify that the contents of the Guidelines are consistent with their internal processes and procedures, especially in relation to: (i) risk identification; (ii) risk assessment; (iii) identification of beneficial owners; (iv) simplified due diligence measures; (v) classification of categories requiring enhanced due diligence; (vi) effective monitoring of transactions; and (vii) scope of AML/CTF training.

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