

OPERATIONS WITH POS EQUIPMENT IN THE VATICAN CITY STATE

In the last few days various newspapers have reported that Deutsche Bank Italia has stopped operating with POS equipment (i.e. machines for making payments with credit and debit cards) in the Vatican City State because it had not obtained the Bank of Italy's authorization.

Some explanation appears desirable to set the Bank of Italy's decision in the context of European banking and anti-money-laundering law and in view of the special situation of intermediaries located in the Vatican State.

Current European Union law allows the banks of EU countries to operate in a non-EU country only if the latter has an adequate banking regulatory framework and system of supervisory controls and exchanges of information between the respective authorities are possible. In turn the countries deemed to be "equivalent" for the purposes of combating money laundering are identified individually by the European Council. Each EU country transposes the list of "equivalent" countries into national law by means of a decree. This is what Italy has done and it is what all the other EU countries have done.

The Vatican City does not have either a banking regulatory framework or European recognition of "equivalence" for anti-money-laundering purposes. The Bank of Italy therefore had no choice but to reject the request for a "moratorium" put forward by Deutsche Bank Italia for the POS machines it had installed in the Vatican City without the necessary authorization and which had subsequently been found during a Bank of Italy inspection. There was therefore no discretionary decision, much less any discrimination; any other European supervisory authority would have behaved in the same way, in compliance with Community law.

The adequacy of the Vatican's anti-money-laundering system was assessed in July 2012 by the competent international body, known as Moneyval. Although it recognized that progress had been made, Moneyval concluded that the presence of an effective anti-money-laundering regime had still not been proved.

The measure taken against Deutsche Bank by the Bank of Italy is consistent, moreover, with the action it has been taking for some time to increase the awareness of all banks established in Italy with regard to the need to apply the current anti-money-laundering legislation in their dealings with Istituto per le Opere di Religione (IOR), the bank established in the Vatican City. In fact, banking business conducted by IOR with Italian counterparties cannot benefit from the simplified controls for which EU banks are eligible, whereby the latter do not have to report the names of the clients on whose behalf they carry out individual transactions.

As is known, in Italy the Financial Intelligence Unit (FIU) is also responsible for combating money laundering; it was set up at the Bank of Italy whose resources it uses, although it acts autonomously and is independent from the Bank and, in particular, from the latter's Banking and Financial Supervision Departments. Recently the FIU has carried out its own investigations at Deutsche Bank, which were not however related to the above-mentioned matter, which was an administrative proceeding handled by the Bank of Italy.

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