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AML Data Sharing:

**A survey on sharing data for
anti-money laundering purposes**

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EXECUTIVE SUMMARY

Objectives and Methodology

- This study represents the **first survey ever conducted in Italy**, and one of the first in Europe, on data sharing practices between obliged entities for anti-money laundering and countering the financing of terrorism (AML/CFT) purposes.
- The study was carried out by **Università Cattolica del Sacro Cuore**, through its research centers **Transcrime** and **Banks** and its spin-off **Crime&tech**, in collaboration with **Deloitte**.
- The study is based on an **online survey** that gathered responses from a sample of 44 obliged entities – banks, insurance companies, other financial institutions, gaming and betting companies – corresponding to approximately **70% of the total assets** of the financial and gaming business sectors in Italy (ATECO sectors K and R.92).

Level of Use, Information Shared and Areas of Application

- **93% of the respondents** agree – 64% strongly agree – on the **usefulness of data sharing initiatives** for AML/CFT purposes between different intermediaries.
- **80% of the respondents** believe that AML/CFT data sharing initiatives are also applicable in Italy.
- **71% of the surveyed intermediaries** have already implemented initiatives to share customer data with other intermediaries.
- Of these, **42%** share information only with intermediaries within their own corporate group, while **58%** share data also with **obliged entities outside** their group. In most cases, data is shared **upon request** or when prompted by a particular event.
- In the current AML/CFT data sharing experiences, **customer due diligence** is the main area of data exchange.
- The most frequently shared customer data for AML/CFT purposes are: **first name, surname, place of birth, denomination, tax code/VAT number, PEP status** and **risk profile**.

Benefits, Risks and Obstacles

- The main benefits expected from a data sharing system are **more accurate information, greater rapidity in intercepting anomalies**, and the **definition of common standards** for AML/CFT controls.
- On the other hand, the main obstacles perceived by intermediaries are the **lack of a clear regulatory framework** and the **risks to customers' personal data** - this latter issue has been recently highlighted as critical for data sharing also by the *European Data Protection Board (EDPB)*.
- The **data** that surveyed intermediaries would be most willing to share within future data sharing systems include:
 - information on the **beneficial ownership** of customers, especially in the absence of a centralized register on beneficial owners, which has not yet been implemented in Italy;
 - information on the client's **risk profile**, and in particular:
 - information on the client's involvement/operations with **high risk third countries**;
 - the **presence of crime records or adverse media** against the client;
 - the client status as **PEP – Politically exposed person**;

- It is useful information in the due diligence context. However, respondents are willing to **enhance data sharing also in the domain of Transaction monitoring**.
- Regarding the governance aspect of a potential AML/CFT data sharing system in the future, the majority of respondents (66%) express their **preference for governance by a third party of a consortium nature**.
- **52%** of the respondents see favourably the involvement of a **public entity** in the governance of this system.

A Glimpse into the Future

- Respondents have highlighted a wide range of benefits which stem from data sharing among intermediaries:
 - greater **standardization** of information to be used in AML/CFT;
 - improved **quality of information and data**;
 - **strengthening of detection** processes, and broader perspectives of individual intermediaries;
 - definition of economies of scale and **cost reduction**.
- To achieve these objectives, it is necessary to systematically address the main issues that have emerged in the study. In particular:
 - the **regulatory limits** that the current AML framework imposes on data and information sharing;
 - the risks to the protection of customers' **personal data**, and potential issues related to **de-risking**;
 - the uncertainties surrounding which **governance scenario** is the most effective and fair.
- In this regard, it is crucial to draw inspiration from:
 - on the one hand, **existing data sharing mechanisms** at national level, both within and outside the AML/CFT framework, including those from private entities (e.g., central credit registries, SIC);
 - on the other, **AML/CFT data sharing systems already implemented in other countries**, notably the COSMIC in Singapore and the TMNL in the Netherlands.