

ECRF 2014 CONFERENCE

Rome, June 4-5, 2014

Your data for transparency and legality

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An ordinary tale of illegality

- Colosseo Ltd is a **public construction** company
- Managers of Colosseo Ltd are found to **pay a bribe** to the local government for getting a public contract
- Investigators find out that shareholders of Colosseo Ltd are linked with some **Mafia groups**
- The prosecutor is able to prove this **Mafia connection** during the criminal proceeding
- Colosseo Ltd is then **confiscated** according to the national legislation
- The relevant national agency has to find the best **management/disposal plan** for the confiscated company
- And the (new) local government asks to **prevent new Colosseo cases**: how can risky companies be identified before crimes occur?



And the role played by business registers

In all the scenes of Colosseo Ltd story, business registers play a crucial role, as they help to answer key questions:

- **During the investigation:** who is behind Colosseo Ltd?
- **In the criminal proceeding:** which official document is needed as legal evidence of Colosseo Ltd's connection with Mafia members?
- **In the management of the company once confiscated:** Is Colosseo profitable? Is it able to survive on the legal market? Who are the competitors?
- **In the risk assessment exercise:** Which are the risky business areas where the monitoring must be strengthened in order to prevent other Colosseo Ltd cases?



How can business registers become even better actors?

However, to become main stars of the story, business registers could still improve certain skills:

- Information on administrators and owners
- Timeliness, completeness and reliability of data
- Access to official and certified documents
- Systems allowing cross-border queries
- More user-friendly access (e.g. avoiding credit cards)
- Links to other sources of information (e.g. media, freezing lists)
- Data on peers and competitors
- Aggregate statistics

(see also Bownet project findings – www.bownet.eu)



Business registers and risk assessment tools

- But what could help business registers win the Oscar Academy Awards?
- The biggest challenge is finding out how they could contribute to the development of powerful **risk assessment tools**
- Risk assessment - on the top of the political agenda:
 - when talking about money laundering
 - when talking about corruption
 - when talking about *customer due diligence* activity of banks and other intermediaries
 - when talking about security of the supply-chain of private companies



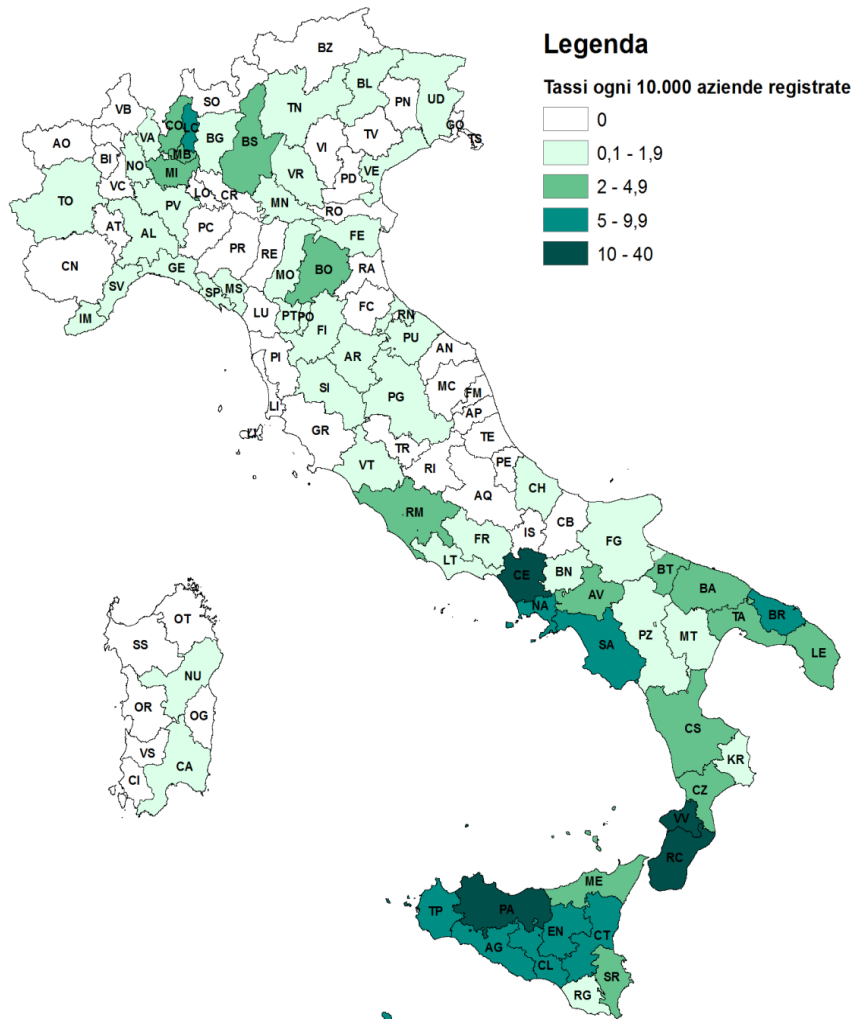
An example: assessing the risk of Mafia infiltration among Italian companies

- Which business areas in Italy are at highest risk of Mafia infiltration?
- Question driving many Transcrime projects, both at Italian and EU level
- Questions answered by integrating different pieces of information:
 - Crime data (e.g. statistics on confiscations)
 - Data from business registers
 - Other data (e.g. judiciary evidence, police reports, etc)



Which Italian regions are at highest risk?

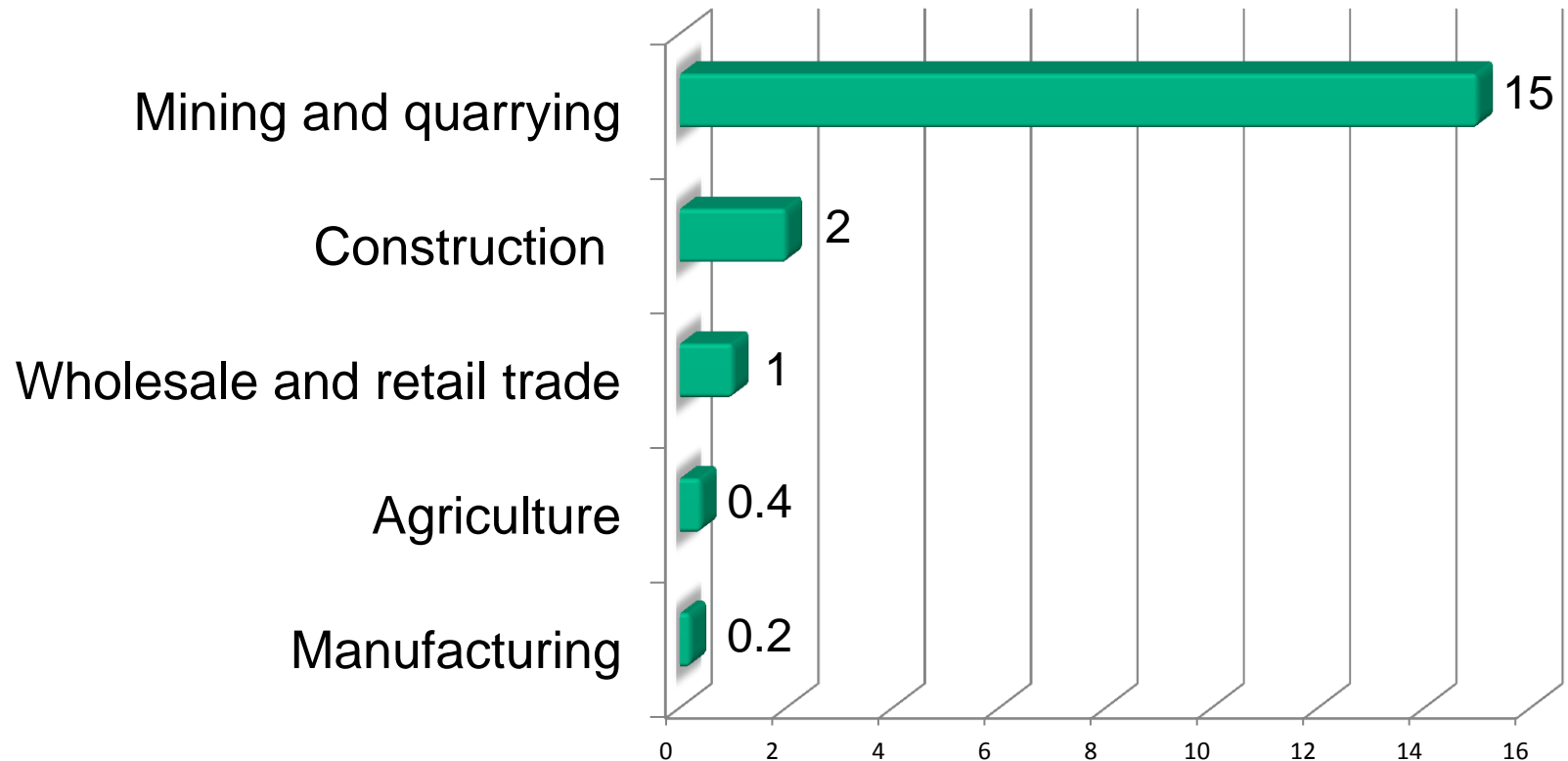
Rate between confiscated companies and registered companies (1983-2012) across Italian provinces



- About 2,000 companies confiscated between 1983-2012
- Highest rate in Southern Italy
- But selected Northern provinces also affected

Which business sectors are at highest risk?

- Identification of the business sectors most exposed to Mafia infiltration
- Weight of *Mining and quarrying* among Mafia companies is 15 times higher than among registered companies in Italy



Source: Riccardi 2014; Riccardi and Soriani 2014; Transcrime 2013

Which are the characteristics of Mafia companies?

Analysis conducted using financial and ownership data taken from business registers:

- In most cases Mafia companies are LLC
 - Profitability in line with or lower than legal companies (often due to bad management)
 - Low financial and bank debts
 - Low level of property, plant, equipment
 - Most of the assets held in cash or current activities
- These patterns may become **predictors** (*red flags*) for the identification of risky companies

Source: Riccardi 2014; Riccardi and Soriani 2014; Transcrime 2013



Conclusions and policy implications

- Business registers may be crucial in many activities related to the control of crime and illegality, e.g.:
 - for investigation purposes
 - for the management and disposal of criminal assets
 - for risk assessment and prevention
- This enlarges the audience and the group of potential end-users of business registers
- But it poses challenges in terms of improving certain registers' services and data
- And asks to strengthen links with other **data sources** and **actors** able to interpret the data: data alone is not enough!



Transcrime - Who we are

- Transcrime – Joint Research Centre on Transnational Crime (www.transcrime.it)
- Università Cattolica (Milan) + University of Trento
- More than 100 projects (funded at national, EU and international level) on the study of:
 - Money laundering
 - Corruption
 - Organised crime
 - Supply-chain security
- Development of risk indicators and risk assessment models
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