(EN)

Instruction No. 1
publishing the list of high-risk jurisdictions and jurisdictions under increased monitoring*

THE SUPERVISORY AND FINANCIAL INFORMATION AUTHORITY,

having regard to the *Monetary Agreement between the European Union and the Vatican City State* of 17 December 2009;

having regard to the Law *on Transparency, Supervision and Financial Reporting*, No. XVIII of 8 October 2013, as amended by Law No. DCXIV of 7 November 2023, and, in particular, Article 9 (2)(b)(vi) to (viii) and Article *30-bis*;

having regard to Regulation No. 4 *on the due diligence of customers of entities carrying out financial activities on a professional basis* of 21 June 2024;

Whereas:

the Holy See, in accordance with its nature and mission, participates in the efforts of the international community aimed at protecting and promoting the integrity, stability and transparency of the economic and financial sectors and at preventing and countering criminal activities;

the Vatican City State is committed to ensure an effective internal system for the prevention and countering of money laundering, the financing of terrorism and the proliferation of weapons of mass destruction;

the Financial Action Task Force has clarified that its *standards* do not require the complete elimination of risk nor the blanket exclusion of entire categories of customers, but rather call for the adoption of an approach aimed at identifying and managing risk by applying measures that are appropriate and proportionate to the shortcomings identified in the jurisdictions under increased monitoring. In this context, jurisdictions and financial institutions are required to ensure that flows of funds for humanitarian assistance, legitimate activities of non-profit organisations and remittances are neither disrupted nor discouraged;

the Financial Action Task Force calls for the application of specific countermeasures for certain jurisdictions – taking into account, inter alia, the United Nations Resolutions on the financing of the proliferation of weapons of mass destruction;

HAS ADOPTED THE FOLLOWING INSTRUCTION

***** Consolidated text incorporating the amendments introduced by the Act *amending Instruction No. 1 of 28 March 2023, which publishes the list of high-risk jurisdictions and jurisdictions under increased monitoring*, of 27 July 2026.

(EN)

Article 1. ***Subject matter***

1. This Instruction regulates the transposition and updating of the list of high-risk jurisdictions and the list of jurisdictions under increased monitoring adopted by the Financial Action Task Force, and sets out the applicable measures, in accordance with a risk-based approach.

Article 2. ***Definitions***

For the purposes of this Instruction, the following definitions apply:

1. *'Connection*': the existence, in relation to a transaction or a relationship, of at least one of the following objective elements:

(a) the user, beneficial owner, legal representative, delegate or executor, payer or payee is resident, domiciled, a national of or has its registered office (in the case of a legal person) or has a contact address – as recorded in the information systems and used for the purposes of the relationship or transaction – in a higher-risk jurisdiction;

b) the account from which funds are debited or to which they are credited is held with an intermediary established in a higher-risk jurisdiction;

c) the financial intermediary of the payer or payee and/or the correspondent of the obliged entities is established in a higher-risk jurisdiction;

d) the funds involved in the transaction originate from, or are destined for, a higher-risk jurisdiction;

e) transactions via automated teller machines (ATMs) are carried out in a higher-risk jurisdiction.

A connection is deemed to exist if even one of the above objective criteria is met and is identified on the basis of the information available in the obliged entities' information systems, without the need for discretionary assessments.

2. *'High-risk jurisdictions*': jurisdictions that have serious strategic deficiencies in their regimes for combating money laundering, terrorism financing and the proliferation of weapons of mass destruction. The Financial Action Task Force requires enhanced due diligence to be applied in cases involving links with the jurisdictions listed in Section II of Annex 1, and for counter-measures to be applied to protect the international financial system from the risks of money laundering, terrorism financing and the proliferation of weapons of mass destruction financing originating from the jurisdictions listed in Section III of Annex 1.

3. *'Higher-risk jurisdictions*': the jurisdictions included in the list of high-risk jurisdictions and in the list of jurisdictions under increased monitoring, as set out in Annex 1 to this Instruction.

4. '*Jurisdictions under increased monitoring*': the jurisdictions that are actively cooperating with the Financial Action Task Force to address the strategic deficiencies in their regimes for combating money laundering, terrorism financing and the financing of the proliferation of weapons of mass destruction, as set out in Section I of Annex 1. These jurisdictions have committed to promptly addressing the strategic deficiencies identified within the agreed time and are under increased monitoring.

5. *'Transaction*': any activity involving the movement, transfer or making funds

available, carried out through an intermediary, including transfers of funds, the use of payment instruments and any other form of movement of financial resources recorded in information systems.

6. *'Obliged entities*': entities subject to the obligations set out in Article 4 of Law No. XVIII.

Article 3. ***Updating of the lists***

1. The list of high-risk jurisdictions and the list of jurisdictions under increased monitoring are set out in Annex 1 to this Instruction.

2. Annex 1 is updated periodically by the Supervisory and Financial Information Authority, taking into account the decisions taken by the relevant international bodies and, in particular, the Financial Action Task Force and the European Union.

3. Updates to Annex 1 shall come into force on the date of their publication on the Supervisory and Financial Information Authority's official website.

4. Obliged entities are required to promptly adapt their controls and information systems in line with the updates referred to in this Article.

Article 4. ***Specific obligations in the case of relationships or transactions involving higher-risk jurisdictions***

1. Obliged entities are required to apply the enhanced customer due diligence measures provided for by current legislation and, in particular, by Article *30bis* of Law No. XVIII of 8 October 2013 and Articles 25 and 27 of Regulation No. 4 of 21 June 2024, for relationships and transactions involving higher-risk jurisdictions, in accordance with a risk-based approach and taking into account the threats specifically associated with each jurisdiction.

2. Where there is a connection with the jurisdictions listed in Sections II and III of Annex 1, in addition to the measures referred to in paragraph 1, obliged entities are required to:

(a) refrain from establishing new correspondent relationships with financial intermediaries and providers of cryptocurrency, electronic, virtual or synthetic currency services having their registered office in such jurisdictions and shall terminate existing relationships;

b) refrain from establishing branches, subsidiaries or representative offices in those jurisdictions;

c) take all appropriate measures to mitigate the risks associated with specific shortcomings in the systems for preventing and countering money laundering, terrorism financing and the proliferation of weapons of mass destruction financing in the jurisdictions referred to in Sections II and III of Annex 1.

3. Where there is a connection with the jurisdictions listed in Section III of Annex 1, obliged entities are also required to:

(a) consider refusing to establish or terminate relationships and carry out transactions where the risks cannot be adequately mitigated;

b) request prior authorisation from the Supervisory and Financial Information Authority to carry out transactions amounting to 40,000 euros or more (or the

equivalent in foreign currency), in accordance with the procedures set out in Article 5.

4. In applying the measures referred to in this Article, obliged entities shall ensure that financial flows relating to humanitarian assistance, the supply of essential goods and the operating costs of diplomatic missions and personal remittances are managed in accordance with a risk-based approach.

Article 5. ***Prior authorisation***

1. Obliged entities, pursuant to Article 4(3)(b), must obtain prior authorisation from the Supervisory and Financial Information Authority to carry out transactions amounting to 40,000 euros or more (or the equivalent in foreign currency), whether single or linked, where such transactions relate to the jurisdictions listed in Section III of Annex 1.

2. For the purposes of paragraph 1, the request for authorisation must be accompanied by at least the following data, information and documentation:

(a) identification details of the parties and the relationships involved;

b) a unique code (where available) and a description of the transaction;

c) the origin and/or destination of the funds;

d) documentation regarding the economic purposes of the transaction.

3. The Supervisory and Financial Information Authority may request data, information and documentation in addition to that submitted pursuant to paragraph 2.

4. Obliged entities shall refrain from carrying out the transaction in the absence of the authorisation referred to in paragraph 1.

5. The Supervisory and Financial Information Authority, where it identifies a risk of money laundering, terrorism financing or the proliferation of weapons of mass destruction financing and/or finds that the transaction may be prejudicial to - or conflict with - the interests of the Vatican City State/Holy See, it may, taking into account any guidance from the Financial Security Committee in this regard, suspend and/or block the transaction.

6. Obliged entities shall be notified by the Supervisory and Financial Information Authority of the outcome of the request for authorisation within 30 days of the date of receipt of the request, or within 30 days of receipt of any additional data, information and documentation requested pursuant to paragraph 3.

7. The obligation referred to in this article applies in addition to the enhanced customer due diligence measures provided for under the current regulatory and legislative framework.

8. This is without prejudice to the obligation to report suspicious activity and the obligation to refrain from carrying out transactions, as laid down in Articles 40 and 42 of Law No. XVIII of 8 October 2013.

9. Apostolic Nunciatures and members of the Holy See’s diplomatic service, in the exercise of their institutional functions, are excluded from the scope of this article.

(EN)

Article 6. ***Periodic reports***

1. Obliged entities are required to report to the Supervisory and Financial Information Authority, on a weekly basis, all transactions connected with the jurisdictions listed in Annex 1, Sections I, II and III, in accordance with the format set out in Annex 2.

2. For the purposes of paragraph 1, transactions of any nature identified on the basis of the definition of 'connection' set out in Article 2, paragraph 1, shall be subject to reporting.

3. Obliged entities shall ensure the completeness, accuracy and timeliness of the information reported.

Article 7. ***Final provisions***

This Instruction is without prejudice to the provisions of Article 40 of Law No. XVIII of 8 October 2013, concerning the reporting of suspicious activities.

Article 8. ***Administrative sanctions***

In the event of a breach or systematic failure to comply with the obligations laid down in this Instruction, the Supervisory and Financial Information Authority applies administrative sanctions in accordance with Article 47 of Law No. XVIII.

This Instruction enters into force on the day of its publication on the Supervisory and Financial Information Authority's official website.

Vatican, 28 March 2023

FEDERICO ANTELLINI RUSSO
Director