

Seeking the devil in details

New software helps uncover Mafia crime masked as ordinary business

Suspicious patterns are revealed by crunching financial data



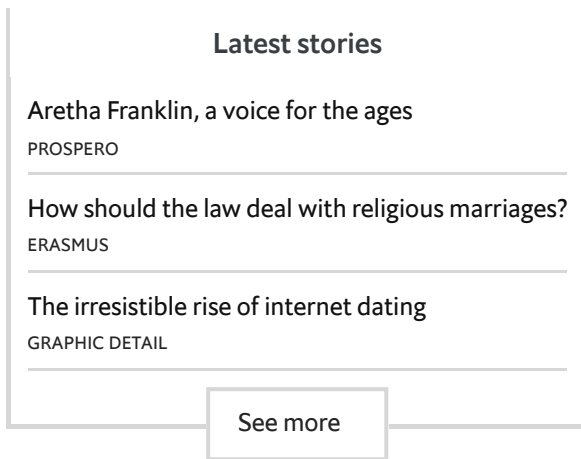
Print edition | Finance and economics

Aug 18th 2018 | PALERMO

FOR an inkling of how hard it is for Italian authorities to identify Mafia activity, consider how mobsters disguise the *pizzo*, or protection payments, they extort. The owner of a business may find that customers have been scared off by a menacing stranger. Within days a mysterious man visits. He may request a regular donation for a poor family, or ask a business to switch to a new supplier. Owners put two and two together, says Daniele Marannano, an anti-Mafia activist in Palermo: “There’s no need for further explanations.”

Such concealment is more common than in decades past, when payments were often collected monthly in cash. That has made it harder to spot extortion by analysing a business’s books, says Antonio Basilicata of the Anti-Mafia Investigation Directorate (DIA) in Rome. But software developed by Crime&tech, a

firm in Milan, can still help identify companies with probable Mafia links by crunching financial and operational data.



Crime&tech's software identifies not *pizzo* schemes as such, but firms that may be under *mafioso* control or involved in Mafia crimes such as illegal gambling and trafficking in people, drugs or arms. Its algorithms look at many variables. Businesses with little or no bank financing are more likely to have taken out a Mafia loan. Borrowers who struggle to repay may

“convert the debt into stock” held by the Mafia creditor, often behind the smokescreen of a figurehead administrator, says Michele Riccardi of Crime&tech. The software considers the age and sex of a firm's administrators. Those who are old, young or female are more likely to be figureheads.

It also looks for anomalies in payroll and invoice data that may reveal attempts to conceal illicit payments, especially in sectors where Mafia activity is strongest: construction, retail, waste removal, food services and transport. A high share of a firm's wealth kept liquid is a red flag.

To create the software Crime&tech analysed police reports, court documents and academic studies, many conducted by researchers at Transcrime, a think-tank at Milan's Catholic University of the Sacred Heart, from which Crime&tech is a spinoff. The team also used data on the roughly 5,000 Mafia-linked firms that have had their assets seized by the authorities in the past 30 years. The result, says Francesco Calderoni, one of Crime&tech's founders, is “an identikit of a Mafia business”.

You've been made, man

Analysis by corporate-investigations firms such as Kroll, which is based in New York, is probably still a more accurate way to spot the Mafia's fingerprints. But that can cost more than €1,500 per firm scrutinised. Automation cuts costs dramatically. An early version of Crime&tech's software assessed the “Mafia risk” of some 4,000 firms that placed bids on contracts for Expo 2015, a fair in Milan. The software found probable Mafia links that had hitherto been unknown to the DIA.

Crime&tech's Italian clients include two police forces, two regional government bodies and companies keen to avoid suppliers and contractors affiliated with the Mafia. Crime&tech also licenses its technology to Bureau Van Dijk (BVD), a subsidiary of Moody's, a credit agency. Demand is brisk, BVD's Milan office reports, with intelligence agencies and tax authorities among those using the service.

Other firms are developing similar products. Consorzio CBI, a research outfit in Rome funded by Italian banks, is improving software that tries to sniff out Mafia connections by looking for clues such as atypical transfers between a firm's departments. In an effort to curb Mafia involvement in public contracts, Italy's finance ministry is using the software to keep an eye on more than 10,000 bank accounts. Computer says no, *mafioso*.

This article appeared in the Finance and economics section of the print edition under the headline "Seeking the devil in the details"