LAW ON COMPANIES AND BANKING, FINANCIAL AND INSURANCE SERVICES

Law no. 165 of 17 November 2005

as amended by Corrigendum of 30 January 2006
and by Law no. 129 of 21 December 2007
and by Law no. 92 of 17 June 2008
and by Legislative Decree no. 162 of 3 December 2009
and by Law no. 5 of 21 January 2010
and Legislative Decree no. 181 of 11 November 2010
and by Law no. 178 of 4 November 2010
and by Legislative Decree no. 190 of 29 November 2010
and by Decree – Law no. 36 of 24 February 2011
and by Law no. 189 of 5 December 2011

UNOFFICIAL TEXT

NOTICE

The purpose of this document, issued by the Central Bank of the Republic of San Marino, is to facilitate consultation of Law 165 of 17 November 2005 as further amended, as stated below. It is not an official text, and the Central Bank of the Republic of San Marino assumes no liability for any errors or omissions. The official text of the Laws of the Republic of San Marino can be found in the *Bollettino Ufficiale* or on the Internet website, www.consigliograndeegenerale.sm.

Law 165 of 17 November 2005

as amended by Corrigendum of 30 January 2006
and by Law no. 129 of 21 December 2007
and by Law no. 92 of 17 June 2008
and by Legislative Decree no. 162 of 3 December 2009
and by Law no. 5 of 21 January 2010
and Legislative Decree no. 181 of 11 November 2010
and by Law no. 178 of 4 November 2010
and by Legislative Decree no. 190 of 29 November 2010
and by Decree – Law no. 36 of 24 February 2011
and by Law no. 189 of 5 December 2011

REPUBLIC OF SAN MARINO

LAW ON COMPANIES AND BANKING, FINANCIAL AND INSURANCE SERVICES

We the Captains Regent
of the Serene Republic of San Marino

Hereby promulgate and order the publication of the following law approved by the Grand and General Council at its sitting on 17 November 2005.

PART I
REGULATION OF AUTHORISED PARTIES AND RESERVED ACTIVITIES

TITLE I
GENERAL PROVISIONS

Article 1
(Definitions)

1. For the purposes of this law, by the following terms are meant:
   a) "*attività bancaria*" – "banking": the activity referred to in section A of Attachment 1;
   b) "*attività di assunzione di partecipazioni*" – "the taking of holdings": the activity referred to in section L of Attachment 1;

c) "*attività di concessione di finanziamenti*" – "the granting of loans": the activity referred to in section B of Attachment 1;
d) "*attività di intermediazione in cambi*" – "exchange intermediation": the activity referred to in section K of Attachment 1;
e) "*attività fiduciaria*" – "fiduciary activity": the activity referred to in section C of Attachment 1;
f) "*attività assicurativa*" – "insurance": the activity referred to in section G of Attachment 1;
g) "*attività riservate*" – "reserved activities": the activities listed in Attachment 1;
h) "*attività riassicurativa*" – "reinsurance": the activity referred to in section H of Attachment 1;
i) "*attuario*" – "actuary": a person entered in the register referred to in Article 145;
j) "*autorità di vigilanza*" – "supervisory authority": the Central Bank of the Republic of San Marino;
k) "*banca*" – "bank": a company authorised to engage in the activity referred to in section A of Attachment 1;
l) "*Banca Centrale*" – "Central Bank": the Central Bank of the Republic of San Marino;
m) "*cliente professionale*" – "professional client": a client with the characteristics laid down by the supervisory authority;
n) "*CCR*": the *Comitato per il Credito e il Risparmio* (Committee for Credit and Savings) referred to in article 48 of Law 96, 29 June 2005;
o) "*esecuzione di ordini per conto dei clienti*" – "execution of orders on behalf of clients": the conclusion of agreements for the purchase and sale of one or more financial instruments on behalf of clients;
p) "*fondo comune di investimento*" – "mutual investment fund": a fund with its own autonomous equity, divided into units, belonging to a number of holders and managed by the investment company; the equity may be raised by one or more issues of units;
q) "*gestione di portafogli*" – "portfolio management": the discretionary and individualised management of investment portfolios under a mandate conferred by the clients, when such portfolios include one or more financial instruments;
r) "*impresa di assicurazione*" – "insurance undertaking": an undertaking authorised to engage in the activity referred to in section G of Attachment 1;
s) "*impresa di investimento*" – "investment undertaking": an undertaking authorised to engage in the activity referred to in section D of Attachment 1;
t) "*impresa di riassicurazione*" – "reinsurance undertaking": an undertaking authorised to engage in the activity referred to in section H of Attachment 1;
u) "*intermediario assicurativo*" – "insurance intermediary": a person professionally engaged in insurance intermediation as referred to in Article 26;
v) "*intermediario riassicurativo*" – "reinsurance intermediary": a person professionally engaged in reinsurance intermediation as referred to in Article 26;
w) "*istituto di moneta elettronica*" – "electronic money establishment": a company other than the bank, which is authorised to engaged in the activity referred to in section J of Attachment 1;
x) "*Legge sulle Società*" – "Companies Law": Law 68 of 13 June 1990, as further amended;
y) "*Legge di istituzione del registro dei revisori contabili e delle società di revisione*" – "Law establishing the register of independent auditors and auditing firms": Law 146, 27 October 2004;
z) "*mercato regolamentato*" – "regulated market": a market for financial instruments governed by rules defining the manner in which the market operates, the conditions of access to the market, the conditions for listing and the conditions that must be met by financial instruments

before they can be effectively traded on the market, and rules prescribing adequate transparency obligations;

aa) "*negoziazione per conto proprio*" – "trading on own account": trading in order to conclude transactions in one or more financial instruments in which the trader takes its own positions;

bb) "*organismi di investimento collettivo*" – "collective investment undertakings": mutual investment funds and foreign agencies which, under the laws and regulations of their country of origin, have characteristics equivalent to those of mutual investment funds;

cc) "*promotore finanziario*" – "financial promoter": a professional engaged in the out–of–office offer activity referred to in Article 24;

dd) "*registro delle società*" – "companies register": the register referred to in article 20 of the Companies Law;

ee) "*Repubblica*" – "Republic": Republic of San Marino;

ff) "*rete distributiva*" – "distribution network": all channels of contact with the public, including branches, automatic teller machines, the promoters' and agents' offices and telecommunications procedures;

gg) "*servizi di emissione di moneta elettronica*" – "electronic money issue services": the activity referred to in section J of Attachment 1;

hh) "*servizi di investimento*" – investment services": the activity referred to in section D of Attachment 1;

ii) "*servizi di investimento collettivo*" – "collective investment services": the activity referred to in section E of Attachment 1;

jj) "*servizi di pagamento*" – "payment services": the activity referred to in section I of Attachment 1;

kk) "*servizio di collocamento*" – "placement service": the agreement between the issuer (or the offeror) and the placement intermediary, directed towards the public offering of the financial instruments issued, and thereafter their placement with that intermediary's clients on predetermined price conditions and, if specified, time conditions. The agreement may also be concluded between a primary underwriter and a secondary underwriter;

ll) "*società di gestione*" – "management company": a company authorised to engage in the activity referred to in section E of Attachment 1;

mm) "*società fiduciaria*" – "fiduciary company": a company engaged in the activity referred to in section C of Attachment 1;

nn) "*soggetti autorizzati*" – "authorised parties": parties who have obtained authorisation to engage in one or more reserved activities in accordance with Title II;

oo) "*Statuto della Banca Centrale*" – "Statutes of the Central Bank": Law 96, 29 June 2005;

pp) "*stretti legami*" – "close links": relations between an authorised party and a natural or legal person, Sanmarinese or foreign, who:
- controls the authorised party;
- is controlled by the authorised party;
- is controlled by the same party as the one controlling the authorised party;
- has a holding in the capital of the authorised party, or a holding in which is owned by the authorised party, equivalent to at least 33% of the capital with voting rights.

qq) "*strumenti finanziari*" – "financial instruments": the instruments listed in Attachment 2;

rr) "*succursale*" – "branch": a seat of business activities constituting a part thereof, without legal personality, and which exercises all or some of the reserved activities for which the party has been authorised;

ss) "*tecniche di comunicazione a distanza*" – "distance communications technology": technology for contact with clients or the public, other than advertising, not entailing the simultaneous physical presence of the client and the offeror or one of the offeror's agents.

Article 2
(Concept of control)

1. For the purposes of this Law, control shall exist when a natural or legal person:
   a) controls a majority of the voting rights at general meetings, or
   b) controls a sufficient number of the voting rights to exert a dominant influence at general meetings, or
   c) exerts a dominant influence through special contractual ties.

   For the purpose of a) and b), the votes controlled by subsidiary companies, fiduciary companies or an intermediary will also be taken into account, whereas the votes controlled on behalf of third parties will not be taken into account.

2. In the absence of evidence to the contrary, control as indicated in paragraph 1 shall be deemed to exist in the form of dominant influence in any of the following situations:
   a) where a person, pursuant to agreements with other members, is entitled to appoint or remove a majority of the directors or has sole control of a majority of the voting rights at general meetings;
   b) where a person owns a holding that would allow him to appoint or remove a majority of the members of the administrative body;
   c) where there exist financial or organisational relationships, including those between members, likely to produce one of the following effects:
      - the transfer of profits or losses;
      - coordination of the management of a company with that of other companies in the pursuit of a common objective;
      - the attribution of powers greater than those deriving from the shares or capital units owned;
      - the attribution of powers of choice of directors or managers of companies to persons other than those entitled to exercise such powers on the basis of the ownership structure;
   d) where companies are subject to common management arising from the composition of the administrative bodies or other concurrent factors.

TITLE II
ACCESS TO RESERVED ACTIVITIES

Chapter 1
General provisions

Article 3
(Obligation of authorisation for the exercise of reserved activities)

1. The entrepreneurial exercise of one or more activities listed in Attachment 1 in the Republic of San Marino will be reserved to parties authorised for such exercise by the supervisory authority.

2. Attachments 1 and 2 will be supplemented or amended by a Regency Decree.

Article 4
(Activities that may be exercised by authorised parties)

1. The authorised parties may perform only those reserved activities for whose exercise they have obtained the appropriate authorisation.

2. The supervisory authority will establish those cases in which a reserved activity, or a branch of activities, shall be performed exclusively, and those cases in which two or more reserved activities, or branches of activities, may not be performed by the same party.

3. The authorised parties may also carry out activities incidental, instrumental and related to the reserved activities for which they have obtained authorisation. The supervisory authority will define the incidental, instrumental and related activities that each authorised party may carry out, to include activities related to the reserved activities for which they have obtained authorisation.

4. The supervisory authority will establish the cases in which and the terms on which one or more reserved activities may be exercised incidentally to other reserved activities.

5. The authorised party may not perform activities other than those laid down by paragraphs 1, 3 and 4.

Article 5
(Taking of deposits)

1. By the taking of deposits is meant the taking of money from the public with the obligation of its return.

2. The activity referred to in paragraph 1 will be reserved for banks, save as provided by the Companies Law on the subject of debenture issues.

3. The supervisory authority will regulate the taking of deposits by authorised parties. The supervisory authority may establish quantitative limits for the authorised parties' issue of debentures, even when they derogate from the limits laid down by the Companies Law.

4. Nevertheless, no parties other than banks may take sight savings in the form of deposits, securities representing deposits or savings associated with the issue or management of legal tender that is generally acceptable as payment.

5. The supervisory authority will regulate the taking of deposits by banks. It will regulate the taking of savings by the issue of debentures by banks, even where this derogates from the provisions of the Companies Law as regards: the corporate body deciding on the issue, the minuting of the decision on the issue of debentures and public notice of the issue, limits on the issue and the content of the debentures.

Chapter 2
Authorisation for the exercise of reserved activities

Article 6
(Application for authorisation)

1. The application for authorisation shall indicate the reserved activities, and where required the branches of reserved activities, which the applicant intends to perform.

2. The draft memorandum of association and the other documents required by the supervisory authority shall be attached to the application for authorisation, together with the attestation of creation of an escrow deposit as established by article 13 below.

3. The supervisory authority will establish the content of and procedure for the submission of applications for authorisation, and where appropriate for applications for each reserved activity.

4. The supervisory authority may request any information from the applicant that it thinks fit for the purpose of deciding on the issue of the authorisation.

Article 7
(Authorisation by the supervisory authority)

1. The supervisory authority will not issue the authorisation unless the minimum requirements set out in Chapter 4 are met for each reserved activity for whose exercise the application is being made. The supervisory authority may establish further minimum requirements for the issue of authorisation.

2. The supervisory authority will notify the applicant in writing, within the term specified by itself, of the issue or refusal of the authorisation.

3. If the supervisory authority has asked the applicant for information and/or documents to supplement the application, the term referred to paragraph 2 will be suspended, and will recommence in full from the time at which the supervisory authority receives the information and/or the documents requested.

4. The supervisory authority will establish the cases of suspension of the term referred to in paragraph 2.

Article 8
(Application for a variation to an authorisation)

1. Any authorised party may ask the supervisory authority to vary the terms of its authorisation with a view to adding or removing a reserved activity, or a branch of a reserved activity, to or from those included in the authorisation.

2. The supervisory authority will establish the content of and procedure for the submission of applications for a variation to an authorisation, and where necessary for applications for each reserved activity.

3. The procedure for the issue of the authorisation for the variation will be regulated in the manner stated in articles 6 and 7.

Article 9
(Accreditation for the start of operating activities)

1. The supervisory authority will establish those cases in which the start of operating activities by authorised parties is conditional on prior accreditation being issued by the supervisory authority.

Article 10
(Revocation of authorisation)

1. The supervisory authority may revoke the authorisation to exercise one or more reserved activities in the event that the authorised party:
   a) no longer meets the minimum requirements referred to in Chapter 4, and any other requirement on which authorisation is conditional;
   b) has not, for more than twelve months, initiated the activity covered by the authorisation it has been granted;
   c) has, for over six months, ceased to exercise any activity for which it has obtained authorisation;
   d) has obtained the authorisation by submitting false statements or by any other irregular means, or in those cases stated in article 14.

2. If any of the said cases of revocation of authorisation occurs, the supervisory authority will notify the authorised party of the order to remedy the situation within a term to be established by the authority, but of not more than six months.

3. If the term referred to in paragraph 2 elapses without the situation being remedied, the supervisory authority will revoke the authorisation. The revocation measure will be published in the *Bollettino Ufficiale (Official Bulletin).*

4. If the compulsory administrative liquidation of the authorised party has not been ordered by the time of the revocation, the directors will convene a general meeting within two months of revocation to resolve on the company's voluntary liquidation.

Article 11
(Register of authorised parties)

1. A public register of authorised parties will be established at the Central Bank.

2. The supervisory authority will enter each authorised party in the register at the time of issuing the first authorisation.

3. The supervisory authority will determine the identification particulars and the items of information to be entered into the register, regulate the setting up, the organisation of the register, and the procedures for consultation by the public.

4. The register referred to in paragraph 1 may also be kept in computerised format.

Chapter 3
Congress of State Declaration of Non-impediment

Article 12
(Issue of declaration of non-impediment by the Congress of State)

1. The authorisation delivered by the supervisory authority, or the variation to its authorisation, shall be followed by a declaration of non-impediment by the Congress of State, where the authorisation for the exercise of reserved activities relates to the exercise of the activities referred to in sections A, C, D, E, G and H of Attachment 1.

2. For the purpose of issuing the declaration of non-impediment, the supervisory authority will forward the application submitted by the authorised party, together with the authorisation or variation measure that it has issued, to the Congress of State, through the Committee for Credit and Savings.

3. The effectiveness of the authorisation or variation measure issued by the supervisory authority will be conditional on the Congress of State granting the declaration of non-impediment.

4. The supervisory authority will inform the applicant in writing and without delay of the granting or refusal of the declaration of non-impediment.

5. Those cases in which, and the conditions on which, the declaration of non-impediment is understood as being granted in general will be laid down by Regency Decree.

Chapter 4
Minimum Requirements for Authorisation

Article 13
(Minimum requirements)

1. The supervisory authority will issue authorisation for the exercise of reserved activities provided that the following conditions are satisfied:
   a) the draft Memorandum of Association is drawn up in compliance with the criteria laid down by the supervisory authority;
   b) the legal type of capital company adopted is as established by the supervisory authority with regard to the reserved activities for whose exercise authorisation is being requested;
   c) the registered office and administrative seat is established in the territory of the Republic;
   d) the corporate capital is not less than the amount laid down by the supervisory authority;

e) an escrow deposit has been lodged with Sanmarinese banks with a view to the subsequent payment of the corporate capital at the time of incorporation, the deposit being for an amount no less than the amount established by the supervisory authority;
f) the owners of substantial holdings who are subject to the obligation of authorisation pursuant to article 17 will satisfy the requirements as to good repute and such other requirements as will ensure sound and prudent management, as established by the supervisory authority;
g) no close links exist that might impede the exercise of the supervisory functions;
h) the company members referred to in article 15 satisfy the requirements referred to in paragraph 1 of that article;
i) a business plan is presented defining the appropriate asset, human, organisational and technological resources for the activities it intends to perform, as well as other documents and reports as established by the supervisory authority.

Chapter 5
Incorporation of the Company

Article 14
(Compliance of Memorandum of Association)

1. The company's Memorandum of Association shall be drawn up in accordance with the draft authorised by the supervisory authority pursuant to article 7. Within five days of its signing, the Memorandum of Association shall be made known to the supervisory authority. Its divergence from the draft will be a cause for revocation of the supervisory authority's authorisation.

TITLE III
COMPANY MEMBERS

Article 15
(Requirements of company members)

1. Those persons holding company offices of administration, management or control within authorised parties shall satisfy the requirements of good repute, professionalism and independence laid down by the supervisory authority.

2. Failure to satisfy the requirements referred to in paragraph 1 will lead to their removal from the appointment or office. Removal will be declared by the board of directors within thirty days of nomination or from becoming aware of the cause of the failure to satisfy the requirements. If the measure is not adopted, the removal will be declared by the supervisory authority.

3. The supervisory authority will establish the causes entailing temporary suspension from the office, and its duration. The suspension will be declared by the procedures indicated in paragraph 2.

TITLE IV
ASSETS HELD ON OWN ACCOUNT

Article 16
(Substantial participations)

1. Any person who, on any title, becomes the owner of a substantial participation in the capital of an authorised party through the acquisition of shares or units shall notify the supervisory authority.

2. Such notification will also be required in the event of the assignment of shares or units leading to the loss of ownership of a substantial participation in an authorised party's capital.

3. For the purpose of paragraphs 1 and 2, shares or units indirectly acquired or assigned will also be taken into account when they are acquired or assigned through subsidiary companies, fiduciary companies or an intermediary.

4. For the purpose of paragraphs 1 and 2, the supervisory authority will establish:
   a) the participations in the capital of an authorised party that are deemed to be substantial, also taking into account the voting and other rights that might influence the management of the authorised party;
   b) the parties required to provide notification when rights arising from the participations are assignable or assigned to a party other than the holder of those participations, and also when agreements exist concerning the exercise of the voting right;
   c) the procedures and terms for notification.

Article 17
(Prior authorisation for the purchase of substantial participations)

1. The supervisory authority will establish the cases in which the purchase of shares or units leading to the acquisition of ownership of a substantial participation in the capital of an authorised party must be authorised in advance by the supervisory authority.

2. In those cases specified in paragraph 1, within ninety days of notification the supervisory authority may prohibit the acquisition of the participation if it deems that the potential purchaser does not satisfy the requirements referred to in Article 18 or is not such as to ensure the sound and prudent management of the authorised party or to allow the exercise of supervisory. Authorisation may also be deemed to be refused if the acquisition conflicts with the attainment of the supervisory objectives referred to in Article 37, or having regard to the economic structure and needs of the market. If ninety days elapse without any type of notification from the supervisory authority, authorisation will be deemed to have been granted.

3. The authorisation referred to in paragraph 1 may be revoked if the requirements laid down by this law are no longer satisfied due to the purchase of participations in the capital of authorised parties.

4. Notification of the purchases and assignments referred to in paragraph 1 will be made to the supervisory authority and to the authorised party once they have been completed.

5. The supervisory authority will establish:
   a) the participations in the capital of an authorised party deemed to be substantial for the purpose of the prior authorisation referred to in paragraph 1, also taking into account the voting and other rights that may influence the management of the authorised party;
   b) the parties required to request authorisation when rights arising from the participations are assignable or assigned to a party other than the holder of those participations, and also when agreements exist concerning the exercise of the voting right;
   c) the procedures for the application for authorisation.

Article 18
(Requirements of good repute)

1. The supervisory authority will establish the requirements of good repute of the owners of substantial participations in an authorised party.

Article 19
(Notification of voting agreements)

1. Without prejudice to the obligations of giving public notice laid down by the Companies Law, any written agreement whose object or effect is the concerted exercise of votes in an authorised party or in a company controlling an authorised party will be notified to the supervisory authority by the participants or by the legal representatives of the party to which the agreement refers, if they are cognizant of that agreement, within five days of its signing.

Article 20
(Acquisition of the control of an authorised party)

1. The acquisition of the control of an authorised party shall be notified to the supervisory authority in accordance with the procedures stated in article 16.

2. The supervisory authority will establish the cases in which the acquisition of the control of an authorised party must be authorised in advance. The procedures for authorisation will be regulated according to the procedures stated in article 17.

Article 21
(Suspension of the right to vote)

1. The right to vote and other rights whereby the authorised party can be influenced may not be exercised:
   a) for shares or units in excess of the thresholds for participations established in accordance with article 16(4), if no notification has been given as prescribed by article 16(1), or in breach of article 20(1);
   b) for shares or units that have not been notified as prescribed by article 19, when the agreements lead to a concerted exercise of the vote that might detract from the authorised party's sound and prudent management;

c) for shares or units in excess of the thresholds for participations established in accordance with article 17, where the authorisation prescribed by paragraph 1 of that article has not been obtained or where the authorisation has been revoked, or in breach of article 20(2);
d) for holdings held by parties not meeting the requirements of good repute established in accordance with article 18.

2. A resolution or other text adopted with the determining vote or contribution of the participations referred to in paragraph 1 will be voidable. The provisions referred to in the Companies Law regarding objections to the resolutions of the general meeting will apply.

3. The avoidance of a resolution may also be requested by the supervisory authority within six months of the date of the resolution or, if there is a requirement that the resolution be filed with the Commercial Registry to the Court, within six months of the date on which it is filed. Those participations for which the voting right cannot be exercised will be taken into account in determining whether the general meeting in question is duly constituted.

Article 22
(Obligation of alienation of participations)

1. The supervisory authority may set a term within which the participations referred to in article 21(1)(c) and (d) shall be assigned.

Article 23
(Request for information on participations)

1. The supervisory authority may request:
a) from authorised parties, the name of the holders of the participations, as well as the amount of those participations, as evidenced by the register of members, notices received and other data at their disposal;
b) from companies directly or indirectly holding participations in the authorised parties, an indication of the parties by which they are controlled;
c) from fiduciary companies that have registered participations in the companies indicated in the preceding sub-paragraphs, particulars of the mandators.

TITLE V
FINANCIAL PROMOTION AND INSURANCE INTERMEDIATION

Chapter I
Financial promotion

Article 24
(Out-of-office canvassing of financial instruments and investment services)

1. By the out-of-office canvassing of financial instruments and investment services is meant the promotion and sale to the public of:
   a) financial instruments in a place other than the head office or branch offices of the issuer, the party proposing the investment or the party entrusted with their promotion or sale;
   b) investment services in a place other than the head office or branch offices of the party providing, promoting or selling the service.

2. The supervisory authority will determine the parties that may engage in the out-of-office canvassing of financial instruments and/or investment services.

3. In engaging in the activity of out-of-office canvassing of financial instruments and investment services, the parties referred to in paragraph 2 above will avail themselves of employees or financial promoters.

Article 25
(Financial promoters)

1. A financial promoter is a natural person who, acting as an agent or authorised representative, is professionally engaged in out-of-office canvassing.

2. The party conferring the appointment will be jointly liable for prejudice caused to third parties by the financial promoter in the performance of the agency activity or the mandate received.

3. A public register of financial promoters will be set up and maintained by the supervisory authority.

4. The supervisory authority will determine the requirements of good repute and professionalism for entry in the register referred to in paragraph 3. The requirements of professionalism for entry in the list will be ascertained in the light of assessment criteria taking account of duly documented prior professional experience or on the basis of assessment tests organised by the supervisory authority.

5. The supervisory authority may establish simplified procedures for the entry in the register, referred to in paragraph 3, of parties that have already been monitored by foreign supervisory authorities.

6. The register referred to in paragraph 3 will be public and may be computerised.

Chapter II
Insurance and Reinsurance Intermediation

Article 26
(Insurance and reinsurance intermediation)

1. Insurance and reinsurance intermediation consists of presenting or proposing insurance and reinsurance policies or of providing assistance and consultancy directed towards that activity and, if it forms part of the intermediation assignment, concluding policies or working on the management or implementation of the policies taken out, in particular in the event of claims.

2. The supervisory authority will regulate the cases of exclusion from the regulatory system laid down in this Chapter.

Article 27
(Insurance and reinsurance intermediaries)

1. The professional conduct of the activities referred to in article 26 will be reserved to natural and legal persons entered in the register of insurance and reinsurance intermediaries held by the supervisory authority.

2. The employees, staff, producers or other persons employed on intermediation of whom the parties entered in the register referred to in paragraph 1 avail themselves will themselves be required to be entered in a special section of that register.

3. The supervisory authority will regulate:
   a) the creation and updating of the register referred to in paragraph 1 as well as the forms of publication;
   b) the procedures and requirements for the registration of the parties referred to in paragraphs 1 and 2;
   c) the cases of suspension and cancellation from the register referred to in paragraph 1.

4. The register referred to in paragraph 1 will be public and may also be kept by computerised means.

Article 28
(Liability towards the insured)

1. The insurance company on whose behalf the direct producers act will be jointly and severally liable for prejudice caused by the actions of those producers.

2. An intermediary entered in the register referred to in paragraph 1 will be liable for the insurance intermediation activities carried out by persons such as its employees, staff, producers and other agents that are engaged in intermediation.

TITLE VI
FINANCIAL STATEMENTS AND AUDITING

Chapter I
Financial Statements

Article 29
(The company's financial statements and consolidated balance sheet)

1. The authorised parties' directors will draw up the company's financial statements for each financial year. The financial year will open on 1 January and close on 31 December each year. The company's financial statements shall be approved by the general meeting by 31 May of the following year.

2. The supervisory authority will identify the cases in which an authorised party or parent holding company, as referred to in article 55, is required to draw up the consolidated accounts. The financial year will open on 1 January and close on 31 December each year. The company's consolidated balance sheet shall be approved by the general meeting by 31 May of the following year.

3. The company's financial statements and the consolidated balance sheet will consist of the balance sheet, profit and loss account and notes on the accounts.

4. The company's financial statement and the consolidated accounts will be drawn up clearly and will give a true and fair view of the assets and liabilities, the financial situation and profit and loss account for the year.

5. If the information prescribed by this law or by its implementing measures are not sufficient to give a true and fair view, the supplementary information required for this purpose will be given in the notes on the accounts.

6. If, in exceptional cases, the application of a provision of the present law or of the implementing measures is incompatible with giving a true and fair view, the provision shall not be applied. The notes on the accounts will explain the reasons for the derogation and its effects on the presentation of the balance sheet, the financial statement and the revenue and expenditure account.

7. The company's financial statements and the consolidated accounts will be accompanied by the directors' report on the management and status of the company or group of companies included in the consolidation.

Article 30
(Criteria for drawing up accounts and assessment criteria)

1. Save as laid down by the present law, the supervisory authority will establish:
   a) an outline balance sheet and profit and loss account and the content of the notes on the company's financial statement and the consolidated financial statement;
   b) criteria for drawing up the financial statements and the assessment criteria;

c) procedures for keeping the accounts.

2. The authorised parties will draw up the outline balance sheet and profit and loss account in accordance with the provisions of the present law and as referred to in paragraph 1.

Article 31
(General principles of the criteria for drawing up the accounts)

1. The headings, sub-headings and detailed information thereon set out in the outline balance sheet and profit and loss account will constitute the financial statement accounts, which will be drawn up by the authorised parties in accordance with the provisions of the present law and as referred to in article 30.

2. The criteria for the drawing up of the balance sheet accounts may not be altered from one financial year to the next. In exceptional cases departures from that principle will be admitted provided that the notes on the accounts explain the reasons for that departure and its effects on the presentation of the balance sheet, financial statement and revenue and expenditure account.

3. In drawing up the financial statement accounts, preference will where possible be given to presenting substance rather than form, and the time of settlement of transactions rather than the time of trading.

4. The procedures for keeping the accounting system adopted by the authorised parties shall allow for its linking with the financial statement accounts.

5. Items shall not be set off against each other except in the cases specified by the supervisory authority when offsetting is a characteristic aspect of the operation or in the case of hedging transactions.

6. The status of the accounts on the financial year opening date will correspond to the accounts in the approved financial statements for the previous financial year.

7. The income and expense items will be recorded in accordance with the accruals principle, irrespective of the date of receipt and payment, and with the principle of prudence. Preference will be given to the latter principle, provided that non-explicit reserves have not been formed.

8. The figures in the financial statements will be drawn up in unit euros, without decimal places, except in the notes on the accounts, which may be expressed in thousand euros.

Article 32
(General principles for assessment criteria)

1. Assessments will be made in accordance with the following principles:
   a) the assessment criteria may not be altered from one year to the next;
   b) the assessments will be made in a prudent manner and with a view to the continuation of the activity; in particular:

- only those profits realised as of the closing date of the financial year may be indicated, unless otherwise provided by the present law or by the implementing measures;
- account will be taken of the risks and losses accrued for the year, even if they are known after the year has closed;
- account will be taken of depreciation, whether the financial year closes at a loss or in profit;

c) the assets and liabilities in the financial statements and off-balance sheet will be assessed separately; however, inter-connected assets and liabilities will be assessed in a consistent manner.

2. In exceptional cases departures from the principle stated in paragraph 1(a) will be permitted, provided that the notes on the accounts explain the reasons for the departure and its effects on the presentation of the balance sheet, financial statement and the revenue and expenditure account.

Chapter II
Auditing Companies, External Auditors and Actuaries

Article 33
(Appointment of external auditors and actuaries)

1. The supervisory authority will determine the cases in which an authorised party, or a parent holding company as referred to in article 55, will be under an obligation to appoint an external auditor and/or an actuary in order to:
   a) draw up one or more reports on the financial statements for the year and/or on the consolidated financial statement;
   b) draw up one or more reports on given acts or operations brought into being by the authorised parties;
   c) audit the accounts;
   d) carry out one or more functions on a continuous basis in connection with the performance of reserved activities.

2. The supervisory authority may determine:
   a) the requirements of good repute, professionalism and independence that the appointed auditors are required to satisfy;
   b) the cases in which company status is required, and the prerequisites for a company that must be satisfied, in order to perform one or more of the functions referred to in paragraph 1;
   c) the procedures for appointing to an assignment the parties referred to in paragraph 1;
   d) the cases in which the appointment to or revocation of an assignment shall be notified to the supervisory authority and the respective terms for such notification;
   e) the duration of assignments;
   f) the procedures for revoking an assignment and for resignation from such an assignment;
   g) the duties and responsibilities of the parties referred to in paragraph 1 in the performance of the assignment to which they are appointed.

3. By way of derogation from Law 146, 27 October 2004, the supervisory authority may, on the reasoned request of the authorised party, accredit foreign auditing companies for performing the assignments referred to in paragraph 1 provided that they are entered in the lists or registers held in foreign countries offering adequate guarantees as to verification of the good repute and professionalism of the auditors.

Article 34
(Regulation of external auditors and actuaries)

1. The external auditors and actuaries appointed in accordance with article 33:
   a) will be entitled to obtain documents and information from the authorised party's directors to be used in the performance of the duties and tasks they are assigned, and may conduct assessments, inspections and checks;
   b) will, according to the criteria and procedures established by the supervisory authority, document the activities they perform in special books held at the head office of the authorised party by whom they are appointed, or at another place if this is specified in the articles of association, provided that it is located in the territory of the Republic of San Marino;
   c) will, if the data to be treated as confidential as referred to in article 36 is archived in electronic format, store the gathered and/or processed data in an electronic archive physically located in the territory of the Republic of San Marino, preventing its disclosure and affording it an adequate level of protection through the use of cryptographic systems;
   d) will inform the supervisory authority and the board of auditors without delay of events that they deem to be open to censure.

Article 35
(Accountability of actuaries)

1. The provisions of the Companies Law on the subject of auditors' accountability will also apply to actuaries.

TITLE VII
BANKING SECRECY

Article 36
(Obligation of banking secrecy)

1. By "banking secrecy" is meant the prohibition against the revelation to third parties of any data and information acquired by authorised parties in the exercise of their reserved activities referred to in Attachment 1, except upon specific and express written authorisation by the possessor of said data and information.

2. The directors, internal and external auditors, actuaries and employees of authorised parties of any type and rank, including those completing job placement activities or periods of vocational training, as well as outside consultants, company representatives, liquidators, commissioners and members of the invigilation committee will be bound by the obligation of banking secrecy.

3. The obligation of banking secrecy covering the data and information referred to in paragraph 1 will also be binding on the financial promoters referred to in article 25, as well as on the agents and intermediaries referred to in article 27.

4. The obligation of banking secrecy covering the data and information referred to in paragraph 1 will also be binding on natural persons, i.e. the directors, employees, internal and external auditors of

the companies towards which the authorised parties have outsourced functions and who therefore - as a consequence of such outsourcing - possess the aforesaid data and information.

5. Banking secrecy may not be evoked against the following persons during the exercise of their public duties:
   a) a *Commissario della Legge* [examining judge] who is involved in legal proceedings;
   a) the Central Bank of the Republic of San Marino during the exercise of its supervisory duties;
   b) the Financial Intelligence Agency [San Marino's *Agenzia di Informazione Finanziaria];*
   c) the *Ufficio Centrale di Collegamento* [i.e. the Head Office for External Affairs] and other San Marino public entities in charge of the direct exchange of information with their counterparts in foreign organisations, in observation of the international agreements currently in force;

6. No breach of banking secrecy will be deemed to have occurred if:
   a) the communication of data and information to third parties is necessary to honour contractual obligations to which the interested person is a party, or to comply with specific, express requests made by the interested party, before the end of a contract;

   b) the communication of data and information to third parties occurs within the context of a contentious suit involving the interested party and the authorised party, in which case the communication of information and data to third parties may concern the fact of whether a relationship of any kind exists between the parties, even if it is not the focus of the contested point but is connected with defence during a trial;

   c) communication is being addressed to the parent company, whether a San Marino company or a company of a foreign State with which a relevant agreement referred to in Article 103 is in force and is required for purposes of consolidated supervision and risk control on a group-wide basis.

   d) the communication of data and information concerns subjects carrying out activities pertaining to letter H of Attachment 1 - authorised as set down by the law currently in force- with the final aim of communicating the information which is strictly necessary to the aforesaid to correctly evaluate the risks present and enable them to execute the obligations taken on during the exercise of the above-mentioned reserved activities;

   e) the communication of data and information has as its aim the provision of services pertaining to articles 50 and 51 and complies with the provisions set out therein;

7. In the event of the decease of the party concerned or the opening of insolvency or interdictory or disqualification proceedings against him/her or, respectively, his/her heir, a receiver in insolvency, tutor and guardian , together with those persons commissioned to draw up an inventory of the assets of the incompetent or disqualified party, have the right to obtain the data and information covered by banking secrecy, including that relative to the period prior to the death or judicial measure by which they have been appointed;

8. The obligation to maintain banking secrecy will persist even after the cessation of an employment relationship, a specific job, task or the exercise of a profession.

9. The supervisory authority will monitor the strict observance of banking secrecy

10. Compliance with these bank secrecy provisions exempts the authorized parties, the financial promoters, the insurance agents and intermediaries from abiding by the further provisions of Law n. 70 of 23 may 1995 and subsequent amendments, relating to the protection of confidentiality of information, including the provisions of the last paragraph of Article 4.

PART II
SUPERVISION OF RESERVED ACTIVITIES

TITLE I
INSTRUMENTS AND SPHERES OF SUPERVISION

Chapter I
General Measures

Article 37
(Purposes of supervision)

1. In the exercise of its supervisory function, the supervisory authority will be guided by the following aims:
   a) the stability of the financial system of the Republic and the protection of savings, in part through supervision of the authorised parties' sound and prudent management;
   b) the transparent and appropriate conduct of the authorised parties;
   c) the contrast of the financial crime in collaboration with other authorities;
   d) safeguarding of the image and reputation of and confidence in the financial system of the Republic.

Article 38
(Principles and general criteria for the exercise of the supervisory function)

1. In the exercise of its supervisory function, the supervisory authority will operate using its own resources in accordance with the criteria of economy and efficiency.

2. The supervisory authority will state the grounds for the decisions it takes and, save where other terms are laid down by statutory measures, will establish the terms for complying with those decisions.

3. The supervisory authority's measures of a general nature will be in accordance with the principle of proportionality, in the sense of exercising its powers to achieve its aims at the lowest cost to the parties under an obligation.

4. In the measures of a general nature, account shall be taken of the requirements of the authorised parties' competitiveness and development of innovation in the performance of their activities.

5. The supervisory authority will analyse the impact of regulation and guarantee that the regulations under preparation can be made known, in accordance with the procedures for consultation with associations representing the interests of the authorised parties and consumers' interests. The supervisory authority will establish the criteria for the representativeness of the associations and the procedures for consultation.

6. Appeal may be made against all the supervisory authority's measures of a special nature to an administrative jurisdiction in the form and manner specified by Law 68, 28 June 1989, as further amended.

Article 39
(Regulatory powers)

1. In the performance of its functions, the supervisory authority will issue measures containing binding and general provisions implementing and supplementing the provisions of the present law and its implementing decrees, as well as any other measure that the supervisory authority deems appropriate in achieving its own aims.

2. The measures referred to in paragraph 1 will consist of regulations, circulars and instructions.

3. REPEALED

4. The measures referred to in paragraph 1 will be made public in accordance with the procedures deemed most appropriate by the supervisory authority, to include their publication on the authority's Internet website. The regulations issued by the supervisory authority will be published in the *Bollettino Ufficiale* .

Article 40
(Recommendations)

1. The supervisory authority may issue recommendations of a general but non-binding nature, for the purpose of interpreting the provisions of the present law and the measures issued by itself.

Article 41
(Powers to request information or obligations of information)

1. The supervisory authority may request the authorised parties to notify, if necessary on a periodical basis, data and information and to forward deeds and documents in accordance with the procedures and within the terms that it has established.

2. The powers specified in paragraph 1 may also be exercised vis-à-vis the external auditors and actuaries, appointed in accordance with article 33, the financial promoters, the insurance and reinsurance intermediaries and the parties to which functions have been outsourced by authorised parties.

3. Save as provided by article 65 *ter* of the Companies Law, the authorised party's board of auditors will notify the supervisory authority without delay of all the events and facts coming to its knowledge in the performance of its tasks that might constitute a management irregularity or a breach of the regulations governing the authorised parties' activities. To that end, the authorised parties' articles of association will assign the relevant tasks and powers to the board of auditors.

4. The authorised parties' external auditors and actuaries, appointed in accordance with article 33, will notify the supervisory authority without delay of the events or facts noted in the performance of

their appointment that might constitute a grave breach of the regulations governing the activities of the authorised parties being audited or that might adversely affect the continuity of the enterprise.

5. Where internal and external auditors and actuaries notify the supervisory authorities in good faith of those facts or decisions referred to in paragraphs 3 and 4, such notification will not constitute a breach of any restrictions on the disclosure of information imposed under contracts or in the form of legislative, regulatory or administrative measures.

Article 42
(Powers of investigation)

1. The supervisory authority may conduct inspections at the offices and branches of the authorised parties, as well as requesting information, ordering the disclosure of documents and carrying out the checks and verifications deemed to be necessary, to include those on non-reserved activities; it may have access to the company's accounts and all its books, notes and documents; it may question the directors and any employee or officer within the sphere of each one's duties, with a view to obtaining information and clarification.

2. The powers referred to in paragraph 1 may also be exercised in respect of the financial promoters, insurance and reinsurance intermediaries and the parties to which functions have been outsourced by authorised parties.

3. The supervisory authority may, in the exercise of the powers of investigation, avail itself of external auditors and actuaries appointed, on that authority's mandate, to carry out specified checks and assessments.

Article 43
(Powers of authorisation)

1. The supervisory authority will issue the authorisations specified in the present law.

2. In the performance of its prudential supervisory function, the supervisory authority may identify acts and operations brought into being by authorised parties for which prior authorisation is required.

Article 44
(Specific measures)

1. In the conduct of its prudential supervisory function, the supervisory authority will, when the situation so requires, adopt specific measures in respect of individual authorised parties in those matters indicated in article 45(1).

2. In the implementation of the regulations, the supervisory authority will issue orders and adopt the necessary precautionary and prohibition measures laid down by the present law.

Chapter II
Prudential Supervision

Article 45
(Subject of prudential regulations)

1. The supervisory authority will regulate:
   a) the capital, technical reserves and capital adequacy of the authorised parties;
   b) risk containment in its various configurations by the authorised parties;
   c) the participations that may be held by the authorised parties;
   d) the authorised parties' administrative and accounting organisation and the internal controls.

Article 46
(Powers of intervention)

1. In the exercise of its supervisory function, the supervisory authority may:
   a) convene the members of the authorised parties' administrative and auditing bodies and general managers and the external auditors and actuaries appointed in accordance with article 33, in order to examine the company's situation;
   b) order the convening of the general meeting and the administrative and auditing bodies of the authorised parties, determining the agenda and proposing that given decisions be adopted;
   c) make direct arrangements for convening the authorised parties' general meeting and administrative and auditing bodies if they have failed to comply with the order referred to in the preceding sub-paragraph.

Article 47
(Amendments to the articles of association)

1. Amendments to the authorised parties' articles of association will be subject to prior approval by the supervisory authority.

2. The supervisory authority will refuse authorisation if the amendments conflict with the authorised parties' sound and prudent management, are found to be in conflict with the provisions of this law and its implementing measures or are found to obstruct the exercise of supervision.

3. The supervisory authority may establish a simplified authorisation procedure for amendments pertaining to those subjects specified by a legal measure.

4. The resolution to amend the articles of association may not be filed with the Registry to the Court unless the approval specified by paragraph 1 above has been given.

Article 48
(Distribution network)

1. The authorised parties will notify the supervisory authority of changes to or the extension of the distribution network in those cases identified by that authority.

2. The supervisory authority will determine the cases in which specified changes or extensions require prior authorisation.

3. The supervisory authority will refuse authorisation on grounds pertaining to the adequacy of the authorised parties' organisational structures or financial, economic and capital situation.

Article 49
(Outsourcing of functions)

1. The supervisory authority will determine the following, if necessary in relation to each reserved activity:
   a) the cases in which, and the conditions on which, individual functions and/or activities may be outsourced;
   b) the cases in which an authorised party, outsourcing one or more functions, is required to obtain prior authorisation from the supervisory authority, and the procedures for such authorisation;
   c) the requirements as to the suitability of the party to which the functions are delegated.

2. Both the authorised party and the party delegated thereby will be jointly and severally accountable for damage to third parties arising from the exercise of outsourced functions or activities, without prejudice to the former's right of recourse against the latter based on the clauses contained in the outsourcing contract.

Article 50
(Credit risk data centralisation service)

1. The supervisory authority will be entrusted with the credit risk data centralisation service.

2. The supervisory authority will regulate the organisation and running of the service referred to in paragraph 1 and will determine:
   a) the authorised parties that will be required to submit periodical reports on their risk positions as regards their borrowers;
   b) the quantitative thresholds, as they concern the risk positions below, on which the authorised parties are not required to submit any report;
   c) the risk classifications;
   d) the content of the periodical reports;
   e) the procedures and terms for access by the authorised parties to the service referred to in paragraph 1.

3. The supervisory authority will periodically furnish to each party required to submit the reports referred to in paragraph 2 above a summary statement of the total risks recorded in the name of each borrower reported thereby and of associated parties.

4. The information acquired by the service referred to in paragraph 1 will be confidential. It may be used only for purposes associated with the assumption of risk in its different configurations.

5. The parties being registered will be entitled to have knowledge of the information relating to them held by the service referred to in paragraph 1. The supervisory authority will regulate the procedures for access to that information by the parties registered.

Article 51
(Protest information service)

1. The supervisory authority will be assigned responsibility for the protest information service. The service will consist of compiling the data furnished each month by San Marino banks on protested cheques and forwarding the compilation, also each month, to all the parties authorised to engage in the activities referred to in section A or B of Attachment 1.

2. The supervisory authority will regulate the organisation and operation of the service referred to in paragraph 1.

3. The identity of the bank reporting a protest will not be disclosed and all information contained in the compilation will be confidential as referred to in article 36, without prejudice to its possible subsequent publication in the *Bollettino Protesti* [Bulletin of Protests] as provided by law.

4. Protested parties will have the right to know the information pertaining to them that is held by the service referred to in paragraph 1. The supervisory authority will regulate the procedures for access to that information by the parties registered.

5. The reporting bank alone will be accountable for the accuracy, truthfulness and comprehensive nature of the information on protests, to include accountability to any third party who may be adversely affected by errors or omissions in the report sent to the supervisory authority.

Article 52
(Extraordinary operations)

1. The supervisory authority will regulate:
   a) merger and demerger procedures relating to authorised parties;
   b) procedures for the assignment of assets or liabilities, and the assignment of branches of activity to an authorised party, including the obligations of giving public notice.

2. The operations referred to in paragraph 1 will be subject to prior authorisation by the supervisory authority if the sum of the assets and liabilities being assigned is higher than the limits established by the supervisory authority by comparison with the authorised party's capital.

3. In the cases covered by paragraph 2, the supervisory authority will refuse authorisation if the extraordinary operations referred to in paragraph 1 conflict with the authorised parties' sound and prudent management or with the market structure and economic needs.

4. In the event of the assignment of assets or liabilities as referred to in paragraph 2:
   a) liens and warranties of all types, given by any party or that in any way exist in favour of the assignor, as well as entries in public registers of deeds of purchase of the leased assets included in the assignment, will retain their validity and ranking in favour of the assignee without the need for any formality or registration;
   b) the assignment will be effective vis-à-vis the debtors assigned from the time of compliance with the requirements of public notice referred to in paragraph 1(b);
   c) assigned creditors will be entitled, within three months of compliance with the requirement of public notice specified in paragraph 1(b), to require the assignor or the assignee to comply with the obligations that have been assigned. After the term of three months the assignee will be solely answerable;

   persons who are a party to a contract assigned may withdraw from the contract within three months of compliance with the requirement of public notice referred to in paragraph 1(b), if there is just cause, without prejudice in this case to the liability of the assignor.

Chapter III
Consolidated Supervision

Article 53
(Composition of the group)

1. The supervisory authority will determine the concept of a 'substantial group' for the purpose of performing the consolidated supervision of banking, finance and insurance sectors of activity, including the concept in relation to each reserved activity.

2. The supervisory authority will issue measures directed towards identifying all the parties to be subject to supervision of the group from among those parties engaged in reserved activities, as well as in associated and instrumental activities. Such parties will be identified from among those:
   a) that are directly or indirectly controlled by an authorised party;
   b) that directly or indirectly control an authorised party;
   c) that are directly or indirectly controlled by the same parties as those controlling an authorised party;
   d) in which at least a 20 per cent participation is held by one of the parties indicated in sub-paragraphs a), b) or c), and/or by an authorised party.

Article 54
(Parent company)

1. A parent company is the authorised party or holding company whose head office is in the Republic, and which is not in turn controlled by another authorised party or another holding company having its head office in the Republic that can be deemed to be a parent group.

2. A holding company is a company not engaged in reserved activities whose objects are the acquiring and holding of participations in other companies.

3. A holding company will be deemed to be a parent company if, in the group of companies it controls, those companies of a banking, financial or insurance nature are of determining significance, as established by the supervisory authority.

Article 55
(Parent holding company)

1. The provisions regarding the requirements of professionalism, good repute and independence applying to the persons performing administrative, management and control functions within the parent holding company will also apply to persons performing the same functions within the group companies.

2. The obligations of notification referred to in article 41(3), (4) and (5) will apply to the parent holding company.

3. The provisions set out in Part I, Title VI, on the subject of drawing up the consolidated balance sheet will apply to the parent holding company.

4. The provisions set out in Part I, Title IV, will apply to participations in parent holding companies.

5. In dealings with other companies belonging to the group and the owners of holdings in the same companies, the supervisory authority will be attributed the powers set out in article 23.

6. The supervisory authority will ascertain that the parent company's memorandum and articles of association do not conflict with the sound and prudent management of the group, or with the provisions of the present law and its implementing measures, or are not found to impede the exercise of supervision[1].

Article 56
(Register of group parent companies)

1. The group parent company will be entered in a special register held by the supervisory authority.

2. The parent company will notify the supervisory authority of the existence of the group and its updated composition for the purpose of its entry into the register referred to in paragraph 1.

3. The supervisory authority may *ex officio* ascertain the existence of the group and its entry in the register and may ask the parent company to restate the composition of the group.

4. The supervisory authority will regulate compliance with requirements connected with the keeping and updating of the register.

5. The register referred to in paragraph 1 may also be held in computerised format.

[1] As modified by Corrigendum of 30 January 2006.

Article 57
(Regulatory powers)

1. The supervisory authority may, for the purpose of exercising consolidated supervision, issue instructions to the parent company, by means of general or specific measures, concerning the group taken as a whole or members of its group, on the following matters:
   a) the capital, technical reserves and adequacy of its capital;
   b) the containment of risk in its various configurations;
   c) the participations that may be held;
   d) administrative and accounting organisation;
   e) internal controls.

2. The company heading the group, identified in the manner specified in article 53, as part of its activity of managing and coordinating the group, will issue measures for the members of the group on carrying out the instructions imparted by the supervisory authority as described in paragraph 1. The directors of the group companies shall furnish full data and information for the issue of the instructions and for the necessary collaboration in order to ensure compliance with the rules on consolidated supervision.

Article 58
(Powers to request information)

1. The supervisory authority may request the parties included in the groups identified in accordance with article 53 to forward data and information, on a periodical basis if necessary. Information to serve in the exercise of supervision may also be requested from parties which, although not engaged in reserved activities, are linked with authorised parties by the participatory relationships described in article 53(2).

Article 59
(Powers of investigation)

1. The supervisory authority may conduct inspections on the parties included in the groups identified in accordance with article 53. The supervisory authority may, for the sole purpose of verifying the accuracy of the data and information furnished, conduct inspections on the parties which, although not engaged in reserved activities, are linked with authorised parties by the participatory relationships described in article 53(2).

Article 60
(Additional supervision)

1. The supervisory authority will determine the additional supervision measures, without prejudice to individual rules of supervision and those on a consolidated basis laid down for each reserved activity, that are applicable to financial agglomerates.

2. By a financial agglomerate is meant a group in which:
   a) the relationships referred to in article 53(2) exist among the participating companies;

b) the parent company has the characteristics referred to in article 54;
c) at least one of the companies operates in the insurance sector and at least one in the banking or in the investment services sector;
d) the consolidated or aggregate activities of the undertakings operating in the insurance sector and the consolidated or aggregate activities of the undertakings operating in the banking sector and in the investment services sector are both significant.

Chapter IV
Transparency, proper Behaviour and Client Protection

Article 61
(General provisions)

1. The supervisory authority will establish the obligations of provision of pre-contractual information, the rules as to the form and content of the contract, the obligations to provide information on the products, contracts and services offered by authorised parties and the performance of the contractual relationship.

Article 62
(Information documents)

1. The supervisory authority will establish the cases in which authorised parties are required to give the contracting party one or more information documents before entering into the contract and together with the conditions of the contract.

2. The information documents referred to in paragraph 1 will contain the information which, depending on the services and/or the contracts offered, is needed by the party to the contract in order to arrive at a judicious opinion as to the contractual rights and obligations.

3. The supervisory authority will regulate the content and format of the information documents referred to in paragraph 1.

4. The supervisory authority may establish that, for given categories of contracts that it identifies, the information documents referred to in paragraph 1 shall first be submitted for that authority's authorisation. The supervisory authority may refuse authorisation if the rules on transparency referred to in this Chapter are not observed.

5. The supervisory authority will regulate the authorisation procedure referred to in paragraph 4.

Article 63
(Advertisements)

1. The advertising used for the authorised parties' products, contracts and services will meet the requirements of accuracy of the information provided and its conformity with the content of the information documents and the contractual conditions to which the products and services refer. The same principles will be observed even when advertising is carried out by financial promoters and insurance intermediaries.

2. The supervisory authority will as a provisional measure suspend, for a period of not more than ninety days, the dissemination of advertising in the event of a justifiable suspicion of a breach of the provisions on transparency and accuracy.

3. The supervisory authority will prohibit the dissemination of advertising in the event of an ascertained breach of the provisions on transparency and accuracy.

4. The supervisory authority will prohibit the marketing of products and services in the event of non-compliance with the measures set out in paragraphs 2 and 3.

5. The supervisory authority will establish the criteria of recognisability of advertising and of clarity and accuracy of information.

Article 64
(Contracts concluded in the exercise of reserved activities)

1. The supervisory authority may provide that certain types of contract shall be concluded in a written format. In such cases failure to observe the written format will cause the contract to be annulled. Contracts in a written format shall be drawn up in a clear and comprehensible manner.

2. The supervisory authority may require that certain contracts or securities, identified by a particular name or in the light of specific quality criteria, have a given typical content. Non-complying contracts and securities will be null.

3. Clauses referring to usage for the determination of interest rates, prices or fees, or any other economic condition, will be null. If reference is made to usage for prices and fees, no payment will be due; if reference is made to usage for the interest rate, the interest rate applied will be determined according to the criteria established by the supervisory authority with reference to money market rates.

4. The nullity to which reference is made in paragraphs 1 and 3 may be claimed only by the client.

5. The supervisory authority will regulate:
   a) the cases of suspension of the effectiveness of contracts;
   b) the cases in which a client is granted the right, within a period specified in the measures, to withdraw from a contract entered into with an authorised party, or to withdraw from an offer made to that party.

6. The supervisory authority will issue provisions, pertaining to the authorised parties and the parties exercising the rights referred to in paragraph 5, on the return or the making of payments as well as the transfer of the assets at the time at which the right of withdrawal is exercised or the offer is withdrawn.

7. Contracts concluded in the exercise of reserved activities, including those relating to the issuance of financial instruments, may provide that the rules of the relationship is regulated by a law other than San Marino and to provide for exemption clauses within the jurisdiction of San Marino, after authorization of the Supervision Authority.

Article 65
(Contracts concluded by non-authorised parties)

1. If a party engaged in a reserved activity without the necessary authorisation concludes a contract with another party when its conclusion or performance constitutes, in whole or in part, the exercise of the said reserved activity, the contract will be null. Its nullity may be claimed only by the counter-party to the party who has wrongfully exercised the reserved activity.

2. The counter-party will be entitled to:
   a) the return of any amount paid or right transferred according to the terms of the contract;
   b) compensation for damage incurred as a result of the payment of the amounts or the transfer of the rights in pursuance of the contract and further to the subsequent reacquisition of the amounts or rights.

3. The amount of compensation granted pursuant to paragraph 2 will be agreed between the parties or, at the request of one of the parties, will be determined by the *Commissario della Legge* [examining judge].

Article 66
(Rules of behaviour)

1. In the offer and performance of contracts, the authorised parties shall:
   a) conduct themselves in a diligent, proper and transparent manner in dealings with clients;
   b) acquire the information from clients that is needed in order to assess their requirements and operate in such a way that the clients are adequately informed;
   c) organise in such a manner as to identify and avoid conflicts of interest where reasonably possible and, in conflict situations, act in such a way as to offer clients the necessary transparency as regards the possible adverse effects.

2. The supervisory authority may establish further rules of behaviour and criteria with which authorised parties will comply in their conduct.

3. The supervisory authority may adopt specific measures pertaining to the regulation of rules of behaviour to be observed in dealings with clients, to ensure that business is conducted properly and adequately in the light of the specific requirements of individuals.

4. The supervisory authority will take account of clients' particular requirements as to protection, identify the categories of persons who do not require the protection afforded to clients by this Chapter and determine the procedures for and the limits and conditions for the application of those measures to the offer and performance of contracts.

Article 67
(Offer by means of distance communication technologies)

1. The supervisory authority will regulate the procedures and the conditions that will ensure compliance with the obligations set out in this Chapter in the event that the authorised party avails itself of distance communication technologies for the offer and conclusion of contracts.

Article 68
(Reports to the supervisory authority)

1. The clients of authorised parties, as well as associations representing the interests of consumers, will be entitled to send the supervisory authority reports on the authorised parties' conduct, according to the procedure laid down by that authority, describing alleged instances of non-compliance with the provisions of this law and with the measures issued by the supervisory authority.

Article 69
(Promoters and insurance and reinsurance intermediaries)

1. In addition to the authorised parties, the provisions of this Chapter will apply, where compatible and in accordance with the procedures laid down by the supervisory authority, to the financial promoters referred to in article 25 and also to the insurance and reinsurance intermediaries referred to in article 27.

Chapter V
Specific provisions

Section I
Provisions on investment services and collective investment

Article 70
(Investment services and collective investment services)

1. The supervisory authority will regulate:
   a) the procedures for the deposit and sub-deposit of financial instruments and of money belonging to clients and for the deposit and sub-deposit of the capital of mutual investment funds;
   b) the methods of calculating the value of units or shares in mutual investment undertakings;
   c) the criteria and procedures to be adopted for the valuing of the assets and securities in which the capital is invested and the frequency of valuation, especially with regard to the various types of mutual investment funds;
   d) the procedures, including internal control procedures, applicable to the services rendered and the keeping of evidence of orders and of the operations effected;
   e) the conduct to be observed in dealings with the investors;
   f) the general types and the criteria with which mutual investment funds shall comply, with reference *inter alia* to the aims of the investment, the categories of investors towards whom

the offer of shares is directed, the procedures for participation and the form of the investment fund;

g) the general and specific criteria for the drafting of the regulations for the mutual investment fund;
h) the procedures for the supervisory authority's approval of the fund regulations and amendments thereto, which may also be laid down in general;
i) the procedures for the merger of mutual investment funds;
j) the procedures for the representation of participations in mutual funds;
k) the exercise of the voting rights relating to the financial instruments belonging to the fund;
l) the flow of information among the various sectors of the company's organisation, bearing in mind the need to avoid interference between the services provided by different departments;
m) changes in the depositary bank.

2. In the exercise of their respective functions, the promoter company, the management company and the depositary bank will act independently and in the interests of those participating in the fund. The promoter and management companies will accept joint and several responsibility to those participating in the fund for the principal's obligations and liability.

Article 71
(Depositary bank)

1. The supervisory authority will regulate:
   a) the conditions for assuming the office of depositary bank for the assets of the mutual investment fund;
   b) the obligations incumbent on the depositary bank for the capital of mutual investment funds, and the further tasks attributable to that bank, to include those pursuant to article 49;
   c) the cases in which and the procedures with which the depositary bank for mutual funds will report to the supervisory authority on irregularities found in the administration of the authorised party.

2. The depositary bank will be answerable to the authorised party and the participants in the fund for any prejudice they may be caused as a result of its non-compliance with its own obligations.

Article 72
(Property separation)

1. The supervisory authority will regulate the cases in which the capital of clients of an authorised party is subject to a property separation regime.

2. In a property separation regime as referred to in paragraph 1, the assets of individual clients held by the authorised party with any title constitute an autonomous capital, separate for all effects from the capital of the authorised party and from that of other clients. No claim against that capital by or on behalf of the authorised party's creditors will be admitted. Claims by the creditors of individual clients will be admitted within the limits of those clients' capital.

3. In a property separation regime as referred to in paragraph 1, unless clients give their written consent, the authorised party may not use assets belonging to its clients which it holds with any title, in its own interest or in the interest of third parties.

Article 73
(Property separation for mutual investment funds)

1. Each mutual investment fund, or each sector of a given fund, constitutes an autonomous capital, separate for all effects from the capital of the authorised party and from that of each participant, as well as from any other capital managed by the same party. No claim against that capital by or on behalf of the authorised party's creditors, or claims by or on behalf of the depositary's or sub-depositary's creditors, will be admitted. Claims by the creditors of individual investors will be admitted only against those investors' holdings.

Chapter VI
Foreign Activities and Foreign Parties

Article 74
(Foreign activities of Sanmarinese authorised parties)

1. An authorised party intending to establish a representative office or branch abroad, or to operate abroad under the regime of the provision of services without an establishment, will notify the Sanmarinese supervisory authority before making application to the competent authority in the country of establishment.

2. The supervisory authority may prohibit the authorised party from starting operations abroad in the light of its capital, financial and organisational position or if the legislative, regulatory or administrative measures in the country of establishment impede the effective exercise of its supervisory functions.

Article 75
(Foreign parties' activities)

1. Foreign parties intending to exercise one or more reserved activities in the Republic, by setting up a branch or under the regime of the provision of services without establishment, shall apply to the supervisory authority for authorisation. By the 'provision of services without establishment' is meant the providing of services in the territory of the Republic through a temporary organisation or by means of distance communication or through intermediaries or independent agents, as laid down by the supervisory authority.

2. For the establishment of a branch, the provisions of the Part I, Title II of the present law will apply to authorisation therefor. For the authorisation of branches, the Congress of State declaration of non-impediment, referred to in article 12, will always be necessary.

3. The supervisory authority will establish the requirements for authorisation for the exercise of reserved activities under the system for the provision of services without establishment. The authorisation may also be reviewed having regard to the market structure and economic need.

4. Subject to the provisions of the preceding paragraphs, authorisation for setting up a branch in the Republic, or the exercise of an activity under the system for the provision of services without establishment, will be conditional on:
   a) the authorisation and actual conduct in the country of origin of the activities upon which it is intended that the branches will be engaged in the Republic;
   b) the existence of ad hoc agreements between the supervisory authority and the competent authorities in the country of origin;
   c) compliance in the country of origin with reciprocity conditions.

Article 76
(Offer of foreign financial instruments, savings collection instruments and insurance policies)

1. Foreign financial instruments, other savings collection instruments, including non-negotiable instruments, or insurance policies may freely be offered, in compliance with the rules set out in this law and in the San Marino legal order.

2. The supervisory authority may determine, if necessary on a residual basis, those categories of financial instruments, other savings collection instruments, including non-negotiable instruments, or insurance policies whose offer in the Republic shall be preceded by notification to that authority.

3. In the cases specified in paragraph 2, the supervisory authority may, within the periods that it has established in general, ask the issuer, offeror or placement body for further information. The offer may be made only when the said periods from the receipt of the notification referred to in paragraph 2 have elapsed or, when requested, from the receipt of the additional information. Within the same periods the supervisory authority may forbid the offer of the financial instruments, other savings collection instruments or insurance policies if they are not included in the types laid down by the San Marino legal order or do not have the characteristics identified by the supervisory authority.

TITLE II
EXTRAORDINARY PROCEDURES AND GUARANTEE SYSTEMS

Article 77
(Parties to which extraordinary measures apply)

1. Parties authorised to engage in reserved activities will be governed by the provisions set out in Chapters I and II of the present Title. Law 17 of 15 November 1917 as further amended will not apply to cases in which the debtor is an authorised party, save as expressly mentioned in the present Title.

Chapter I
Extraordinary Administration and Suspension of Administrative Bodies

Article 78
(Extraordinary administration)

1. The Supervision Committee resolves that bodies with administration and audit functions be dissolved when one or more of the following situations arise(s):
   a) serious administrative irregularities are found, or serious infringements of the sound and prudent management of the authorized party, of the provisions of law, administrative regulations or bye-laws, or of the supervisory authority measures regulating their activity;
   b) serious losses of the company's capital are predicted;
   c) a serious and persistent state of non-liquidity is found;
   d) falsity or a serious omission is found in the keeping of accounts, or an alteration of the accounting documents;
   e) dissolution is requested by a reasoned request on the part of the administrative bodies or an extraordinary general meeting.

2. Management of the extraordinary administration procedure will be the responsibility of the supervisory authority.

3. The resolution referred to in paragraph 1 will suspend all the functions of the general meetings.

4. The resolution referred to in paragraph 1 will be advertised in summary form by its publication in the *Bollettino Ufficiale*.

5. The commissioners in the procedure will notify interested parties so requesting of the resolution referred to in paragraph 1, no earlier than the time of assuming office in accordance with article 81[2].

6. The extraordinary administration procedure will be for a term of one year, unless a shorter period is indicated in the resolution referred to in paragraph 1. Only in exceptional cases and on giving reasonable grounds may the supervisory authority extend the procedure for a period of six months.

7. The supervisory authority may grant a further two months' extension if there are requirements associated with the closure of extraordinary administration.

Article 79
(Extraordinary administration procedure bodies)

1. The supervisory authority will appoint:
   a) one or more commissioners;
   b) an oversight committee, consisting of 3 or 5 members, who will nominate its Chairman by a majority of votes.

[2] As modified by Corrigendum of 30 January 2006.

2. The nominations by the supervisory authority and the oversight committee referred to in paragraph 1 will be published in summary form in the *Bollettino Ufficiale*. Within fifteen days of notification of their nomination, the commissioners will file with the companies register a copy of the records of nomination of the procedural bodies and of the Chairman of the oversight committee.

3. The supervisory authority may revoke the nomination of, or replace, the commissioners and the members of the oversight committee.

4. The fees to which the commissioners and members of the oversight committee are entitled will be determined by the supervisory authority and will be borne by the authorised party subject to extraordinary administration.

5. Until such time as the bodies assume the office of extraordinary administration, the supervisory authority may appoint one of its own employees on a provisional basis, who will assume the same powers as the commissioners.

6. The supervisory authority will define the requirements for entitlement to assume the office of commissioners or member of the oversight committee.

Article 80
(Powers and operation of the bodies assuming extraordinary administration)

1. The commissioners will take over the functions and powers granted the authorised parties' administrative bodies being dissolved. They will take steps to ascertain the company's position, obviate any irregularities and promote useful solutions in the interest of clients. In the exercise of their functions, the commissioners will be public officials.

2. The oversight committee will take over the functions and powers granted to the dissolved authorised parties' internal audit bodies, and will also provide its opinions to the commissioners.

3. The functions of the commissioners and the oversight committee will commence when they take up office in accordance with article 81 and will cease at the time of the conclusion of extraordinary administration.

4. The supervisory authority may instruct the bodies appointed to the extraordinary administration to adopt special precautions and observe special limitations in the management of the authorised party. The members of the extraordinary bodies will be personally answerable for failure to comply with those instructions; the instructions will be enforceable against third parties only if they have come to the knowledge of those third parties.

5. The commissioners will be competent to take action against the members of the authorised party's dissolved administrative and audit bodies for their liability, after consulting the oversight committee and authorisation by the supervisory authority. The administrative bodies taken over by the commissioners will pursue the said claims for liability and will report to the supervisory authority on those claims.

6. The commissioners, following authorisation by the supervisory authority, may call a meeting of all those bodies not having an administrative or audit function, whose activity has been suspended

pursuant to article 78(3). The agenda will be drawn up by the commissioners and may not be amended by the body convened.

7. If there is more than one commissioner, the commissioners will decide by a majority of the members in office; if voting is equal, the decision will be deemed to be rejected. The commissioners' powers of representation will be validly exercised by means of their joint or several signatures, as provided by the supervisory authority at the time of their nomination. Delegations may nonetheless be granted to one or more commissioners.

8. The oversight committee will pass resolutions by a majority of the members in office; if voting is equal, the Chairman's vote will prevail.

9. Civil action against the commissioners and members of the oversight committee for acts carried out in the performance of their office will be brought following authorisation by the supervisory authority.

Article 81
(Initial measures)

1. In taking up office, the commissioners will take over the company from the authorised party's dissolved administrative bodies. The commissioners will formalise their assumption of this office by drawing up a summary minute. At least one member of the oversight committee shall be present during these operations.

2. If the commissioners are unable to take up office due to lack of support from the authorised party's dissolved administrative bodies or for other reasons, they will do so *ex officio* with a notary in attendance.

3. The provisions of paragraphs 1 and 2 will also apply to the provisional commissioners referred to in article 79(5).

4. If the financial statements for the year ending before the commencement of the extraordinary administration procedure have not been approved, the commissioners will take steps to file with the Sole Court, in lieu of the financial statements, a report on the assets and liabilities and financial situation, drawn up on the basis of the information available. The report will be accompanied by a report from the oversight committee. There shall, however, be no profit distribution.

Article 82
(Suspension of payments)

1. If exceptional circumstances arise the commissioners may, to safeguard the interests of creditors, suspend the payment of liabilities of any nature by the authorised party or the return of financial instruments to the authorised party's clients. The suspension measure may be issued only after obtaining the opinion of the oversight committee and following authorisation by the supervisory authority, which may give orders for the issue of the said suspension measure. The suspension will be valid for a period of not more than one month, which may be extended according to the same procedure for no more than a further two months.

2. During the period of suspension specified in the preceding paragraph, no acts of enforcement or provisional remedies to secure the assets of the authorised party subject to extraordinary administration or the financial instruments of that party's clients may be undertaken, and therefore any such acts that have been taken will be ineffective. During the same period no charges may be registered against the real property of the authorised party subject to extraordinary administration, nor may other pre-emptive rights be acquired over its movable assets, except in pursuance of measures issued by the judicial authority before the commencement of the period of suspension.

3. Suspension will not constitute a state of insolvency.

Article 83
(Final measures)

1. On coming to the end of their functions, the commissioners and members of the oversight committee will draw up separate reports on their activities and forward them to the supervisory authority. The authority will arrange for notice to be given of the closing of the extraordinary administration by an announcement to be published in the *Bollettino Ufficiale*.

2. The close of the financial year during which extraordinary administration commences will be deferred for all statutory purposes to the end of that procedure. The commissioners will draw up the financial statements, which will be presented to the supervisory authority for its approval within four months of the closing of the extraordinary administration and published according to the procedures prescribed by law. The financial year to which the financial statements drawn up by the commissioners refer will constitute a single tax period. Within one month of approval by the supervisory authority, the bodies taking over from the commissioners will submit a return of the incomes for that period, in accordance with current tax regulations.

3. Before their functions cease, the commissioners will arrange for the ordinary administration bodies to be reconstituted. The successor bodies will take over the company from the commissioners in accordance with the procedures set out in article 81.

Article 84
(Suspension of the administrative bodies)

1. In an absolute emergency, the supervisory authority may order the suspension of the authorised party's administrative bodies and at the same time appoint a commissioner who will take over the management when the circumstances listed in article 78 arise.

2. The commissioner will remain in office for a maximum period of sixty days. In the exercise of his functions, the commissioner will be a public official. The supervisory authority may establish special precautions and limitations for the management of the authorised parties and shall be kept constantly informed.

3. The fee payable to commissioner will be determined by the supervisory authority in the light of criteria established by itself and will be borne by the company to which the commissioner is appointed.

4. Civil action against the commissioner for acts carried out in the performance of his office may be brought following authorisation by the supervisory authority.

5. The present article will also apply to the San Marino branches of foreign authorised parties. The commissioner will assume the powers of the authorised party's administrative bodies in dealings with the branches.

Chapter II
Administrative Compulsory Winding-up

Article 85
(Administrative Compulsory winding-up)

1. By a resolution of the Supervision Committee, even when extraordinary administration or liquidation in the ordinary forms is already taking place, the revocation of the authorisation to exercise reserved activities and the administrative compulsory winding-up of the authorised parties may be ordered if the facts referred to in article 78(1) are of exceptional gravity.

2. Administrative compulsory winding-up may be ordered by the same procedure as that indicated in paragraph 1 of this article, on the reasoned application of the authorised party's administrative bodies or extraordinary general meeting, or by the commissioners or liquidators.

3. The liquidators will notify interested persons so requesting of the Supervision Committee resolution, no earlier than on taking up office in accordance with article 89.

4. The resolution referred to in paragraph 1 will be published in summary form in the *Bollettino Ufficiale*.

5. The functions of the authorised party's administrative and audit bodies, general meetings and any other of its bodies will cease as of the date of issue of the resolution referred to in paragraph 1.

6. All matters not expressly covered in the present Chapter will be regulated by current measures on the subject of composition with creditors, where these are compatible.

Article 86
(Bodies of proceedings)

1. The supervisory authority will appoint:
   a) one or more liquidators;
   b) an oversight committee consisting of three or five members, who will nominate its chairman by a majority of votes.

2. The appointments by the supervisory authority and oversight committee referred to in paragraph 1 will be published in summary form in the *Bollettino Ufficiale*. Within fifteen days of notification of their appointment, the liquidators will file with the companies register a copy of the deeds of

appointment of the bodies assigned to the administrative compulsory winding-up and of the chairman of the oversight committee.

3. The supervisory authority may revoke or replace the liquidators and the members of the oversight committee.

4. The fees payable to the liquidators and to the members of the oversight committee will be determined by the supervisory authority in the light of criteria established by the authority and will be borne by the estate being wound up.

Article 87
(Effects of the resolution declaring the administrative compulsory winding-up proceedings)

1. Payment of liabilities of any nature and the restitution of assets to third parties will be suspended from the date on which the bodies take up office.

2. With effect from the date stated in the first paragraph of this article, no action may be brought or any judgment acted upon against the corporate capital of an authorised party subject to administrative compulsory winding-up, save as provided in articles 91 and 96(3) below. In the same way, no acts of enforcement or provisional remedies may be initiated or pursued, and other current rules on composition with creditors will be applicable, regulating dispossession of assets, the voidability or ineffectiveness of the alienation assets to the prejudice of creditors, the stay of all debts and suspension of interest during the proceedings, compensation for and ranking of claims, liens, pending contracts and all other rules of a non-procedural nature to the extent that they are compatible.

Article 88
(The powers and operation of the bodies appointed to the administrative compulsory winding-up proceedings)

1. The liquidators will have the power of legal representation of the authorised party subject to administrative compulsory winding-up, will exercise all the actions to which they are entitled and will carry out the actual liquidation operations. In the performance of their functions, the liquidators will be public officials.

2. The oversight committee will assist the liquidators in the performance of their functions, monitor their actions and furnish opinions in those cases specified in this Chapter or by the supervisory authority's measures.

3. The supervisory authority may issue measures on the conduct of the administrative compulsory winding-up proceedings and may also establish that certain categories of operations or acts shall be required to be authorised by itself, and that the preliminary opinion of the oversight committee shall be obtained, before those operations or acts. The members of the liquidation bodies will be personally liable for failure to comply with the supervisory authority's measures; those measures will not be effective against third parties who have not had cognizance of them.

4. The liquidators shall, within a term of one hundred and eighty days from their appointment, present to the supervisory authority a report on the authorised party's accounting position and its assets and liabilities, and on progress with the administrative compulsory winding-up, together with a report by the oversight committee.

5. The parties entitled to take action on the grounds of liability against the members of the bodies of the authorised party subject to administrative compulsory winding-up will be the liquidators, having obtained the opinion of the oversight committee, following authorisation by the supervisory authority.

6. Article 80(7), (8) and (9) of this law will apply to the liquidators and oversight committee.

Article 89
(Initial measures)

1. In taking up office, the liquidators will take over the company from the previous bodies appointed to its management, by drawing up a summary minute, and will acquire a statement of accounts and draw up an inventory.

2. Article 81(1)(last sentence), (2) and (4) will apply.

Article 90
(Schedule of liabilities)

1. Within two months of taking office, the liquidators will notify each creditor, by registered letter with advice of receipt, of the amounts payable to each one according to the accounts and documents of the authorised party subject to administrative compulsory winding-up.

2. Similar notification will be forwarded to those persons recorded as being the owners of rights *in rem* to the assets and financial instruments in the possession of the authorised party subject to administrative compulsory winding-up, as well as to the clients entitled to the restitution of the said financial instruments.

3. The supervisory authority may specify further forms of publication for the purpose of making known the deadlines for the proving of claims pursuant to paragraph 5 of the present article.

4. Within fifteen days of receipt of the registered letter referred to in paragraphs 1 and 2, the creditors and holders of the rights indicated may present, or forward by registered letter with advice of receipt, their claims to the liquidators, attaching documentary evidence. Failure to exercise this right will not prejudice the right of objection to the schedule of liabilities referred to in article 91.

5. Within sixty days of the publication in the *Bollettino Ufficiale* of the resolution ordering administrative compulsory winding-up, the creditors and holders indicated in paragraph 2 who have not received the notification specified in paragraphs 1 and 2 shall apply to the liquidators, by registered letter with advice of receipt, for recognition of their claims and restitution of their assets, presenting documents evidencing the existence, nature and amount of their entitlements.

6. After the lapse of the term stated in paragraph 5 and no later than thirty days thereafter, the liquidators will, having heard the authorised party's former directors, present the supervisory authority with the schedule of allowed creditors and the recognised claims of each one, indicating the pre-emptive rights and their ranking, together with lists of the holders of the rights indicated in paragraph 2 of this article and the parties whose claims have not been recognised. The clients entitled to the restitution of financial instruments will be listed in a special separate section of the schedule of liabilities.

7. Within the same periods as specified in paragraph 6, the liquidators will file with the Sole Court the lists of preferential creditors, the holders of the rights indicated in paragraph 2 of this article, and parties belonging to the same categories as those whose claims have not been recognised, and the list may be consulted by persons entitled to do so at that Court.

8. Thereafter the liquidators will without delay notify, by registered letter with advice of receipt, those parties whose claims have not been recognised, in whole or in part, of the decision taken in their regard. Notice of filing of the schedule of liabilities will be published in the *Bollettino Ufficiale*.

9. Once the measures stated in paragraphs 6 and 7 above have been carried out, the schedule of liabilities will be rendered enforceable.

Article 91
(Objection to the schedule of liabilities)

1. Parties whose claims have not been allowed, in whole or in part, within fifteen days of receipt of the registered letter specified in article 90(8), and parties allowed within the same term with effect from the date of publication of the announcement specified in article 90(8), may object to the schedule of liabilities, as regards their own position and against recognition of rights in favour of the parties included in the lists indicated in article 90(7) .

2. The objection will be submitted by filing the appeal with the Sole Court.

3. A single *Commissario della Legge (*investigating judge) will have jurisdiction over all cases pertaining to compulsory winding-up proceedings.

4. Without prejudice to the enforceability of the schedule of liabilities and the provisions of the present article, objections will be in accordance with the forms and procedures specified by law.

Article 92
(Liquidation of assets)

1. Liquidators will be granted all the powers required for the realisation of the assets.

2. The liquidators may, on obtaining the favourable opinion of the oversight committee and after authorisation by the supervisory authority, assign the assets and liabilities, the business, branches of the business and the tangible assets and legal relationships that can be identified en bloc. They may be assigned at any time in the proceedings, even before the schedule of liabilities is lodged. The assignee will, however, be answerable only for the liabilities arising as evidenced by the schedule of liabilities. The supervisory authority will establish the forms whereby the assignment is

advertised. The provisions referred to in article 52(4) will apply to the assignments of assets and liabilities pursuant to the present paragraph.

3. If needed, and for the better realisation of the assets, the liquidators may, following authorisation by the supervisory authority, continue to conduct the business or certain branches of business, observing the precautions indicated by the oversight committee. Continuation of the conduct of the business by the bodies appointed to the administrative compulsory winding-up proceedings within the term stated in article 87(1) will exclude the statutory dissolution of the pre-existing legal relationships covered by the rules referred to in article 87(2).

4. For the purpose inter alia of distributions to entitled parties, the liquidators may take out loans, conduct other borrowing transactions and pledge corporate assets as surety, according to the instructions and precautions laid down by the oversight committee and following the supervisory authority's authorisation.

Article 93
(Treatment of claims arising from insurance policies)

1. The assets covering the technical reserves of life and non-life branches will be set aside as a priority for meeting the obligations arising from the policies to which they pertain.

2. With effect from the resolution ordering the administrative compulsory winding-up, the commissioners may not, without the authorisation of the supervisory authority, alter the composition of the assets covering the technical reserves, as indicated in the special register maintained in the manner laid down by the supervisory authority, set out in Part II, Title I, Chapter II of the present law, nor may they alter the register itself, with the exception of the correction of material errors Notwithstanding the constraint on alterations, the commissioners will enter in the register the financial proceeds accruing from the assets, together with the amount of the premiums collected in the period between the opening of the liquidation proceedings and payment of insurance claims, or up to the date of transfer if the portfolio is transferred. If the proceeds from the liquidation of the assets are less than the assessed liabilities entered in the register, the commissioners will be required to furnish justification for this to the supervisory authority.

3. The assets covering technical reserves in the life branch will be drawn upon to satisfy claims by the following, with priority over other holders of claims arising before the winding-up order, even if they are backed by lien or hypothecation:
   a) those entitled to capital payments or compensation on policies that have matured or against which claims are made by the sixtieth day following the date of publication of the winding-up order and those entitled to earnings maturing within the same period;
   b) the holders of claims arising from capital redemption operations;
   c) those entitled to amounts due for redemptions;
   d) the holders of policies current as of the date referred to in a), in proportion to the amount of the mathematical reserves;
   e) the holders of policies not requiring the constitution of mathematical reserves, in proportion to the fraction of the premium corresponding to the risk not incurred.

4. If the assets covering the technical reserves of life branches are insufficient to meet the claims indicated above, those claims described in a), b), c) and d) will have preference over the claims described in e).

5. The assets covering the technical reserves in the non-life branches will be used by the following, with priority over other holders of claims arising before the winding-up order, even if they are backed by lien or hypothecation:
   a) those entitled to capital payments or compensation for claims arising by the sixtieth day following the date of publication of the winding-up order;
   b) the holders of policies current as of the date referred to in a), in proportion to the fraction of the premium corresponding to the risk not yet incurred.

6. If the assets covering the technical reserves in the non-life branches are insufficient to meet all the claims listed in paragraph 5, those described in a) will have preference over the claims described in b).

Article 94
(Treatment of claims arising from reinsurance policies)

1. In the event of the administrative compulsory winding-up of the reinsured, the reinsurer shall pay the full compensation owed to the reinsured, subject to its set-off against the premiums and other credits.

2. In the event of the administrative compulsory winding-up of the reinsurance company or the reinsured, the debits and credits which, on completion of liquidation, are evidenced on the closing of the accounts for several reinsurance policies will automatically be set off against each other.

Article 95
(Restitution and distribution)

1. The commissioners will arrange for the restitution of the assets and the financial instruments relating to the investment services and, in the order laid down by the rules on composition, will distribute the assets that have been liquidated. The fees and reimbursement of costs payable to the procedural bodies in the extraordinary administration preceding the administrative compulsory winding-up will be deemed to be on a par with the costs of the composition proceedings.

2. If there has been compliance with the separation of the authorised party's capital from the capital of the clients entered into the special section of the schedule of liabilities, but the separation of the assets among those individual clients has not been observed, or if the financial instruments prove insufficient to make full restitution, the commissioners will, where possible, arrange for restitution pursuant to paragraph 1, in proportion to the claims allowed for each of the clients in the separate section of the schedule of liabilities, or to the liquidation of the financial instruments pertaining to the clients and to the distribution of the proceeds in the same proportion.

3. Clients entered in the special separate section of the schedule of liabilities will rank with unsecured creditors if the separation of the bank's own capital from the capital of its clients has not been

observed, or for that part of the claim which has not been met, in those cases described in paragraph 2.

4. The commissioners may, having obtained the opinion of the oversight committee and following authorisation by the supervisory authority, arrange for partial distribution and restitution either to all the entitled parties or to categories thereof, even before all the assets have been realised and all the liabilities established.

5. Save as provided by paragraphs 6, 7 and 8, distribution and restitution shall not prejudice the final assignment of shares and assets to which all the beneficiaries are entitled.

6. In arranging for distribution and restitution, the commissioners will, if there are claims from creditors or other interested parties whose claims have not been admitted to the schedule of liabilities, set aside the amounts and the financial instruments corresponding to the distribution and restitution that have not been made to each of the said parties, with a view to their distribution or restitution to those parties if the claims are subsequently allowed or, if not, their release in favour of the other entitled parties.

7. In the cases specified by paragraph 6, the commissioners, having obtained the opinion of the oversight committee and following authorisation by the supervisory authority, may acquire appropriate guarantees in lieu of the amounts set aside.

8. The presentation of claims and applications as specified in article 90(4) and (5) after the stated terms will result in their competing only for any subsequent distribution and restitution, to the extent that those claims are allowed by the commissioner or, after the lodging of the schedule of liabilities, by the investigating judge (Commissario della Legge) deciding on objections submitted in accordance with article 91.

Article 96
(Final measures)

1. After liquidation of the assets, but before the final distributions to creditors and the final restitution to entitled parties, the liquidators will submit the final liquidation balance sheet, the financial report and the distribution plan, together with their own report and the report of the oversight committee, to the supervisory authority, which will authorise its deposition with the Sole Court. The liquidation will constitute a single financial year, to include the year for tax purposes: within one month of the deposition, the commissioners will submit the return of income for the said period in compliance with current tax measures.

2. Notice of deposition will be given by an announcement in the *Bollettino Ufficiale*. The supervisory authority may specify additional forms of publication.

3. Within twenty days of the announcement in the *Bollettino Ufficiale*, interested parties may make known any challenge by a petition to the investigating judge.

4. If the period indicated in paragraph 3 elapses without challenges having been made known or without the disputes having been settled by a final judgement, the liquidators will arrange for distribution to the creditors and for restitution to the entitled parties as provided by article 95.

5. Those amounts and financial instruments that cannot be distributed will be lodged in the manner laid down by the supervisory authority for subsequent distribution to entitled parties, subject to the option specified by article 95(7).

6. Pending appeals and judicial proceedings, including those on the assessment of the state of insolvency, will not preclude the adoption of the final measures set out in this article and the closing of the administrative compulsory winding-up proceedings.

7. The liquidators will apply for the company's cancellation from the companies register. The company's books shall be lodged with the supervisory authority and retained for ten years, as provided by article 149.

8. Following the close of the administrative compulsory winding-up proceedings, the liquidators will retain their lawful entitlement to act, even in subsequent stages and at other levels of jurisdiction.

9. In the cases of assignment as described in article 92(2), the liquidators will be excluded from actions pertaining to the relations assigned into to which the assignee is a party.

Article 97
(Branches of foreign parties)

1. If the authorisation for an activity by a foreign authorised party has been revoked by the competent foreign authority, its branches in San Marino may be subject to administrative compulsory winding-up proceedings in accordance with the provisions of this chapter, to the extent that they are compatible.

Article 98
(State of insolvency)

1. The investigating judge, having taken the opinion of the supervisory authority, may declare an authorised party to be in a state of insolvency, not subject to administrative compulsory winding-up, on the petition of that authorised party, or at the request of one or more creditors.

2. The request for the state of insolvency to be declared may also be made to the investigating judge by the commissioners of authorised parties in extraordinary administration or whose administrative bodies are under suspension, after the supervisory authority has given its opinion. In such cases the opinion referred to in paragraph 1 will not be necessary.

3. Following the declaration of an authorised party's state of insolvency, the supervisory authority will initiate the proceedings for the opening of administrative compulsory winding-up.

4. If the authorised party being compulsorily wound up is found to be in a state of insolvency, the liquidators, having obtained the opinion of the supervisory authority, shall petition the investigating judge for a declaration of the state of insolvency. In such cases the opinion referred to in paragraph 1 will not be necessary.

5. The declaration of insolvency referred to in paragraph 1 will render the current statutory measures on composition with credits applicable to a administrative compulsory winding-up proceeding to the extent that they are compatible. In such cases, at the supervisory authority's request, the Leading Magistrate will appoint an expert in compositions from among the investigating judges to support and provide advice to the liquidators.

Chapter III
Ordinary Liquidation

Article 99
(Ordinary liquidation)

1. The authorised parties will notify the supervisory authority without delay of the occurrence of a cause for the company to be dissolved. The supervisory authority will assess whether the prerequisites exist for due conduct of liquidation proceedings.

2. No entry may be made in the companies register of instruments resolving on or declaring the dissolution of the company unless the assessment referred to in paragraph 1 has been conducted.

3. The entry referred to in paragraph 2 will entail the lapse of the authorisation for the exercise of reserved activities. The supervisory authority may, however, authorise the continuation of those activities within the limits allowed by the Companies Law in matters of ordinary liquidation; in such cases, article 65 will not apply to contracts entered into.

4. The supervisory authority's powers as set out in the present law will continue to be exerted over the company in liquidation.

Chapter IV
Guarantee Systems

Article 100
(Guarantee systems for the protection of depositors)

1. Guarantee systems for the protection of depositors are established by Regency decree. Sanmarinese banks and the branches of foreign banks, unless they take part in an equivalent foreign system of guarantee, will be under an obligation to take part in the guarantee systems covered by this article.

2. The guarantee systems will be administered by the Central Bank or by one or more companies controlled by the Central Bank.

3. The supervisory authority will regulate:
   a) the management and funding of the guarantee systems;
   b) the cases in which the guarantee systems intervene and the forms of intervention;
   c) the contributions by the banks participating in the guarantee systems;
   d) the penalties imposed on banks not paying the contributions laid down under the guarantee systems;
   e) the minimum and maximum reimbursement limits;

f) the characteristics of the deposits included under the cover offered by each guarantee system, as well as the quantitative limits and the requirements to be satisfied for those deposits to be covered;
g) notification to clients of the banks regarding the guarantee systems;
h) coordination of the activities of the guarantee systems with the regulations set out in Chapters I and II of this Title;
i) any other aspect associated with the guarantee systems.

TITLE III
RELATIONS WITH OTHER AUTHORITIES

Article 101
(Relations with the Committee for Credit and Savings)

1. The Committee for Credit and Savings may pass a resolution specifying the guidelines and general criteria to be observed by the supervisory authority in the performance of its supervisory functions and in the issue of measures of a general nature.

Article 102
(Relations with the Congress of State)

1. The supervisory authority will forward to the Congress of State, through the Committee for Credit and Savings, a copy of the general measures it has issued and the penalties it has imposed.

2. The supervisory authority will, on a confidential basis, forward information and data on serious irregularities ascertained to the Congress of State, according to the procedures laid down by article 35 of the Central Bank's Statutes.

Article 103
(Relations with foreign supervisory authorities)

1. The supervisory authority is authorised to conclude cooperation agreements with the competent authorities of foreign jurisdictions providing, subject to full reciprocity, for the exchange of information and of documents required of said authorities' respective supervisory tasks, along with. the possibility for and the procedures to be followed in order to obtain these information and documents directly from the supervised parties by the autority responsible for the supervision of their foreign parent company.

2. The agreements referred to in paragraph 1 may be concluded on condition that:
   a) the information communicated is covered by guarantees as to official secrecy equivalent to those laid down by article 29 of the Central Bank's Statutes;
   b) the exchange of information shall be for the purpose of contributing towards the performance of the supervisory task by the said authorities;
   c) the competent authority receiving the confidential information may use that information only in the exercise of its functions:

- for examining the conditions of access to the activity of credit, finance and insurance intermediaries and for facilitating the individual and consolidated monitoring of the manner in which that activity is being exercised, in particular in matters of supervision of liquidity, solvency, administrative and accounting organisation and internal auditing;
- for the imposition of penalties;
- in the context of an administrative appeal or legal proceedings against a decision of the competent authority;
- for the prevention of the crimes of money laundering and the funding of terrorism;

d) the information received may not be disseminated without the explicit written consent of the competent authorities by which it has been provided and, in that case, only for the purposes for which the said authorities have given their consent.

Article 104
(Relations with the judicial authority)

1. The supervisory authority's employees will, in the exercise of their functions, be public officials. The parties appointed by the supervisory authority in accordance with article 42(3) will also be public officials in the conduct of the assignment to which they have been appointed.

2. The parties referred to in paragraph 1 will be bound by official secrecy. They will be under an obligation to report all irregularities coming to their knowledge exclusively to the Supervision Committee , even when these are in the nature of crimes.

3. The Supervision Committee will notify the judicial authority as laid down by article 35(2) of the Central Bank's Statutes.

4. In the event of judicial investigations on authorised parties, financial promoters and insurance and reinsurance intermediaries, the investigating judge may avail himself of the supervisory authority for that purpose and for all effects.

Article 105
(Relations with the Department of the State Secretary for Industry)

1. The supervisory authority will cooperate with the Department of the State Secretary for Industry on supervision over the auditing firms and independent auditors entered in the list referred to in Law 146 of 27 October 2004, where they have been appointed by the authorised parties.

2. If the supervisory authority ascertains a breach of the rules set out in the present law that govern the activities of independent auditors, it will notify the Department for the State Secretary for Industry.

PART III
REGULATION OF ISSUERS

TITLE I
SOLICITING OF INVESTMENT

Article 106
(Soliciting investment)

1. By the "soliciting of investment" is meant any offer, invitation or promotional message in any form addressed to the public for the purpose of the sale of or subscription to financial instruments or other savings instruments, including non-negotiable instruments.

2. The activities referred to in paragraph 1 will not constitute the soliciting of investment when they:
   a) are directed only to professional clients;
   b) are directed towards a number of persons not exceeding that laid down by the supervisory authority;
   c) are of a total amount not exceeding the amount laid down by the supervisory authority;
   d) refer to financial instruments issued or guaranteed by the Republic.

3. The taking of bank deposits without the issue of financial instruments will not constitute the soliciting of investment.

4. The supervisory authority may identify other cases to which the provisions of this Title do not apply, in whole or in part.

Article 107
(The offerors' obligations)

1. Persons intending to solicit investment will notify the supervisory authority in advance, attaching the prospectus to be published.

2. The prospectus will contain the information that, depending on the characteristics of the financial instruments and the issuers, are required to enable investors to arrive at an informed opinion on the assets and liabilities, the revenue and expenditure and the financial situation of the issuer's business and on the financial instruments and the rights they confer.

3. The supervisory authority will authorise the publication of the prospectus within the period that it has established in general. It may indicate to the offerors the additional information to be included in the prospectus and establish specific procedures for its publication.

Article 108
(Regulation of soliciting of investment)

1. The supervisory authority will adopt measures implementing this Title, which may be differentiated according to the characteristics of the financial instruments, the issuers and the markets.

2. The supervisory authority will determine:
   a) the content of the notification to the supervisory authority and the prospectus, together with the procedures for and the periods for publication of the prospectus and for any updating thereof;
   b) the procedures to be observed, before publication of the prospectus, for disseminating information, conducting market research and for gathering the intentions to buy or subscribe;
   c) the procedures for the conduct of soliciting, one aim being to ensure parity of treatment among the addressees.

3. The issuer may place its own securities direct at its own head office and/or branch offices. If the solicitation is by means of an activity, including an activity of a promotional nature, carried out in a place other than the issuer's head office and/or branch offices, it shall be exercised by parties authorised to exercise the activities listed in D5 and D6 of Attachment 1.

4. The supervisory authority will establish the rules of behaviour that the offeror, the issuer and the party placing the financial instruments are under an obligation to observe.

Article 109
(The issuer's financial statements)

1. The latest approved financial statements and any consolidated financial statement produced by the issuer will be accompanied by reports in which an auditing firm expresses its own opinion. Investments may not be solicited if the auditing firm has expressed a negative opinion or has declared that it is unable to express an opinion.

Article 110
(Obligations of information)

1. The supervisory authority may, in order to supervise the accuracy of the information provided to the public, even in general:
   a) request issuers, the parties controlling the issuers and the companies by which those parties are controlled, to forward information and documents, specifying the procedures therefor;
   b) acquire information from the directors, internal and external auditors and managers of the companies and the parties referred to in a);
   c) conduct inspections on the parties referred to in a).

2. The supervisory authority may also ask the companies or bodies directly or indirectly participating in issuer companies for the names, based on the data available, of the members or shareholders and, in the case of fiduciary companies, of the mandators.

3. The issuers will submit the financial statements for the year to an external auditor for an opinion, together with any consolidated financial statements that have been approved or produced during the period of soliciting.

Article 111
(Recognition of the prospectus)

1. The supervisory authority will regulate the recognition in the Republic of prospectuses approved by the competent authorities of other countries.

Article 112
(Powers of prevention and injunction)

1. The supervisory authority may:
   a) suspend, as a provisional measure, for a period of not more than ninety days, the soliciting of investment if there is a reasonable suspicion of a breach of the provisions of this Chapter or of its implementing rules;
   b) forbid the soliciting of investment in the event of an ascertained breach of the provisions or of the rules indicated in a).

Article 113
(Advertisements)

1. Before publication of the prospectus there shall be no advertisement of any kind regarding the solicitation to invest.

2. Advertisements will be forwarded to the supervisory authority in advance.

3. Advertisements will meet the criteria laid down by the supervisory authority, having regard to the accuracy of information and its conformity to the content of the prospectus.

4. The supervisory authority may:
   a) suspend, as a provisional measure, for a period of not more than ninety days, the further dissemination of the advertisement in the event of reasonable suspicion of a breach of the provisions of the present article or of its implementing rules;
   b) forbid the further dissemination of the advertisement, in the event of an ascertained breach of the provisions or of the rules indicated in a);
   c) forbid the soliciting of investment, in the event of non-compliance with the measures referred to in a) or b).

PART IV
PROVISIONS REGARDING THE POLICIES OF INSURANCE AND REINSURANCE UNDERTAKINGS

TITLE I
DEFINITIONS

Article 114
(Non-life insurance contract)

1. Non-life insurance is a contract under which the insurer, against payment of a premium, undertakes to compensate the insured, within agreed limits, for loss it has been caused by an insurable event.

Article 115
(Civil liability insurance)

1. In civil liability insurance the insurer undertakes, within the limits of the sum specified by the policy, to indemnify the insured for the amount that the insured, as a consequence of the event occurring during the period of insurance, is required to pay to a third party, in connection with the liability stated in the policy. Loss arising from fraudulent acts is excluded.

Article 116
(Life assurance contract)

1. Life assurance is a contract whereby the insurer, against payment of a premium, undertakes to pay a capital amount or annuity on the occurrence of an event contingent on human life.

Article 117
(Capital redemption insurance)

1. Capital redemption insurance is a contract whereby the insurer undertakes to pay specified amounts, without an agreement as to the duration of human life, on maturity of a predetermined term, in return for single or periodical premiums settled in money or by means of other assets.

Article 118
(Reinsurance contract)

1. Reinsurance is a contract whereby the insurer transfers to a reinsurer, on payment of a premium, all or part of the risk assumed vis-à-vis the insured.

2. A reinsurance contract does not create a relationship between the insured and the reinsurer.

TITLE II
GENERAL PROVISIONS

Article 119
(Proof of contract)

1. An insurance contract shall be evidenced in writing.

2. The insurer will be under an obligation to issue the insured with the insurance policy or other document signed by the insured.

3. The insurer will also be required to issue, at the insured's request and expense, duplicates or copies of the policy, but in such cases it may demand that the original be presented or returned.

Article 120
(Policies to order and to bearer)

1. If the insurance policy is to order or to bearer, its transfer will imply the transfer of the claim against the insurer, with the effects of its assignment.

2. The insurer will, however, be discharged if it performs the service to the transferee or the bearer of the policy, without fraud or gross negligence, even if the latter is not the insured.

3. In the event of the loss, theft or destruction of a policy to order, the provisions pertaining to cancellation of bills of exchange will apply.

Article 121
(Non-existence of risk)

1. An insurance contract will be null and void if the risk has never existed or has ceased to exist before the contract is entered into.

Article 122
(Mandatory content of policies)

1. The supervisory authority will, by an ad hoc regulation, prescribe the mandatory content of the contracts referred to in articles 114, 115, 116, 117, 118.

2. Insurance, reinsurance and capital redemption policies not having the mandatory content referred to in paragraph 1, or diverging from that content, will be null and void.

TITLE III
NON-LIFE INSURANCE

Article 123
(Interest in the insurance)

1. Non-life insurance will be null and void if the insured has no interest in compensation for loss at the time at which the insurance is due to commence.

Article 124
(Limits of compensation)

1. The insurer shall compensate, in the manner and up to the limits established by the contract, the loss suffered by the insured as a consequence of the insured event.

2. The insurer will be answerable for loss of profits only if it is under an express obligation to this effect.

Article 125
(Insurance for an amount exceeding the value of the property insured)

1. Insurance for an amount exceeding the real value of the property insured will not be valid if there has been fraud on the part of the insured; if the insured is in good faith, the insurer will be entitled to the premiums for the current insurance period.

2. If there has been no fraud by the party to the contract, the contract will be effective up to the amount of the real value of the property insured, and that party will be entitled to a proportional reduction in the premium in the future.

Article 126
(Co-insurance)

1. If the same insurance or the insurance of risks pertaining to the same properties is shared among the insurers in given percentages, the compensation that each insurer is required to pay against the claim insured will be equivalent only to its respective percentage, even if only one contract is signed by all the insurers.

Article 127
(The insurer's right of subrogation)

1. The insurer having paid compensation will have the right of subrogation in the claims of the insured against the third parties responsible, up to the amount of that compensation.

2. Save in the event of fraud, subrogation will not occur if the loss is caused by the insured's children, adoptees, ascendants or other relations or persons related by affinity in stable cohabitation with the insured, or by the insured's domestic servants.

3. The insured will be liable to the insurer for prejudice caused to the right of subrogation.

Article 128
(Alienation of the property insured)

1. The alienation of the property insured will not constitute grounds for dissolving the insurance contract.

2. The insured's rights and obligations will be transferred to the purchaser if the latter, having learned of the existence of the insurance contract, fails to declare to the insurer that it does not intend to take over the contract, that declaration to be made by registered letter within ten days of the due date of the first premium following alienation.

3. In such an event, the insurer will be entitled to the premiums for the current insurance period.

TITLE IV
LIFE ASSURANCE

Article 129
(Insurance on own life or on the life of a third party)

1. Insurance may be taken out on one's own life or on a third party's life.

2. Insurance on the life of a third party will not be valid unless the third party or his legal representative gives consent to the contract being taken out. Consent shall be evidenced in writing.

Article 130
(Assurance in favour of a third party)

1. Life assurance in favour of a third party will be valid.

2. The beneficiary may be designated in the insurance contract, or by a subsequent written declaration made known to the insurer, or by testament.

3. By the effect of being designated, the third party will acquire his own right to the benefits of the insurance.

Article 131
(Forfeiture of benefit of life assurance)

1. The designation of the beneficiary will not be effective, even if it is irrevocable, if the beneficiary makes an attempt on the life of the insured.

Article 132
(Rights of creditors and heirs)

1. The amounts payable by the insurer to the insured or the beneficiary may not be subject to enforcement or preventive action and are to be deemed to be undistrainable in accordance with article 17 of Law 55 of 17 June 1994.

2. In relation to the premiums paid, measures pertaining to the revocation of acts carried out to the prejudice of creditors and those on the collation of and reduction in donations.

PART V
PENALTIES

TITLE I
CRIMINAL PENALTIES

Article 133
(Modification to article 321 of the Criminal Code)

1. Article 321 of the Criminal Code will be replaced by the following:

"Article 321

(Abusive taking of savings)

Any person taking savings from the public, to include by way of the issue of bonds, in breach of the provisions of current law or of the measures issued by the Central Bank of the Republic of San Marino, will be punished by second-degree imprisonment and by a fine, as well as by third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with a legal personality.".

Article 134
(Abusive exercise of an activity)

1. Any person carrying out a reserved activity without the authorisation of the supervisory authority or without the Congress of State declaration of non-impediment, where this is required, will be punished by second-degree imprisonment and a fine, as well as by third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with legal personality.

2. The same penalty will be applied to:
   a) anyone promoting to or placing financial instruments and insurance policies with the public in the absence of the authorisations referred to in the present law;
   b) anyone engaged in the activity of financial promoter without being entered in the register indicated by article 25(3);
   c) anyone engaged in the activity of insurance or reinsurance intermediation without being entered in the register indicated by article 27(1).

Article 135
(Proprietary assets)

1. Any person providing false information in the notifications specified in articles 16, 17, 19 and 23, or fraudulently omitting to provide information, will be punished by first-degree imprisonment or a fine.

2. The penalty specified in paragraph 1 will also apply to the same infringements in the matter of holdings in the parent holding companies referred to in article 55.

Article 136
(Confusion of assets)

1. Any person who, in the exercise of reserved activities, in order to procure undue profit for himself or others, is in breach of the measures on the separation of property, causing prejudice to clients, will be punished by second-degree imprisonment and a fine as well as by third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with a legal personality.

Article 137
(False notification by issuers)

1. Any person who, in order to procure undue profit for himself or others, sets out false information or conceals data or information in the prospectuses prescribed for the soliciting of investment, with awareness of the falsity and with the intention of deceiving the recipients of the prospectus, in such a way as to induce those recipients into error, will be punished by:
   - first-degree imprisonment, a fine and first-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with legal personality, if their conduct has not caused financial loss; or
   - second-degree imprisonment, a fine and second-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with legal personality, if their conduct has caused financial loss.

Article 138
(Falsity on the part of auditing firms in their reports and communications)

1. The persons responsible for auditing who, in their reports or other communications, in order to procure undue profit for themselves or others, attest to false information or conceal information concerning the revenue and expenditure, assets and liabilities and financial situation of the authorised party, parent holding company**,** or issuer being audited, with awareness of the falsity and with the intention of deceiving the recipients of those communications, in such a way as to induce the recipients of those communications into error as to the situation, will be punished by:
   - first-degree imprisonment, a fine and first-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator

or commissioner in companies or other bodies with legal personality, if their conduct has not caused financial loss to the recipients of the communications on the said situation; or

- second-degree imprisonment, a fine and second-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with legal personality, if their conduct has caused them financial loss.

Article 139
(Breach of banking secrecy)

1. A breach of banking secrecy by parties required to observe secrecy pursuant to article 36 will be punished by first-degree imprisonment, a fine and third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with legal personality.

2. The same penalty will apply to any person who, having wrongfully or involuntarily acquired knowledge of data or information covered by banking secrecy, reveals it to third parties or uses it for his own or others' profit.

Article 140
(Impeding the exercise of the supervisory function)

1. Any person who, in the exercise of functions of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in authorised parties or other parties subject to supervision in pursuance of the present law,
   a) fraudulently states, in communications to the supervisory authority, facts not corresponding to the truth on the revenue and expenditure, assets and liabilities and financial situation of the authorised party or the parties cited above; or
   b) fraudulently conceals, in whole or in part, facts that he ought to have notified concerning that situation,

   will be punished by second-degree imprisonment, a fine and third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with legal personality.

2. Save in the cases specified in paragraph 1, any person who, in the exercise of the same functions and in the same parties as referred to in that paragraph, states facts not corresponding to the truth to the supervisory authority, will be punished by first-degree imprisonment, a fine and second-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or commissioner in companies or other bodies with legal personality.

3. Save in the cases specified in paragraphs 1 and 2, any person who, in the exercise of the same functions and in the same parties as referred to in those paragraphs, impedes the supervisory authority's exercise of its functions, or seriously or repeatedly fails to comply with the measures issued by that authority will be punished by first-degree imprisonment or a fine.

TITLE II
ADMINISTRATIVE PENALTIES

Article 141
(Pecuniary administrative penalties)

1. Without prejudice to the criminal penalties specified in Title I, any person in breach of the provisions of the present law, or of Regency decrees and the supervisory authority's measures issued further to the present law, will be punished by a pecuniary administrative penalty. An ad hoc Regency decree will, following the opinion of the Committee for Credit and Savings and on the proposal of the supervisory authority, determine those provisions of the present law whose infringement will be penalised, the parties responsible for such a breach and the minimum and maximum limit of the pecuniary administrative penalty therefor. The maximum limit on the amount of the penalty specified by the decree may be even higher than laid down by article 31 of the Central Bank's Statutes.

2. Having made known the charge to the parties responsible and having considered the pleadings submitted, within thirty days the supervisory authority will state the penalty, giving written notice of the injunction to pay. The amount of the individual penalty will be determined by the supervisory authority, which will also take due account of the existence of two or more infringements of the same measure or the breach of various measures effected by a single action or omission, or the repetition of the irregular conduct, or any other elements used to infer the gravity of the infringement.

3. The persons being penalised will extinguish the administrative penalty by payment to the supervisory authority. The legal persons to which those responsible for the infringements belong will be answerable jointly with the latter for payment of the stated penalty, and will be under an obligation to recoup that payment from the persons responsible. The option of extinguishing the offence by a reduced payment will not apply.

4. Appeal may be made against the sanction measure to the administrative court, in the manner and form stated by article 34 of Law 68, 28 June 1989 and any amendment to that Law.

5. After the term allowed for payment has lapsed, the supervisory authority will, in order to collect the amounts, avail itself of the procedure for collection by the assessment roll pursuant to Law 70 of 25 May 2004. The procedures for the collection of the pecuniary administrative penalties specified by the present law will therefore be the same as for the duties, rates, charges, sanctions and all other incoming payments to be made to the Chamber of the Grand and General Council and to Public Entities and Autonomous Authorities.

6. The supervisory authority will transfer the amounts collected in the form of penalties to the Chamber of the Grand and General Council; these amounts will be attributed to a special chapter heading in the State Budget, "Banking, financial and insurance system interventions".

7. The pecuniary administrative infringements defined by the present law and the subsequent decree to be issued as specified in paragraph 1 shall be included in the list proposed annually by the Administrative Court of Appeal in accordance with article 32 of Law 68, 28 June 1989.

PART VI
FINAL AND TRANSITIONAL MEASURES

Article 142
(Minimum Reserves)

1. Banks are obliged to set up, as minimum reserves, a fixed-term cash deposit amounting to eight percent of the total amount of direct deposits, including Inter-bank deposits.

2. The fixed-term cash deposit referred to in Paragraph 1 shall be made by the end of the first working day following the beginning of each minimum reserve period, in dedicated accounts at the Central Bank of the Republic of San Marino.

3. Banks shall send the supervisory authorities- in accordance with the procedures set down by the latter - a summary signed by the president of their board of directors and the president of their board of auditors. The summary shall attest to the amount of the aggregate committed to minimum reserves. Said summary must show the sums existing on the last day of the second month preceding the beginning of each minimum reserve deposit period.

4. Minimum reserve periods last one month, from the first day of each solar month until the last day of the same month. During the entire minimum reserve period, the total of the deposit must always equal the amount of the minimum reserves as set out in Paragraph 1.

5. The minimum reserves in the above-mentioned Paragraph 1 shall be assigned interest according to the deposits registered for the minimum reserve period, with liquidation of said interest due at the end of the minimum reserve deposit period.

6. Any exceptions sought with regard to the obligations set down in the present article, whether total or partial, may be authorised by the supervisory authority exclusively in the presence of proven liquidity constraints. To that end the banks concerned must present a specific request that includes all documentation necessary for the evaluation of their request by supervisory authorities.
   Within ten days of receiving the aforesaid documentation the supervisory authority will communicate in writing its decision to grant or deny the authorisation sought, specifying the steps that must be carried out as a consequence. The ten-day period shall be temporarily suspended if the supervisory authority requests further information deemed necessary to complete the documentation produced; such period will become valid again on the day the aforementioned information is received by supervisory authorities.

7. From the moment the minimum reserve period starts the supervisory authority may - by its own provision, in exception to the consultation procedures contained in Article 38 Paragraph 5 - modify the rate contained in Paragraph 1, the components of the aggregate subject to becoming minimum reserves, the duration of the reference and the deposit periods, the summary used for the calculation of the necessary reserves, and the interest rate, as well as establish ways of utilising the reserves.

Article 143
(Financial companies)

1. For the purpose of the present law, by “financial company” is meant a company authorised to exercise the activity referred to in section B of Attachment 1.

2. Any rules, including tax rules contained in the provisions of current laws, issued before the entry into force of the present law, with reference to financial companies and/or fiduciary companies will be deemed to be directed towards all companies, within the meaning of the present law, authorised to exercise one or more of the activities referred to in sections B, C and D of Attachment 1.

Article 144
(Tax treatment of financial instruments covered by a fiduciary mandate)

1. Any proceeds from foreign financial instruments and assets covered by a specific fiduciary mandate, which can therefore be entered in suspense accounts, will not be deemed to have been paid by parties operating in the territory.

Article 145
(Register of actuaries)

1. A public register of actuaries will be established by the supervisory authority.

2. The supervisory authority will regulate the objects of the profession, the requirements for registration in the list, the registration procedures, disciplinary proceedings, cases of suspension and cancellation from the register, supervision over those entered and the procedures for maintaining and consulting the register.

Article 146
(Coordination with the Statutes of the Central Bank)

1. The provisions of article 141 will derogate from the provisions set out in article 31 of the Statutes of the Central Bank.

Article 147
(Coordination with the Companies Law)

1. The Companies Law will be applicable to authorised parties in all matters not otherwise regulated by the present law and by the implementing measures issued by the supervisory authority.

2. Provisions of the Companies Law will not be applicable if they are incompatible with the rules contained in the present law and in the implementing measures issued by the supervisory authority.

Article 148
(Coordination with the Law on Financial leasing)

1. If a bank or financial company acquires real assets located in Sanmarinese territory for the purpose of their financial leasing to Sanmarinese citizens, the authorisation of the Council of Twelve will not be required. The derogation will also apply to:
   a) where a new lessee takes over the lease, if the incoming lessee is a Sanmarinese citizen;
   b) cases of transfer of ownership to a new lessor, when the lessee remains the same and the incoming lessor is a bank or financial company within the meaning of the present law.

   In the event of the termination of the leasing contracts referred to in paragraph 1, in that the leasing purpose of the property acquisition no longer exists, the bank or financial company shall, within ninety days of the date on which the lessee is notified of the termination, submit an application to the Council of Twelve for authorisation to legitimise the original acquisition of the property and its entry under the assets account heading, "assets to be leased", unless within that term the property has been re-leased or sold to another Sanmarinese citizen, as evidenced by the date of registration of the new financial leasing contract or contract of sale.

   In the absence of a reasoned resolution to the contrary within sixty days of submission of the application, the authorisation of the Council of Twelve will be deemed to have been granted.

2. In order to safeguard the nature and prevailing financial objectives of the instrument, lessor companies shall not, in connection with financial leasing contracts registered after the present law comes into force, accept payments of advanced rental from the lessee, in one or more

disbursements, in the total proportion of over 80% of the total value of the financial leasing contract, or agree to extend the term of the lease in favour of the said lessee by more than the maximum limit of thirty years.

3. Without prejudice to the nullity of any contractual agreements establishing a term of the financial lease of less than the minimum terms referred to in article 2 of Law 115, 19 November 2001, the lessor and lessee may, if exceptional circumstances exist, submit a joint reasoned petition to the Tax Office to obtain authorisation for the release of the property leased before the terms of minimum duration referred to above have been completed.

4. A bank or financial company owning a registered movable asset that is being leased will not be jointly and severally liable with the lessee for any damage caused to third parties in the use of the asset leased, if it is higher than the maximum cover of the compulsory insurance policy covering its movement; the lessee alone will be liable for any excess damage.

Article 149
(Coordination with general rules on the lapse of rights)

1. By way of derogation from the general rules of thirty-year lapsing of rights, those rights arising from the contracts concluded by the authorised parties in the exercise of reserved activities will lapse ten years from the date on which the act or event generating those rights has taken place.

2. The term of ten years is to be regarded as general and residual, and therefore not to be applied in cases in which, for certain categories of rights, the laws coming into force from time to time prescribe a shorter term for their lapse.

3. Pursuant to the provision of paragraph 2, the obligations arising from a bank cheque, i.e. a cheque drawn on banks incorporated under San Marino law, will lapse one year after the date on which the cheque is issued, and the cheque may not be protested, pursuant to article 1 of Law 47 of 24 November 1970 and article 206 of the Criminal Code, if it is presented for collection after more than sixty calendar days from the date of issue entered in the cheque.

Article 150
(Coordination with the regulations on the prevention of terrorism and the laundering of money of unlawful origin)

1. The laws on the prevention of terrorism and the laundering of money of unlawful origin will be deemed to prevail over the present law.

Article 151
(Coordination with the Trust Law)

1. In article 19(2) of Law 37 of 17 March 2005, the words “to banks, financial and fiduciary companies” will be replaced by the following: “to banks, fiduciary companies, financial companies, investment undertakings and management companies”.

2. Law 37 of 17 March 2005 is to be understood as being special and as prevailing over the present law. The supervisory authority will regulate the application of the provisions of the present law to the case in which the exercise of the office of trustee constitutes the performance of reserved activities.

Article 152
(*abrogated by Law no. 189 of 5 December 2011)*

Article 153
(Coordination with regulations on the trading permit or licence)

1. The provisions of Law 18 of 8 June 1965, in article 59 of Law 165 of 18 December 2003 and Decree 23 of 16 February 2005 will also apply to parties authorised to exercise reserved activities as regards all those matters not regulated by the present law and by the implementing measures issued by the supervisory authority.

2. The provisions referred to in paragraph 1 will not apply if they are incompatible with the regulations set out in the present law and the implementing measures issued by the supervisory authority.

3. For the issue of the trading permit or licence and the ensuing allocation of the economic operator code, the authorised parties shall deliver to the competent offices, to supplement the documentation required by the provisions referred to in paragraph 1, an authentic copy of the supervisory authority's authorisation referred to in article 7 and a copy of the Congress of State non-impediment declaration referred to in article 12, where required.

4. In those cases specified by the supervisory authority in accordance with article 9, the supervisory authority will issue accreditation for the commencement of operations only those parties already holding the trading permit or licence.

5. Cases of suspension, revocation, lapse or surrender of the trading permit or licence will be notified by the Industry Office to the supervisory authority within five days of the date in which they take place.

Article 154
(Public Administration)

1. The present law will not apply to the exercise of reserved activities by the Public Administration.

Article 155
(Appointment of the President of the Fondazione Cassa di Risparmio)

1. The President of the Fondazione San Marino Cassa di Risparmio della Repubblica di San Marino – S.U.M.S. will be appointed by the Grand and General Council.

Article 156
(Transitional measures)

1. Parties already engaged in reserved activities by virtue of an authorisation granted in accordance with the regulations referred to in article 157(1) below may continue to perform the reserved activities covered by the authorisation they have previously been granted. Banks authorised pursuant to Law 21 of 12 February 1986 may continue to perform the activities referred to in A, B, C, D, I, J, K and L of Attachment 1, and the financial companies authorised pursuant to Law 24 of 25 February 1986 may continue to perform the activities referred to in B, C, D, K and L of Attachment 1.

2. Within thirty days of the present law coming into force, the supervisory authority will enter the parties referred to in paragraph 1 in the register of authorised parties.

3. The parties referred to in paragraph 1 will have twelve months' time from the entry into force of the present law to notify the supervisory authority of the reserved activities that they no longer intend to perform.

4. The parties referred to in paragraph 1 will have twelve months' time from the entry of the present law into force to align their articles of association with the provisions of the present law, as prescribed by article 47.

5. Parties that, when the present law comes into force, are entered in the list of the financial promoters held by the supervisory authority, will be entered by the supervisory authority in the register of financial promoters referred to in article 25.

6. For those persons who, when the present law comes into force, perform the functions of administration, direction and control of the authorised parties and who have already been found to have satisfied the requirements of good repute and professionalism on the basis of regulations abrogated by the present law or on the basis of measures issued by the supervisory authority before the present law comes into force, verification of the requirements referred to in article 15 will not be necessary for the purpose of their performance of their current mandate and up to the natural extinction of that mandate.

7. Insurance agents engaged in the activity of insurance intermediation, based on a trading licence issued before the present law comes into force, may continue to operate on notifying the supervisory authority for the purpose of entry in the register referred to in article 27.

8. The implementing measures issued by the supervisory authority shall establish reasonable terms for compliance with the new provisions by the parties under an obligation to do so.

9. For relationships within a group (Per I rapporti di gruppo) already existing at the date of entry into force of this law, communication to foreign parent company pursuant to Article 36, paragraph 6, letter c) shall be held to be allowed also in the absence of an agreement in force.

10. For the contracts and rights referred to in Article 149, paragraph 1, which, respectively, were concluded

and arose before the date of entry into force of this law, the term of ten-year lapsing of rights shall apply from the entry into force of this Law . The general term of thirty years shall apply when said term elapses before the term of ten-years.

Article 157
(Legislative measures abrogated)

1. The following legislative measures are deemed to have been abrogated:
   a) Law 10 of 30 March 1954;
   b) Law 17 of 8 June 1954;
   c) Law 3 of 27 February 1958;
   d) Law 116 of 20 December 1984;
   e) Law 21 of 12 February 1986;
   f) Law 24 of 25 February 1986;
   g) Decree 62 of 26 May 1986;
   h) Decree 120 of 23 October 1986;
   i) Law 33 of 8 March 1988;
   j) Law 63 of 8 July 1994;
   k) articles 5, 6(2) and 7 of Law 130 of 29 November 1995;
   l) Law 113 of 29 October 1999;
   m) article 1(b) and (c) of Decree 37 of 11 March 2001;
   n) article 68 of Law 165 of 18 December 2003;
   o) article 78(1), of Law 172 of 16 December 2004.

2. Article 5(2) and (3) of Law 24 of 25 February 1986 will continue to be applied solely to contracts concluded by financial companies authorised pursuant to the above law, before the present law comes into force.

3. Any legal provision not expressly referred to in the present law that conflicts with a provision of this law will be deemed to have been abrogated.

4. Measures issued by the supervisory authority pursuant to legislative measures that have been abrogated or substituted will continue to be applied up to the date on which the measures issued pursuant to the present law come into force.

5. The provisions of the laws and decrees abrogated by the present law will continue to be applied up to the date on which the replacement measures issued pursuant to the present law come into force. The references to laws, decrees or other provisions in paragraph 1, which cease to be applicable due to the issue of the said measures, shall be expressly indicated in those measures.

Article 158
(Entry into force)

1. The present law will come into force on the onehundred and twentieth day following the date of its legal publication.

ATTACHMENT 1
RESERVED ACTIVITIES

A) *Attività bancaria* - banking
By banking is meant the taking of deposits from the public and the exercise of credit.

B) *Attività di concessione di finanziamenti* – granting of loans
By the granting of loans is meant the disbursement of loans in any form, including leasing, consumer credit, the issue of guarantees and endorsement credit.

C) *Attività fiduciaria* – fiduciary activity
By fiduciary activity is meant the holding of title to the assets of third parties in execution of a mandate without representation.

D) *Servizi di investimento* - investment services
By investment services are meant the activities relating to one or more financial instruments listed in D1), D2), D3), D4), D5) and D6) below:

D1) reception and transmission of orders in relation to financial instruments
D2) execution of orders in relation to financial instruments on behalf of clients
D3) dealing in financial instruments on own account
D4) financial instrument portfolio management
D5) underwriting and/or placing of financial instruments on a firm commitment basis
D6) placing of financial instruments without a firm commitment basis

E) *Servizi di investimento collettivo* – collective investment services
By collective investment services are meant:
a) the promotion, establishment and organisation of collective investment undertakings and the administration of relations with the participants;
b) the management of the capital of collective investment undertakings on own account or on behalf of other institutions, by investment in financial instruments, credits or other movable or immovable assets.

F) *Servizi di investimento collettivo non tradizionali* – non-traditional collective investment services
By non-traditional collective investment services are meant the activities of promotion, establishment, organisation and management referred to in E), conducted only by collective investment undertakings reserved to professional clients or that employ non-traditional management techniques.

G) *Attività assicurativa* - insurance
By insurance activity is meant the exercise of life assurance or non-life insurance. By life assurance is meant insurance and operations as evidenced by their classification by branch laid down by a

measure issued by the supervisory authority. By non-life insurance is meant insurance as evidenced by its classification by branch laid down by the supervisory authority's measure.

H) *Attività riassicurativa* - reinsurance

By reinsurance activity is meant the assumption of risks ceded by one insurance undertaking or by another reinsurance undertaking.

I) *Servizi di pagamento* – payment services

By payment services are meant the:

a) collection and transfer of funds;
b) transmission or execution of payment orders, to include though debits or credits, effected by any method;
c) setting off debits and credits;
d) issue or management of credit cards, debit cards or other means of payment.

J) *Servizi di emissione di moneta elettronica* – electronic money issue services

By electronic money issue services are meant the issue of a monetary value represented by a claim against the issuer that is:

a) memorised on an electronic device;
b) issued on receipt of funds to a value of not less than the monetary value issued;
c) accepted as a means of payment by undertakings other than the issuer.

K) *Attività di intermediazione in cambi* – exchange intermediation

By exchange intermediation is meant trading in one currency against another, spot or forward, together with any other form of currency intermediation.

L) *Attività di assunzione di partecipazioni* – the taking of holdings

By the taking of holdings is meant the activity, conducted in dealings with the public, of the acquisition, holding and management of rights, whether or not they are represented by securities, in the capital of other undertakings. The said activity does not include the taking of holdings other than for the purpose of their disposal and of holdings which, over the period of holding, are not characterised by measures directed towards management reorganisation or the development of production or meeting the financial requirements of the undertakings being held, by means *inter alia* of finding risk capital.

ATTACHMENT 2
FINANCIAL INSTRUMENTS

By “financial instruments” are meant:

a) shares and other securities representing risk capital that are negotiable on the capital market;

b) bonds, Government securities and other debt securities that are negotiable on the capital market;

c) mutual investment fund units;

d) securities normally traded on the money market;

e) any other normally traded security that can be used to acquire the instruments indicated in the preceding sub-paragraphs, and their indices;

f) future options on financial instruments, interest rates, currencies and commodities and their indices, including when execution is through the cash payment of differentials;

g) repurchase agreements (swaps) on interest rates, currencies and commodities and their indices (equity swaps), including when execution is through the cash payment of differentials;

h) forward options linked with financial instruments, interest rates, currencies and commodities and their indices, including when execution is through the cash payment of differentials;

i) options for the purchase or sale of the instruments indicated in the preceding sub-paragraphs and their indices, as well as options on currencies, interest rates and commodities and their indices, including when execution is through the cash payment of differentials;

j) combinations of the options or securities indicated in the preceding sub-paragraphs.

By "derivative financial instruments" are meant the financial instruments listed in f), g), h), i) and j) above.

Means of payment are not financial instruments.

Data dalla Nostra Residenza, addì 6 dicembre 2005/1705 d.F.R.

Given by Our Residence, on 6 December 2005/in the year 1705

from the Foundation of the Republic

I CAPITANI REGGENTI

THE CAPTAINS REGENT

(Claudio Muccioli – Antonello Bacciocchi)

IL SEGRETARIO DI STATO PER GLI AFFARI INTERNI

THE SECRETARY OF STATE FOR INTERNAL AFFAIRS

(Rosa Zafferani)