Law no. 165 of 17 November 2005

Consolidated text with amendments introduced by: Corrigendum no. 1 of 30 January 2006, Law no. 129 of 21 December 2007, Law no. 92 of 17 June 2008, Decree Law no. 162 of 3 December 2009, Law no. 5 of 21 January 2010, Decree Law no. 181 of 11 November 2010, Law no. 178 of 4 November 2010, Decree Law no. 190 of 29 November 2010, Decree Law no. 36 of 24 February 2011, Law no. 189 of 5 December 2011, Law no. 150 of 21 December 2012, Law no. 71 of 27 June 2013, Law no. 174 of 20 December 2013, Delegated Decree no. 24 of 4 March 2014, Delegated Decree no. 77 of 19 May 2014, Law no. 146 of 19 September 2014, Law no. 219 of 23 December 2014, Law no. 189 of 22 December 2015, Decree Law no. 198 of 30 December 2015, Decree Law no. 60 of 12 June 2017, Decree Law no. 113 of 25 September 2017, Decree Law no. 123 of 27 October 2017, Delegated Decree no. 110 of 31 August 2018, Delegated Decree no. 112 of 31 August 2018, Delegated Decree no. 148 of 22 November 2018 and Delegated Decree no. 149 of 22 November 2018, Delegated Decree no. 176 of 28 December 2018, Delegated Decree no. 177 of 28 December 2018, Delegated Decree no. 50 of 26 March 2019, Delegated Decree no. 61 of 29 March 2019, Decree Law no. 67 of 19 April 2019, Law no. 88 of 30 May 2019 and Law no.113 of 7 July 2020.

LAW ON COMPANIES AND BANKING, FINANCIAL AND INSURANCE SERVICES

Law no. 165 of 17 November 2005

Consolidated text with amendments introduced by: Corrigendum no. 1 of 30 January 2006, Law no. 129 of 21 December 2007, Law no. 92 of 17 June 2008, Decree Law no. 162 of 3 December 2009, Law no. 5 of 21 January 2010, Decree Law no. 181 of 11 November 2010, Law no. 178 of 4 November 2010, Decree Law no. 190 of 29 November 2010, Decree Law no. 36 of 24 February 2011, Law no. 189 of 5 December 2011, Law no. 150 of 21 December 2012, Law no. 71 of 27 June 2013, Law no. 174 of 20 December 2013, Delegated Decree no. 24 of 4 March 2014, Delegated Decree no. 77 of 19 May 2014, Law no. 146 of 19 September 2014, Law no. 219 of 23 December 2014, Law no. 189 of 22 December 2015, Decree Law no. 198 of 30 December 2015, Decree Law no. 60 of 12 June 2017, Decree Law no. 113 of 25 September 2017, Decree Law no. 123 of 27 October 2017, Delegated Decree no. 110 of 31 August 2018, Delegated Decree no. 112 of 31 August 2018, Delegated Decree no. 148 of 22 November 2018 and Delegated Decree no. 149 of 22 November 2018, Delegated Decree no. 176 of 28 December 2018, Delegated Decree no. 177 of 28 December 2018, Delegated Decree no. 50 of 26 March 2019, Delegated Decree no. 61 of 29 March 2019, Decree Law no. 67 of 19 April 2019, Law no. 88 of 30 May 2019 and Law no.113 of 7 July 2020.

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PART I
RULES GOVERNING SUPERVISED PARTIES AND ACTIVITIES

TITLE I
GENERAL PROVISIONS

Art. 1
(Definitions)

1. For the purposes of this Law, the following definitions shall apply:
a) “Banking activity”: activity referred to in letter A of Annex 1;
a-bis) “Tied agent": a natural or legal person who, under the full and unconditional responsibility of only one party authorised to provide investment services on whose behalf it acts, promotes investment or ancillary services to customers or prospective customers, receives and transmits instructions or orders from customers in respect of investment services or financial instruments, places financial instruments or provides advice to customers or prospective customers in respect of those financial instruments or services;
b) “Shareholding acquisition”: activity referred to in letter L of Annex 1;
c) “Granting of credit”: activity referred to in letter B of Annex 1;
d) “Exchange intermediation”: activity referred to in letter K of Annex 1;
e) “Fiduciary activity”: activity referred to in letter C of Annex 1;
f) “Insurance activity”: activity referred to in letter G of Annex 1;
g) “Reserved activities”: activities referred to in Annex 1;
h) “Reinsurance activity”: activity referred to in letter H of Annex 1;
i) “Actuary”: person registered in the register referred to in Article 145;
j) “Supervisory authority”: the Central Bank of the Republic of San Marino;
k) “Bank”: company authorised to exercise the activity referred to in letter A of Annex 1;
l) “Central Bank”: the Central Bank of the Republic of San Marino;

m) "Professional customer": a customer having the characteristics established by the supervisory authority;

m-bis) "Independent financial adviser": a natural or legal person that professionally carries out the activity of independent investment advice referred to in Article 25-bis;

m-ter) "Investment advice": the provision of personalised recommendations to customers, either upon their request or at the initiative of the service provider, in respect of one or more transactions relating to financial instruments;

n) "CSC": the Credit and Savings Committee referred to in Article 48 of Law no 96 of 29 June 2005;

n-bis) "BRRD Directive": Directive 2014/59/EU and subsequent amendments;

n-ter) "Financial Collateral Arrangements Directive": Directive 2002/47/EC and subsequent amendments;

n-quater) "Reorganisation and Winding-up of Credit Institutions Directive": Directive 2001/24/EC and subsequent amendments;

o) "Execution of orders on behalf of customers": conclusion of agreements to buy or sell one or more financial instruments on behalf of customers, including the conclusion of agreements for the subscription or sale of financial instruments issued by an investment firm or a bank at the time of their issue;

p) "Mutual investment fund": autonomous assets, divided into units, belonging to a number of holders and managed by the investment firm; the assets may be raised through one or more issues of units;

q) "Portfolio management": discretionary and individualised management of investment portfolios under a mandate conferred by the customers, when such portfolios include one or more financial instruments;

q-bis) "Market operator": a company that manages or operates the business of a regulated market and may be the regulated market itself;

r) "Insurance company": a company authorised to exercise the activity referred to in letter G of Annex 1;

s) "Investment firm": a company that carries out one or more of the activities or provides one or more of the services referred to in letter D of Annex 1;

t) "Reinsurance company": a company authorised to exercise the activity referred to in letter H of Annex 1;

u) "Insurance intermediary": a person professionally exercising the activity of insurance intermediation referred to in Article 26;

v) "Reinsurance intermediary": a person professionally exercising the activity of reinsurance intermediation referred to in Article 26;

w) "Electronic money institution": a company, other than a bank, authorised to exercise the activity referred to in letter J of Annex 1;

x) "Company Law": Law no. 68 of 13 June 1990 and subsequent amendments;

y) "Law establishing the Register of Auditors and Auditing Firms": Law no. 146 of 27 October 2004;

z) "Regulated market": a multilateral system operated or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules or systems, and which is authorised and functions regularly and in accordance with the relevant European Union law and the implementing rules of the supervisory authority;

aa) "Dealing on own account": trading against proprietary capital resulting in the conclusion of purchase and sale transactions in one or more financial instruments;

bb) "Undertakings for collective investment": mutual investment funds and foreign undertakings which, under the legislation in force in their State of origin, have characteristics equivalent to mutual investment funds;

bb-bis) "Payment service provider": a party that carries out one or more of the activities referred to in letter I of Annex 1;

cc) "Financial promoter": a natural person who, in his capacity as tied agent, professionally carries out the activity of off-site service provider referred to in Article 24;

cc-bis) "Reorganisation measures": the measures ordering:

1. The extraordinary administration and suspension of the governing bodies and the measures taken in connection therewith;

2. The measures equivalent to those set out in point 1 adopted by the supervisory authorities of the countries of the European Union;

dd) "Company Register": the register referred to in Article 20 of the Company Law;

ee) "Republic": the Republic of San Marino;

ff) "Distribution network": all channels of contact with the public, including branches, ATMs, promoters' and agents' offices and remote communication means;

ff-bis) "Trading venues": a regulated market, a multilateral trading facility or an organised trading system;

ff-ter) "Data reporting services on transactions concluded for financial instruments on trading venues": the activities referred to in letter D-ter of Annex 1;

gg) "Electronic money issuance services": activity referred to in letter J of Annex 1;

hh) "Investment services and activities": activities and services referred to in letter D of Annex 1;

ii) "Collective investment services": activities referred to in letter E of Annex 1;

jj) "Payment services": activities referred to in letter I of Annex 1;

kk) "Placement service": agreement between the issuer (or the offeror) and the placement intermediary aimed at offering the financial instruments issued to the public and consequently at placing them with that intermediary's customers under predetermined price and, if applicable, time conditions. The agreement may also be concluded between a primary and a secondary placement intermediary;

kk-bis) "Multilateral system": a system or mechanism that enables the interaction between multiple third-party buying and selling interests in financial instruments;

kk-ter) "Multilateral trading facility": a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments - in the system and in accordance with non-discretionary rules - in a way that results in a contract in accordance with the relevant European Union law and the implementing rules of the supervisory authority;

kk-quater) "Organised trading system": a multilateral system other than a regulated market or multilateral trading facility, which enables the interaction between multiple third-party buying and selling interests in bonds, structured financial instruments, emission allowances and derivatives, in a way that results in a contract in accordance with the relevant European Union law and the implementing rules of the supervisory authority;

ll) "Management company": the company carrying out the activity referred to in letter E of Annex 1 jointly or severally with the activity referred to in letter F of the same Annex;

mm) "Fiduciary company": a company carrying out the activity referred to in letter C of Annex 1;

nn) "Authorised parties": the parties that have obtained the authorisation to carry out one or more reserved activities under Title II;
oo) "Statute of the Central Bank": Law no. 96 of 29 June 2005;
pp) "Close links": a situation in which two or more natural or legal persons are linked by any of the following:
a) Participation in the form of ownership, either direct or by way of control, of 20% or more of the voting rights or capital of a company;
b) Control among them;
c) Long-term control of both or all of them over the same third party;
qq) "Financial instruments": the instruments referred to in Annex 2;
rr) "Branch": place of business of a company constituting a part thereof, without legal personality, which exercises all or some of the reserved activities for which the party has been authorised;
ss) "Remote communication techniques": techniques to establish contacts with customers or the public, other than advertising, which do not involve the simultaneous physical presence of the customer and the offeror or an agent thereof.

Art. 2
(Notion of control)

1. For the purposes of this Law, there shall be control when a natural or legal person:
a) Has the majority of the voting rights at the shareholders' meeting; or
b) Has sufficient voting rights to exert a dominant influence at the shareholders' meeting; or
c) Exerts a dominant influence by virtue of specific contractual obligations.
For the purposes of applying letters a) and b), the voting rights of subsidiaries, fiduciary companies and intermediaries shall also be counted; voting rights on behalf of third parties shall not be counted.
2. The control referred to in paragraph 1 shall be deemed to exist in the form of dominant influence, unless there is evidence to the contrary, in any of the following situations:
a) Where a party, based on agreements with other shareholders, is entitled to appoint or remove the majority of the directors or has alone the majority of the voting rights at the shareholders' meeting;

b) Where a party has a shareholding enabling it to appoint or remove the majority of the members of the governing body;
c) Where the financial and organisational relationships, including between shareholders, are capable of achieving one of the following effects:

- Transfer of profits or losses;
- Coordination of the management of the company with that of other companies in order to achieve a common objective;
- Attribution of powers greater than those deriving from the shares or units held;
- Attribution of powers to choose directors and managers of companies to persons other than those entitled to exercise such powers based on the ownership structure;

d) Where companies are subject to a common management, based on the composition of the governing bodies or other concurrent factors.

TITLE II
ACCESS TO RESERVED ACTIVITIES

CHAPTER I GENERAL PROVISIONS

Art. 3
(Mandatory authorisation to carry out reserved activities)

1. The exercise as a business in the Republic of San Marino of one or more activities listed in Annex 1 shall be reserved to the parties authorised for that purpose by the supervisory authority. However, the latter may, by its own regulation, taking into account the relevant EU law, establish simplified procedures or exemptions from the authorisation regime, in application of qualitative or quantitative thresholds.
2. Annexes 1 and 2 shall be integrated or amended by means of a Regency Decree.

Art. 4

(Activities that may be exercised by authorised parties)

1. Authorised parties shall only carry out the reserved activities for the exercise of which they have obtained the relevant authorisation.
2. The supervisory authority shall establish the cases in which a reserved activity, or a branch of activity, shall be carried out exclusively and the cases in which two or more reserved activities, or branches of activity, shall not be carried out by the same party.
3. Authorised parties may also carry out activities ancillary, instrumental and related to the reserved activities for which they have obtained the authorisation. The supervisory authority shall establish the ancillary, instrumental and related activities that each authorised party may carry out, including in relation to the reserved activities for which they have obtained the authorisation.
4. The supervisory authority shall establish the cases in which and the conditions under which one or more reserved activities may be carried out in addition to other reserved activities.
5. The authorised party shall not carry out activities other than those set out in paragraphs 1, 3 and 4.

Art. 5

(Collection of savings)

1. Collection of savings means the activity of collecting money from the public with the obligation to return it.
2. The activity referred to in paragraph 1 shall be reserved for banks and Poste San Marino S.p.A., without prejudice to the right of joint stock companies to issue bonds.
3. The supervisory authority shall regulate the collection of savings by authorised parties also by way of derogation from the provisions contained in the current legislation on companies with respect to bonds and related fulfilments.
4. In any case, parties other than those referred to in paragraph 2 above shall not collect sight savings, in the form of deposits, by means of securities representing deposits, or collect savings related to the issue or administration of general purpose means of payment.

5. The supervisory authority shall establish the conditions and procedures for authorised parties to issue dematerialised financial instruments and to place them in centralised deposit systems, whether in San Marino or abroad.

CHAPTER II
AUTHORISATION TO EXERCISE RESERVED ACTIVITIES

Art. 6
(Application for authorisation)

1. The application for authorisation shall indicate the reserved activities and, where applicable, the reserved activity branches that the applicant intends to carry out.
2. The application for authorisation shall be accompanied by the draft memorandum of association and the other documents established by the supervisory authority, as well as a document attesting to the lodging of a secured deposit in accordance with Article 13.
3. The supervisory authority shall establish the content and the procedure for the submission of applications for authorisation, including in relation to each reserved activity.
4. The supervisory authority may request the applicant to provide any information it deems useful in order to decide on the granting of the authorisation.

Art. 7
(Authorisation by the supervisory authority)

1. The supervisory authority shall not grant authorisation if the minimum requirements laid down in Chapter IV are not met in respect of each reserved activity for which authorisation is sought. The supervisory authority may establish further minimum requirements for the granting of authorisation. In no case shall the economic needs of the market be an obstacle to granting authorisation.
2. The supervisory authority shall notify the applicant in writing of its decision on the authorisation referred to in paragraph 1 within six months of receipt of the application.

3. If the application is incomplete, the period referred to in paragraph 2 shall be suspended and shall begin again in full from the time the supervisory authority receives the information or documents requested. In any event, the decision to grant or refuse authorisation shall be taken within 12 months of receipt of the application.
4. The supervisory authority shall establish the cases of suspension of the time-limit referred to in paragraph 2.
4-bis. Where any change affects the accuracy of information and evidence provided, the authorised party shall, without undue delay, inform the supervisory authority accordingly.

Art. 8
(Application for variation of an authorisation)

1. Any authorised party may request the supervisory authority to vary the terms of its authorisation in order to add or remove a reserved activity, or a reserved activity branch, with respect to those included in the authorisation.
2. The supervisory authority shall establish the content and the procedure for the submission of applications for variation of an authorisation, including in relation to each reserved activity.
3. The procedure for granting the variation authorisation shall be governed by Articles 6 and 7.

Art. 9
(Licensing to start operations)

1. The supervisory authority shall establish the cases in which the starting of operations by authorised parties shall be subject to prior licensing by the supervisory authority.

Art. 10
(Revocation of authorisation)

1. The supervisory authority may revoke the authorisation to carry out one or more reserved activities in cases where the authorised party:

a) No longer meets the minimum requirements referred to in Chapter IV, and any other requirements on which authorisation is conditional, or fails to inform the supervisory authority about major developments in this respect;
b) Does not make use of the authorisation within 12 months or expressly renounces the authorisation;
c) Has ceased to exercise, for more than six months, any activity for which the authorisation was granted;
d) Has obtained the authorisation by submitting false statements or by any other irregular means or in the cases provided for by Article 14;
d bis) Constitutes a threat to the stability of or the trust in the system by continuing its business;
d-ter) Has seriously and systematically violated the provisions governing the exercise of the reserved activity for which it was granted authorisation.
2. If any of the above cases of revocation of authorisation occurs, the supervisory authority shall notify the authorised party of the order to remedy the situation within a time-limit, not exceeding six months, to be established by the supervisory authority.
3. In case of non-compliance with the time-limit referred to in paragraph 2, the supervisory authority shall revoke the authorisation. The revocation measure shall be published in the Official Bulletin.
4. If, at the same time as the revocation, no administrative compulsory winding-up of the authorised party is ordered, the directors shall convene the shareholders' meeting within two months of the revocation to decide on the voluntary winding-up of the company.

Art. 11
(Register of authorised parties)

1. A public register of authorised parties shall be established at the Central Bank.
2. The supervisory authority shall enter each authorised party in the register when the first authorisation is granted.
3. The supervisory authority shall establish the identification details and information to be entered in the register and shall regulate the setting up and organisation of the register, as well as the procedures for public consultation.
4. The register referred to in paragraph 1 may also be kept in computerised form.

CHAPTER III
(*repealed*)

Art. 12
(repealed)

CHAPTER IV
MINIMUM REQUIREMENTS FOR AUTHORISATION

Art. 13
(Minimum requirements)

1. The supervisory authority shall grant authorisation to carry out reserved activities if the following conditions are met:

a) The draft memorandum of association shall be drawn up in accordance with the criteria established by the supervisory authority;

b) Adoption of the legal form of companies with share capital established by the supervisory authority in relation to the reserved activities for the exercise of which authorisation is requested;

c) Establishment of the registered office and of the administrative office in the territory of the Republic;

d) The share capital shall not be less than the amount established by the supervisory authority;

e) A secured deposit shall be lodged with San Marino banks for the purposes of the subsequent payment of the share capital at the time of incorporation, for an amount not less than that established by the supervisory authority;

f) Holders of substantial shares subject to authorisation pursuant to Article 17 shall meet good repute and other requirements ensuring sound and prudent management, as established by the supervisory authority;

g) There shall be no close links that would impede the exercise of supervisory functions;

h) The corporate managers referred to in Article 15 shall meet the requirements set out in paragraph 1 of that Article;

i) Submission of a business plan setting out the capital, human, organisational and technological resources appropriate to the activities to be carried out, as well as other documents and reports as established by the supervisory authority;

i-bis) The provisions of a non-EU country governing one or more natural or legal persons with which the authorised party has close links, or difficulties related to the enforcement of these provisions, shall not hinder the effective exercise of the supervisory functions.

CHAPTER V
INCORPORATION

Art. 14
(Compliance of the 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. The memorandum of association shall be notified to the supervisory authority within five days of its drawing up. Its divergence from the draft shall be a cause for revocation of authorisation by the supervisory authority.

TITLE III
CORPORATE MANAGERS

Art. 15
(Requirements of corporate managers)

1. Anyone performing functions of administration, management or control within authorised parties shall meet the requirements of good repute, professional competence and independence as established by the supervisory authority, which shall also establish:

a) Further criteria of fairness and competence;

b) The criteria of adequacy in the composition of the collegial bodies;

c) The number of offices that may be held at the same time, taking into account that the managers shall devote sufficient time to the performance of their duties within the authorised party.

1-bis. In the event of non-compliance of corporate managers with the requirements and criteria referred to in the preceding paragraph, the supervisory authority may order their removal from office by its own measure.

2. Failure to meet the requirements set forth in the first paragraph shall result in their removal from office. Removal from office shall be declared by the Board of Directors within thirty days of the appointment or of learning of the cause that led to the loss of the requirements. If the measure is not adopted, removal from office shall be declared by the supervisory authority.

3. The supervisory authority shall establish the reasons for the temporary suspension from office and its duration. The suspension shall be declared in the manner set out in the second paragraph.

TITLE IV
OWNERSHIP STRUCTURES

Art. 16
(Substantial shareholdings)

1. Anyone who, at any title, through the acquisition of shares or units, becomes the holder of substantial shares in the capital of an authorised party shall notify the supervisory authority thereof.

2. Such notification shall also be required in the case of transfers of shares or units leading to the loss of ownership of a substantial shareholding in the capital of an authorised party.

3. For the purposes of paragraphs 1 and 2, shares or units indirectly acquired or transferred, i.e. when the acquisition or transfer takes place through subsidiaries, fiduciary companies or an intermediary, shall also be considered.

4. For the purposes of paragraphs 1 and 2, the supervisory authority shall establish:

a) Shareholdings in the capital of an authorised party that are deemed to be substantial, also taking into account voting rights and other rights that may influence the management of the authorised party;

b) The parties required to make notifications when the rights deriving from the shareholdings belong to or are attributed to a party other than the holder of the shareholdings, and when there are agreements concerning the exercise of the voting right;
c) The procedures and time-limits for notification.
5. Substantial shareholdings in the capital of an authorised party shall not be held, either directly or indirectly, by foreign parties acting in their own name but on behalf of third parties or in any case not being natural persons, to whom at least one of the following circumstances applies:
a) Being incorporated as "anonymous company" or a substantially similar legal form, i.e. not being able, for the legal system of the country where the company has its main office, to guarantee the necessary transparency of its ownership structure;
b) Limitations for the supervisory authority to constantly and easily receive information on the identity of the party's settlors/promoters and of their beneficial owners;
c) Having its registered or administrative office in one of the countries, territories or jurisdictions subject to close monitoring in terms of preventing and combating money laundering and terrorist financing;
d) Being subject to the control, including joint control, of any parties falling within at least one of the circumstances referred to in the preceding three letters.

Art. 17

(Prior authorisation for the acquisition of substantial shareholdings)

1. The supervisory authority shall establish the cases in which the acquisition of shares or units, leading to the acquisition of ownership of a substantial shareholding in the capital of an authorised party, shall be authorised in advance by the supervisory authority.
2. In the cases referred to in paragraph 1, the supervisory authority shall promptly notify, and in any case within two working days, the receipt of the request and the date of expiry of the assessment period. The supervisory authority may, within 60 working days of such notification, prohibit the acquisition of the shareholding, where it considers that the proposed acquirer does not comply with the requirements of Article 18 or is not suitable to ensure the sound and prudent management of the authorised party or to allow the conduct of supervision. Authorisation may also be refused where the acquisition would be contrary to the achievement of the objectives of supervision referred to in Article 37. After the expiry of

the assessment period without any notification from the supervisory authority, authorisation shall be deemed to have been granted.
3. The authorisation referred to in the first paragraph may be revoked in the event of failure to meet the requirements established under this Law for the acquisition of shareholdings in the capital of authorised parties.
4. The acquisitions and transfers referred to in the first paragraph shall be notified, once completed, to the supervisory authority and the authorised party.
5. The supervisory authority shall establish:
a) Shareholdings in the capital of an authorised party that are deemed to be substantial, for the purposes of the prior authorisation referred to in the first paragraph, also taking into account voting rights and other rights that may influence the management of the authorised party;
b) The parties required to request authorisation when the rights deriving from the shareholdings belong to or are attributed to a party other than the holder of the shareholdings, and when there are agreements concerning the exercise of the voting right;
c) The procedures for applying for authorisation.

Art. 18
(Requirements of good repute)

1. The supervisory authority shall establish the requirements of good repute of holders of substantial shareholdings in an authorised party.

Art. 19
(Notification of voting agreements)

1. Without prejudice to the publicity requirements laid down in the Company Law, any written agreement, which has as its subject or effect the concerted exercise of voting rights in an authorised party or in a company controlling an authorised party, shall be notified to the supervisory authority by the participants or the legal representatives of the party to which the agreement refers, if they are aware of it, within five days of its conclusion.

Art. 20

(Acquisition of control of an authorised party)

1. The acquisition of control of an authorised party shall be notified to the supervisory authority in the manner provided for in Article 16.
2. The supervisory authority shall establish the cases in which the acquisition of control of an authorised party shall be authorised in advance. The authorisation procedures shall be governed by the provisions of Article 17.

Art. 21

(Suspension of the voting right)

1. The voting right and other rights, which allow influence over the authorised party, shall not be exercised:
a) For shares or units exceeding the shareholding thresholds established pursuant to Article 16, paragraph 4, in the absence of the notification provided for in the first paragraph of the same Article, or in breach of Article 20, paragraph 1;
b) For shares or units in respect of which the notifications provided for in Article 19 have not been made where the agreements result in concerted exercise of voting rights likely to prejudice the sound and prudent management of the authorised party;
c) For shares or units exceeding the shareholding thresholds established pursuant to Article 17, where the authorisation provided for in the first paragraph of the same Article has not been obtained or the authorisation has been revoked, or in breach of Article 20, paragraph 2;
d) For shareholdings held by parties not meeting the requirements of good repute established in accordance with Article 18.
2. The decision or other act adopted with the determining vote or contribution of the shareholdings provided for in the first paragraph may be annulled. The provisions set forth in the Company Law governing objections to decisions adopted by the shareholders' meeting shall apply.
3. The annulment may also be requested by the supervisory authority within six months of the date of the decision or, if it is subject to filing with the Commercial Registry of the Court, within six months of

the date of filing. Shareholdings for which the right to vote cannot be exercised shall be taken into account for the relevant shareholders' meeting to be validly constituted.

Art. 22
(Obligation to dispose of shareholdings)

1. The supervisory authority may set a time-limit within which the shareholdings referred to in Article 21, paragraph 1, letters c) and d) shall be disposed of.

Art. 23
(Request for information on shareholdings)

1. The supervisory authority may request:
a) To authorised parties, to provide the names of the holders of the shareholdings, as well as the amount of such shareholdings, as evidenced by the register of shareholders, the notifications received and other data available to them;
b) To companies directly or indirectly holding shares in authorised parties, to indicate the parties controlling them;
c) To fiduciary companies having shareholdings in the companies indicated in the preceding letters registered in their own name, to provide the names of the settlors.

TITLE V
OTHER SUPERVISED ACTIVITIES

CHAPTER I
FINANCIAL PROMOTION AND ADVICE

Art. 24
(Off-site offer of financial instruments and investment services and activities)

1. Off-site offer of financial instruments and investment services and activities means the promotion and placement with the public:
a) Of financial instruments in a place other than the registered office or branches of the issuer, the investment proposer or the party in charge of the promotion or placement;
b) Of investment services and activities in a place other than the registered office or branches of the party providing, promoting or placing the service or activity.
2. The supervisory authority shall regulate the off-site offer of financial instruments or investment services and activities, in particular by determining the parties which may exercise it.
3. The parties referred to in the second paragraph shall use employees or financial promoters to carry out the activity of off-site offer of financial instruments and investment services and activities.

Art. 25
(Financial promoters)

1. A financial promoter shall be any natural person who, in his capacity as agent or nominee, professionally carries out the activity of off-site offer.
1-bis. The activity of financial promoter shall be carried out exclusively in the interest of a single party.
2. The party appointing the financial promoter shall be jointly and severally liable for any damage caused to third parties by the financial promoter in the performance of the activity as agent or of the mandate received.

3. A public register of financial promoters shall be established within the supervisory authority, including a special section dedicated to the employees of the parties referred to in Article 24, paragraph 2, who provide the activity of off-site offer.
4. The supervisory authority shall establish the requirements of good repute and professional competence that have to be met to be entered in the register referred to in paragraph 3. The requirements of professional competence to be entered in the register shall be assessed on the basis of criteria that take into account prior professional experience, validly documented, or on the basis of evaluation tests arranged by the supervisory authority.
5. The supervisory authority may establish simplified procedures for entry in the register referred to in paragraph 3 of parties already subject to control by foreign supervisory authorities.
6. The register referred to in paragraph 3 shall be public and may also be kept in computerised form.

Art. 25-bis
(Independent financial advisers)

1. The reserved activity referred to in letter D7 of Annex 1 shall not prejudice the possibility for natural and legal persons, who are not authorised parties, to provide investment advice for the financial instruments referred to in points 1, 2 and 3 of Annex 2, as long as such advice is provided on an independent basis and without holding, not even temporarily, sums of money or financial instruments belonging to customers.
2. A public register of independent financial advisers shall be established within the supervisory authority and may also be kept in computerised form.
3. The professional exercise of the activity of investment adviser by the parties referred to in paragraph 1 shall be reserved for the parties entered in the register referred to in the preceding paragraph.
4. Independent financial advisers may also promote and provide investment advice at a place other than their address for service or registered office, provided that, when they are legal persons, they do so through their independent financial advisers.

5. Independent financial advice companies shall be jointly and severally liable for any damage caused to third parties by the independent financial advisers they use in the performance of their activity, even if such damage arises from liability established in criminal proceedings.
6. The supervisory authority shall regulate the exercise of the activity referred to in paragraph 3 above, as well as, with regard to the register referred to in the second paragraph:
a) The creation, content and updating of the register;
b) The procedures and requirements, in particular as regards independence, for entry in the register;
c) The cases of suspension and removal from the register;
d) Any simplified procedures for entry in the register of parties already subject to control by foreign supervisory authorities;
e) Any other aspect concerning the keeping of the register.

CHAPTER II
INSURANCE AND REINSURANCE INTERMEDIATION

Art. 26
(Insurance and reinsurance intermediation)

1. Insurance and reinsurance intermediation shall consist of presenting or proposing insurance and reinsurance contracts or providing assistance and advice with regard to such activity and, where the intermediary mandate so provides, concluding contracts or cooperating in the management or performance of the contracts concluded, particularly in the event of claims.
2. The supervisory authority shall regulate the activity of insurance and reinsurance intermediation, as well as the cases of exclusion from the scope of this Chapter and the provisions applicable to investment services and activities.

Art. 27
(Insurance and reinsurance intermediaries)

1. The professional exercise of the activity referred to in Article 26 shall be reserved for natural and legal persons registered in the register of insurance and reinsurance intermediaries established with the supervisory authority.
2. Employees, collaborators, producers or other persons in charge of intermediation, to whom the parties entered in the register indicated in the first paragraph resort, shall be required to register in a special section of the register referred to in the first paragraph.
3. The supervisory authority shall regulate:
a) The setting up and updating of the register referred to in the first paragraph and the relevant forms of publicity;
b) The procedures and requirements for the registration of the parties referred to in paragraphs 1 and 2;
c) The cases of suspension and removal from the register referred to in paragraph 1.
4. The register referred to in the first paragraph shall be public and may also be kept in computerised form.

Art. 28
(Liability towards the insured)

1. The insurance company on whose behalf the direct producers act shall be jointly and severally liable for any damage caused by their actions.
2. The intermediary registered in the register referred to in the first paragraph shall be liable for the insurance intermediation activity carried out by the persons in charge of intermediation such as employees, collaborators, producers and other persons in charge thereof.

TITLE VI
FINANCIAL STATEMENTS AND AUDITING

CHAPTER I
FINANCIAL STATEMENTS

Art. 29
(Company's financial statement and consolidated financial statement)

1. The directors of authorised parties shall draw up the company's financial statement for each financial year. The financial year shall start on 1 January and shall close on 31 December of each year. The company's financial statement shall be approved by the shareholders' meeting by 31 May of the following year.
2. The supervisory authority shall identify the cases in which an authorised party or a parent holding company, as referred to in Article 55, is required to draw up the consolidated financial statement. The financial year shall start on 1 January and shall close on 31 December of each year. The company's consolidated financial statement shall be approved by the shareholders' meeting by 31 May of the following year.
3. The company's financial statement and the consolidated financial statement shall consist of the balance sheet, the profit and loss account and the notes on the accounts.
4. The company's financial statement and the consolidated financial statement shall be drawn up clearly and shall give a true and fair view of the company's assets and liabilities, financial position and economic outturn for the financial year.
5. If the information required by this Law or by the implementing provisions is not sufficient to give a true and fair view, additional information necessary for this purpose shall be provided in the notes on the accounts.
6. If, in exceptional cases, the application of a provision of this Law or of the implementing provisions is incompatible with the requirement to give a true and fair view, such provision shall not be applied.

The notes on the accounts shall explain the reasons for the derogation and its effects on the presentation of the company's assets and liabilities, financial position and economic outturn.
7. The company's financial statement and the consolidated financial statement shall be accompanied by the directors' report on the management and position of the company or of all companies to which the consolidated financial statement refers.

Art. 30

(Criteria for drawing up financial statements and assessment criteria)

1. Without prejudice to the provisions of this Law, the supervisory authority shall establish:
a) The outlines of the balance sheet and of the profit and loss account, the content of the notes on the company's financial statement and the consolidated financial statement;
b) The criteria for drawing up the financial statement and the assessment criteria;
c) The way in which the accounts are kept.
2. The authorised parties shall draw up the outlines of the balance sheet and of the profit and loss account in accordance with the provisions of this Law and of paragraph 1.

Art. 31

(General principles of the drawing up criteria)

1. The items, sub-items and related detailed information, provided for in the outlines of the balance sheet and profit and loss account, shall constitute the financial statement, which is drawn up by the authorised parties in accordance with the provisions of this Law and of Article 30.
2. The criteria for drawing up the financial statement shall not be changed from one financial year to the next. In exceptional cases, derogations from this principle shall be permitted, provided that the notes on the accounts explain the reasons for the derogation and its effects on the presentation of the company's assets and liabilities, financial position and economic outturn.
3. In drawing up the financial statement, priority shall be given, where possible, to presenting the substance rather than the form, as well as transaction settlement rather than negotiations.

4. The way in which the accounts are kept by the authorised parties shall enable a connection with the financial statement.
5. Items shall not be set off against each other, except in cases provided for by the supervisory authority where offsetting is a characteristic aspect of the transaction or in case of hedging transactions.
6. The situation of the accounts as of the starting date of the financial year shall correspond to that indicated in the approved financial statement for the previous financial year.
7. Revenue and expenditure items shall be recorded on an accrual basis, regardless of the date of collection and payment, and in accordance with the principle of prudence. The latter principle shall be preferred, provided that non-explicit reserves are not established.
8. The financial statement shall be drawn up in units of euro without decimals, with the exception of the notes on the accounts, which may be drawn up in thousands of euro.

Art. 32

(General principles of the assessment criteria)

1. The assessments shall be performed in accordance with the following principles:
a) Assessment criteria shall not be modified from one financial year to the next;
b) The assessments shall be made in a prudential manner and in view of the continuation of the activities; in particular:
   - Only those profits made as of the closing date of the financial year shall be indicated, unless otherwise provided for in this Law or in implementing provisions;
   - The risks and losses accrued for the relevant financial year shall be taken into account, even if they become known after the end of the financial year;
   - Depreciation shall be taken into account whether the financial year ended with a loss or with a profit;
c) On- and off-balance sheet assets and liabilities shall be assessed separately; however, interconnected assets and liabilities shall be assessed in a consistent manner.
2. In exceptional cases, derogations from the principle in paragraph 1, letter a) shall be permitted, provided that the notes on the accounts explain the reasons for the derogation and its effects on the presentation of the company's assets and liabilities, financial position and economic outturn.

CHAPTER II
AUDITING FIRM, EXTERNAL AUDITORS AND ACTUARIES

Art. 33
(Appointment of external auditors and actuaries)

1. The supervisory authority shall establish the cases in which an authorised party or a parent holding company, as referred to in Article 55, is required to appoint an external auditor and/or an actuary in order to:
a) Draw up one or more reports on the financial statement and/or on the consolidated financial statement;
b) Draw up one or more reports on specific acts or transactions performed by the authorised parties;
c) Perform the audit function;
d) Perform one or more functions on a continuous basis in connection with the performance of reserved activities.
2. The supervisory authority may regulate:
a) The requirements of good repute, professional competence and independence to be met by the appointed external auditors;
b) The cases in which incorporation as a company is necessary, and the requirements of the company, for the performance of one or more of the functions referred to in the first paragraph;
c) The manner in which the parties referred to in the first paragraph are appointed;
d) The cases in which the appointment or revocation thereof shall be notified to the supervisory authority and the respective deadlines for notification;
e) The terms of office;
f) The procedures for removal from office and resignation;
g) The duties and responsibilities of the parties referred to in the first paragraph in the performance of the tasks entrusted to them.
3. By way of derogation from Law no. 146 of 27 October 2004, the supervisory authority may, upon reasoned request of the authorised party, authorise foreign auditing firms to perform the tasks referred to in the first paragraph, provided that they are entered in registers kept in foreign countries that offer sufficient guarantees of control over the integrity and professional competence of the auditors.

Art. 34

(Rules governing external auditors and actuaries)

1. External auditors and actuaries appointed in accordance with Article 33:

a) Shall be entitled to obtain from the directors of the authorised party any documents and information useful for the performance of the functions and tasks entrusted to them and may carry out assessments, inspections and controls;

b) Shall document, in accordance with the criteria and procedures established by the supervisory authority, the activity carried out in special books kept at the registered office of the authorised party that has appointed them, or in a different place if this is envisaged by the articles of association, provided that it is located in the territory of the Republic of San Marino;

c) Shall, where the data covered by the confidentiality referred to in Article 36 are kept in electronic format, store the data collected and/or processed in an electronic file physically located in the territory of the Republic of San Marino, avoiding their disclosure and ensuring an adequate level of protection through the use of cryptographic systems;

d) Shall inform without delay the supervisory authority and the board of auditors of any illegal facts.

Art. 35

(Liability of actuaries)

1. The provisions of the Company Law on the liability of external auditors shall apply to actuaries.

TITLE VII
BANKING SECRECY

Art. 36
(Obligation of banking secrecy)

1. "Banking secrecy" shall refer to the prohibition for authorised parties to disclose to third parties, without any specific written authorisation by the interested person to this end, any data and information acquired in the exercise of the reserved activities referred to in Annex 1.
2. Directors, internal and external auditors, actuaries and employees of any type and rank, including those performing internships or vocational training, external consultants, representatives, liquidators, extraordinary administrators and members of the oversight committee of authorised parties shall be bound by the obligation of banking secrecy.
3. The obligation of banking secrecy covering the data and information referred to in the first paragraph shall also be binding on the financial promoters referred to in Article 25, the independent financial advisers referred to in Article 25-bis and 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 shall also be binding on natural persons or directors, employees, internal and external auditors of the companies to which authorised parties have outsourced functions and therefore disclosed the aforesaid data and information.
5. Bank secrecy shall not be invoked against the following parties in the exercise of their public functions:
a) The Law Commissioner in criminal proceedings;
b) The Central Bank of the Republic of San Marino in the exercise of its supervisory functions;
c) The Financial Intelligence Agency;
d) The Central Liaison Office and other San Marino public bodies and offices responsible for direct exchange of information with foreign counterparts in accordance with international agreements in force.
6. No breach of banking secrecy shall be deemed to have occurred if:

a) The disclosure to third parties is necessary to meet obligations deriving from a contract to which the interested person is a party, or to comply with specific and express requests by the interested person before the conclusion of a contract;
b) The disclosure to third parties occurs in the context of a litigation between the interested person and the authorised party; in this case, disclosure to third parties may concern any relationship between the parties, even if it is not the subject of the litigation but it is connected with procedural defence;
c) The disclosure is made to the parent company, either 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 such disclosure is requested for the purposes of consolidated supervision and risk control on a group-wide basis;
d) The disclosure is made to parties carrying out the activities referred to in letter H of Annex 1 - authorised pursuant to this Law - and concerns the information strictly necessary to correctly assess the risks and to meet the obligations undertaken in the exercise of the above-mentioned reserved activity;
e) The disclosure is aimed at providing the services referred to in Articles 50 and 51 and complies with the provisions set out therein;
e-bis) The disclosure is made to foreign public or private credit registries in the assessment of the creditworthiness of customers and in their interest to obtain services or loans; this case shall also include disclosure following the granting of the loan concerning compliance with contractual obligations.

7. In case of death of the person concerned or of initiation of bankruptcy, interdiction or disqualification proceedings against him, the heir, bankruptcy attorney, guardian and curator, as well as those entrusted with drawing up an inventory of the assets of the interdicted or disqualified person, shall have the right to be disclosed the data and information covered by banking secrecy, including those relative to the period prior to the death or judicial measure by which they have been appointed.
8. The obligation to maintain banking secrecy shall continue to apply even after the termination of the employment relationship, assignment, function or exercise of the profession.
9. The supervisory authority shall strictly monitor compliance with banking secrecy.
10. Compliance with these banking secrecy provisions shall exempt authorised parties, financial promoters, independent financial advisers, insurance agents and intermediaries from abiding by the

additional provisions of Law n. 70 of 23 May 1995 and subsequent amendments protecting data confidentiality, including the provision of the last paragraph of Article 4.

PART II
SUPERVISION OF RESERVED ACTIVITIES

TITLE I
INSTRUMENTS AND SCOPE OF SUPERVISION

CHAPTER I
GENERAL PROVISIONS

Art. 37
(Purposes of supervision)

1. In exercising its supervisory function, the supervisory authority shall pursue the following objectives:
a) The stability of the financial system of the Republic, the protection of savings and investors, as well as the adequate protection of the insured and those entitled to insurance benefits, including through the supervision of the sound and prudent management of authorised parties;
b) The transparency and correctness of the conduct of authorised parties;
c) The fight against financial crime in cooperation with other competent authorities;
d) The protection of the image and reputation of and of confidence in San Marino financial system.
1-bis. Supervision shall be based on a prospective and risk-based approach and shall include the verification on a continuous basis of the proper operation of reserved activities and of compliance with supervisory provisions.

1-ter. In carrying out its tasks, the supervisory authority shall take into account the convergence of supervisory instruments and practices recommended by the competent institutions and bodies of the European Union.

Art. 38

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

1. In exercising its supervisory function, the supervisory authority shall operate by using its own resources in a cost-effective manner.
2. The supervisory authority shall indicate the reasons for the decisions taken and, without prejudice to the various time-limits laid down by law, it shall set the deadlines for implementing such decisions.
3. The general measures of the supervisory authority shall comply with the principle of proportionality, understood as the exercise of powers to achieve the objective with the least burden for the parties subject to obligations.
4. The general measures shall take account of the authorised parties' needs of competitiveness and development of innovation in the performance of their activities.
5. The supervisory authority shall analyse the impact of regulations and shall ensure that the legislation being prepared is known, in accordance with consultation procedures with associations representing the interests of authorised parties and of consumers. The supervisory authority shall establish the criteria for the representativeness of associations and the consultation arrangements.
6. All supervisory authority's special measures, including when such measures are not adopted within the time-limits established by law, may be appealed against through judicial procedure before the Administrative Judge in the manner and according to the terms referred to in Law no. 68 of 28 June 1989 and subsequent amendments.

Art. 39

(Regulatory powers)

1. In the performance of its duties, the supervisory authority shall issue measures containing binding and general provisions implementing and supplementing the provisions of this Law and of the implementing

decrees, as well as any other measures that the supervisory authority deems appropriate for the achievement of its purposes.
2. The measures referred to in the first paragraph shall consist of regulations, circulars and instructions.
3. The regulations issued by the supervisory authority shall be published in the Official Bulletin
3-bis. The requirements laid down in this Law and in the measures referred to in paragraph 1 shall be applied in a manner proportionate to the nature, scale and complexity of the risks inherent in the activity being supervised.

Art. 40
(Recommendations)

1. The supervisory authority may issue general but non-binding recommendations aimed at interpreting the provisions of this Law and the measures issued by the supervisory authority.

Art. 41
(Powers to request information or obligations to provide information)

1. The supervisory authority may request authorised parties to notify, including periodically, data and information and to transmit acts and documents in the manner and within the time-limits established by it.
2. The powers provided for in the first paragraph may also be exercised in respect of external auditors and actuaries appointed pursuant to Article 33, as well as of financial promoters, independent financial advisers, insurance and reinsurance intermediaries and parties to whom functions have been outsourced by authorised parties.
3. Without prejudice to the provisions of Article 65 ter of the Company Law, the board of auditors of the authorised party shall inform the supervisory authority without delay of all acts or facts, of which it becomes aware in the performance of its duties and which may constitute irregular management or a violation of the rules governing the activities of authorised parties. To this end, in the articles of association of authorised parties the relevant tasks and powers shall be assigned to the board of auditors.

4. The authorised parties' external auditors and actuaries appointed in accordance with Article 33 shall notify the supervisory authority without delay of any acts or facts, which they identify while performing their duties and which may constitute a serious breach of the rules governing the activities of the authorised parties being audited, or which may affect the continuous functioning of the company, or which lead to refusal to certify the accounts or to the expression of reservations.
5. The disclosure in good faith to the supervisory authority by internal and external auditors and actuaries of any fact or decision referred to in paragraphs 3 and 4 shall not constitute a breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision.

Art. 42
(Powers of investigation)

1. The supervisory authority may carry out inspections at the offices and branches of authorised parties, request information and order the submission of documents and the performance of controls and verifications deemed necessary, including on non-reserved activities; it may access the company's accounts, as well as all books, notes and documents; it may question the directors and any employee or official in the context of their duties, in order to obtain information and clarifications.
2. The powers provided for in the first paragraph may also be exercised in respect of financial promoters, independent financial advisers, insurance and reinsurance intermediaries and parties to whom functions have been outsourced by authorised parties.
3. The supervisory authority may, in the exercise of its powers of investigation, resort to external auditors and actuaries appointed by the supervisory authority to carry out specific verifications and assessments.

Art. 43
(Powers of authorisation)

1. The supervisory authority shall issue the authorisations provided for in this Law.
2. For the purposes of performing its prudential supervisory function, the supervisory authority may identify acts and transactions carried out by authorised parties, for which prior authorisation is required.

Art. 43-bis
(Further powers)

1. In addition to the powers already indicated in Articles 41 and 42 above, the supervisory authority, with the prior authorisation of the judicial authority and in collaboration with the police forces, where requested by the supervisory authority, may, in pursuing its own objectives:
a) Access any document or other data in any form, and receive or take a copy thereof;
b) Require or request the provision of information to any person and, if necessary, summon and question any person in order to obtain information;
c) Request existing records held by a telecommunications operator concerning the telephone communications and data exchanges of a supervised party.
2. In the exercise of its supervisory functions over the performance of the reserved activities referred to in letters D and D-bis, the supervisory authority may:
a) Prohibit in advance or order the suspension, for a period not exceeding 90 days each time, of the marketing, distribution or sale of specific financial instruments where one or more of the following conditions are met:
i. Non-compliance with the relevant provisions in force;
ii. Existence of injury to investors' protection;
iii. Threat to the orderly functioning and integrity of financial or commodity markets;
iv. Threat to the stability of the financial system;
v. Negative repercussions on the price formation mechanism in the underlying market arising from financial derivative instruments;
b) Order the suspension or exclusion of a financial instrument from trading on a trading venue;
c) Order the temporary or permanent termination of conducts considered contrary to the provisions of this Law or of its implementing provisions.

Art. 44
(Specific measures)

1. In performing its prudential supervisory function, the supervisory authority shall, where the situation so requires, take specific measures in respect of individual authorised parties in the matters referred to in Article 45, paragraph 1.
2. For the purposes of applying the rules, the supervisory authority shall issue orders and adopt the necessary precautionary and disqualification measures established by this Law.

Art. 44-bis
(Disclosure by the supervisory authority)

1. Subject to official secrecy, the supervisory authority shall publish the following information on its website and update it periodically:
a) The text of law provisions, measures issued and any other general guidance relating to the matters covered by this Law;
b) Supervisory general criteria and methods, including instruments used in the prudential supervision process referred to in Article 45;
c) Aggregate statistical data on key aspects of the application of prudential regulation, including the number and nature of the measures taken pursuant to Article 46, as well as of the administrative sanctions imposed;
d) How the options provided for in the measures are exercised.
2. By its own regulation, the supervisory authority shall regulate the manner and time of publication of the above information and of the additional information to be published.

CHAPTER II
PRUDENTIAL SUPERVISION

Art. 45
(Subject of prudential supervision)

1. The supervisory authority shall regulate:
a) The capital, technical reserves and capital adequacy of the authorised parties;
b) The various forms of risk mitigation by the authorised parties;
c) Shareholdings that may be held by the authorised parties;
d) The authorised parties' administrative and accounting organisation and internal controls.

Art. 46
(Powers of intervention)

1. In exercising its supervisory function, the supervisory authority may:
a) Convene the members of the governing and control bodies, the directors-general of the authorised parties and the external auditors and actuaries appointed pursuant to Article 33 to examine the company's situation;
b) Order the convening of the shareholders' meeting and of the governing and control bodies of the authorised parties, establish the relevant agenda and propose the adoption of specific decisions;
c) Directly convene the shareholders' meeting and governing and control bodies of the authorised parties, when they have not complied with the measure referred to in the preceding letter.

Art. 47
(Amendments to the articles of association)

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

2. The supervisory authority shall refuse authorisation if the amendments are contrary to the sound and prudent management of the authorised parties, to the provisions of this Law and to the implementing measures, or hinder the conduct of supervision.
3. The supervisory authority may establish a simplified authorisation procedure for amendments concerning the matters indicated through a measure.
4. The decision to amend the articles of association shall not be filed with the Court Registry in the absence of the approval specified in the first paragraph.

Art. 48
(Distribution network)

1. Authorised parties shall notify the supervisory authority of any amendment to or extension of the distribution network in those cases identified by the supervisory authority.
2. The supervisory authority shall identify cases where certain amendments or extensions need to be authorised in advance.
3. The supervisory authority shall refuse authorisation on grounds relating to the adequacy of the authorised party's organisational structures or of its assets and liabilities, financial position and economic outturn.

Art. 49
(Outsourcing of functions)

1. The supervisory authority shall establish, also in relation to each reserved activity:
a) The cases where and the conditions under which individual functions or activities may be outsourced, specifying the criteria for assessing whether an outsourced activity, service, process or function, or parts thereof, are important or critical;
b) The cases in which the authorised party outsourcing one or more functions shall be authorised in advance by the supervisory authority, and the related authorisation procedures;
c) The eligibility requirements of the party to which the functions are outsourced.

2. Both the authorised party and the party to which the functions are outsourced shall be jointly and severally liable for any damages to third parties resulting 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.

Art. 50
(Credit risk registry)

1. The supervisory authority shall be responsible for the credit risk registry.
2. The supervisory authority shall regulate, by its own measure, the organisation and operation of the registry referred to in the first paragraph and shall establish:
a) The authorised parties that are required to periodically report their risk positions with respect to their borrowers;
b) The quantitative thresholds for risk positions below which authorised parties are not required to make any report;
c) Risk classifications;
d) The content of periodic reports;
e) The procedures and terms for access by authorised parties to the registry referred to in the first paragraph;
f) How to recover the costs of the registry from authorised parties using it.
3. The supervisory authority shall periodically provide to each party required to make the reports referred to in paragraph 2 above a summary position of the overall risks recorded for each borrower reported by the party and for the related parties.
4. The information acquired by the registry referred to in the first paragraph shall be confidential. Such information shall only be used for purposes relating to the various forms of risk-taking.
5. The parties recorded shall be entitled to know the information contained in the registry referred to in the first paragraph that concerns them. The supervisory authority shall regulate the modalities of access to such information by the parties recorded.
6. The supervisory authority may exchange information on credit risks with equivalent registries of foreign countries, within the framework of specific memoranda of understanding providing for

conditions of full reciprocity, or cooperation agreements between equivalent authorities referred to in Article 103 below.
7. Without prejudice to the provisions of paragraph 4 above, the rules provided for by Law no. 70 of 23 May 1995 and subsequent amendments protecting the confidentiality of data, including that referred to in the last paragraph of Article 4 of said Law, shall not apply to the management of the information referred to in this Article, including any exchange with foreign registries in accordance with the preceding paragraph.
8. In order to verify the accuracy of the information processed by the registry referred to in this Article, the supervisory authority may have access:

- To the data of the Public Offices, with the exception of those concerning the health registry, with the right to view them and extract copies, also electronically;
- To personal information available in the electronic databases of the Public Administration.

Art. 51
(Protest registry)

1. The supervisory authority shall be responsible for the protest registry. The registry shall consist in the aggregation of the data provided monthly by the banks of San Marino concerning protested cheques and in the monthly transmission of the aggregated data to all parties authorised to carry out the activities referred to in letters A or B of Annex 1.
2. The supervisory authority shall regulate the organisation and operation of the registry referred to in the first paragraph.
3. The identity of the reporting bank shall not be disclosed and all information contained in the report shall be covered by the secrecy referred to in Article 36, without prejudice to the possible subsequent publication in the Bulletin of Protests in accordance with the law.
4. Protested parties shall be entitled to know the information contained in the registry referred to in the first paragraph that concerns them. The supervisory authority shall regulate the modalities of access to such information by the parties recorded.

5. The reporting bank alone shall be responsible for the correctness, truthfulness and completeness of the information on protests, including vis-à-vis any third parties adversely affected by errors or omissions in the report sent to the supervisory authority.

Art. 52
(Extraordinary operations)

1. The supervisory authority shall regulate:
a) Merger and division procedures concerning authorised parties;
b) Procedures for the transfer of assets or liabilities and of branches of activity to an authorised party, including publicity requirements.
2. The operations referred to in the first paragraph shall be authorised in advance by the supervisory authority when the sum of the assets and liabilities transferred exceeds the thresholds set by the supervisory authority in relation to the capital of the authorised party.
3. In the cases referred to in paragraph 2, the supervisory authority shall refuse authorisation if the extraordinary operations referred to in the first paragraph conflict with the authorised parties' sound and prudent management or with the structure and economic needs of the market.
4. In the case of transfer of assets or liabilities referred to in paragraph 2:
a) Liens and collaterals of any kind, by whomsoever granted or otherwise existing in favour of the transferor, as well as entries in public registers of the purchase deeds of leased assets included in the transfer, shall retain their validity and ranking in favour of the transferee without the need for any formality or annotation;
b) With regard to transferred debtors, the transfer shall be effective as soon as the publicity requirements referred to in letter b) of the first paragraph are fulfilled;
c) Transferred creditors shall be entitled, within three months after the publicity requirements referred to in letter b) of the first paragraph are met, to require the transferor or the transferee to meet the obligations that have been transferred. After the expiry of the three-month period, the transferee shall be exclusively liable;

d) Those who are party to transferred contracts may withdraw from the contract within three months after the publicity requirements referred to in letter b) of the first paragraph are met, if there is just cause, without prejudice, in this case, to the transferor's liability.

5. The deeds pertaining to the movement of the transferred assets and rights referred to in the preceding paragraphs shall indicate the publication details.

CHAPTER III
CONSOLIDATED SUPERVISION

Art. 53
(Composition of the group)

1. The supervisory authority shall establish, also in relation to each reserved activity, the notion of group relevant for the purposes of consolidated supervision for the banking, financial and insurance sectors.

2. The supervisory authority shall issue measures aimed at identifying all parties to be subjected to consolidated supervision, including parties engaged in instrumental activities. Such parties shall be identified 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 20 percent of the shareholdings are held by one of the parties indicated in letters a), b) and c) or by an authorised party.

2-bis. Specific rules on prudential regulation shall continue to apply to parties included in consolidated supervision.

Art. 54
(Parent company)

1. A parent company shall be an authorised party or holding company having its registered office in the Republic, which is not in turn controlled by another authorised party or another holding company having its registered office in the Republic that can be considered a parent company.
2. A holding company shall be a company that does not carry out reserved activities and whose purpose is to acquire and hold shareholdings in other companies.
3. A holding company shall be considered a parent company when, among all companies it controls, banking, financial or insurance companies have a determining importance, as established by the supervisory authority.

Art. 55
(Parent holding company)

1. The persons performing governing, management and control functions at the parent holding company shall be applied the provisions regarding the requirements of professional competence, good repute and independence envisaged for the persons performing the same functions at group companies.
2. The notification requirements set out in Article 41, paragraphs 3, 4 and 5, shall apply to the parent holding company.
3. The provisions of Part I, Title VI shall apply to the parent holding company for the purposes of drawing up the consolidated financial statement.
4. The provisions of Part I, Title IV shall apply to shareholdings in parent holding companies.
5. The supervisory authority shall be granted the powers provided for in Article 23 in respect of the other companies belonging to the group and the holders of shareholdings in such companies.
6. The supervisory authority shall verify that the articles of association of the parent company are not contrary to the sound and prudent management of the group, to the provisions of this Law and to the implementing measures or do not hinder the conduct of supervision.

Art. 56
(Register of parent companies)

1. Parent companies shall be entered in a special register kept by the supervisory authority.
2. Any parent company shall inform the supervisory authority of the existence of the group and of its updated composition for the purposes of registration in the register referred to in the first paragraph.
3. The supervisory authority may verify ex officio the existence of a group and enter it in the register, and may require the parent company to restate the composition of the group.
4. The supervisory authority shall regulate the requirements relating to the keeping and updating of the register.
5. The register referred to in paragraph 1 may also be kept in computerised form.

Art. 57
(Regulatory powers)

1. For the purposes of carrying out consolidated supervision, the supervisory authority may issue general or specific measures to the parent company, which shall concern the group as a whole or its members and cover the following matters:
a) The capital, technical reserves and capital adequacy;
b) The various forms of risk mitigation;
c) Shareholdings that may be held;
d) Administrative and accounting organisation;
e) Internal controls.
2. The company heading the group, identified pursuant to Article 53, shall issue, as part of the management and coordination of the group, measures to the members of the group for the implementation of the measures issued by the supervisory authority pursuant to the first paragraph.
The directors of the companies belonging to the group shall be required to provide all data and information for the issuance of the measures and the necessary cooperation to ensure compliance with the rules on consolidated supervision.

2-bis. The measures issued by the supervisory authority to exercise consolidated supervision may take into account, also with reference to the individual authorised party, the situation and activities of the parties indicated in letters c) and d) of paragraph 2 of Article 53.
2-ter. The supervisory authority may issue measures under this Article also with regard to a single member or to some members of the group identified under Article 53.
2-quater. The measures issued pursuant to this Article may envisage that certain operations be subject to authorisation by the supervisory authority.

Art. 58
(Powers to request information)

1. The supervisory authority may request the parties included in the groups identified pursuant to Article 53 to provide data and information, also periodically. Information useful for the exercise of consolidated supervision may also be requested from parties that, although not engaged in reserved activities, are linked with authorised parties by the shareholding relationships referred to in Article 53, paragraph 2.
1-bis. The supervisory authority shall issue a measure setting out the procedures and time-limits for the transmission of the data and information referred to in paragraph 1 above.
1-ter. The power provided for in paragraph 1 above may also be exercised with respect to the parties to which functions have been outsourced by the parties included in the group identified pursuant to Article 53.

Art. 58-bis
(Powers of intervention vis-à-vis the parent company)

1. By means of a specific measure, the supervisory authority shall adopt the provisions concerning the power of intervention vis-à-vis the parent company, also in relation to each reserved activity.

Art. 59
(Powers of investigation)

1. The supervisory authority may carry out inspections at companies included in the groups identified under Article 53. For the sole purpose of verifying the accuracy of the data and information provided, the supervisory authority may carry out inspections at the premises of parties that, while not carrying out reserved activities, are linked to the authorised parties by the shareholding relationships indicated in Article 53, paragraph 2.

Art. 60
(Supplementary supervision of financial conglomerates)

1. The supervisory authority shall establish supplementary supervision measures applicable to financial conglomerates, without prejudice to the individual consolidated supervision rules envisaged for each reserved activity.

CHAPTER IV
TRANSPARENCY, CORRECT BEHAVIOUR AND CUSTOMER PROTECTION

Art. 61
(General provisions)

1. The supervisory authority shall establish pre-contractual information requirements, rules on the form and content of the contract, as well as information requirements concerning products, contracts and services offered by authorised parties and the conduct of the contractual relationship.

Art. 62
(Information documents)

1. The supervisory authority shall establish the cases in which authorised parties are obliged to provide to the contracting parties, before the conclusion of the contract and together with its terms, one or more information documents.
2. The information documents referred to in the first paragraph shall contain the information necessary, depending on the services or contracts offered, for the contracting parties to be able to make a well-grounded assessment of their contractual rights and obligations and all related costs and charges.
3. The supervisory authority shall regulate the content and outlines of the information documents referred to in the first paragraph.
4. The supervisory authority may establish that, for certain categories of contracts identified by it, the information documents referred to in the first paragraph be subject to its prior authorisation. The supervisory authority may refuse authorisation if the transparency rules set out in this Chapter are not complied with.
5. The supervisory authority shall regulate the authorisation procedure referred to in paragraph 4.

Art. 63
(Advertisements)

1. The products, contracts and services of authorised parties shall be advertised by meeting the requirements of correctness of information and compliance with the content of the information documents and contractual terms to which the products and services refer. The same principles shall also be respected when advertising is carried out autonomously by financial promoters, independent financial advisers and insurance intermediaries.
2. The supervisory authority shall, as a precautionary measure, suspend, for a period not exceeding ninety days, the dissemination of advertisements in the event of well-founded suspicion of a breach of the provisions on transparency and correctness.
3. The supervisory authority shall prohibit the dissemination of advertisements in the event of an established breach of the provisions on transparency and correctness.
4. The supervisory authority shall prohibit the marketing of products and services in the event of non-compliance with the measures referred to in paragraphs 2 and 3.

5. The supervisory authority shall establish the criteria for recognition of advertisements and for clarity and correctness of information.

Art. 64

(Contracts concluded in the exercise of reserved activities)

1. The supervisory authority may provide that certain types of contracts shall be concluded in writing. In such cases non-compliance with the written form shall make the contract void. Contracts in writing 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 on the basis of specific qualification criteria, have an established typical content. Non-complying contracts and securities shall be null and void.
3. The clauses referring to usage for the determination of interest rates, prices or fees, or any other economic condition, shall be null and void. Where prices and fees are referred to usage, no fee shall be due; where the interest rate is referred to usage, an interest rate determined in accordance with the criteria established by the supervisory authority with reference to money market rates shall apply.
4. The nullity referred to in the first and third paragraphs shall only be claimed by the customer.
5. The supervisory authority shall regulate:
a) The cases of suspension of the effectiveness of contracts;
b) The cases where the customer is granted the right, within a period of time specified in the measures, to withdraw from the contract concluded with an authorised party, or to withdraw the offer made to the latter.
6. The supervisory authority shall issue provisions, concerning the authorised parties and the parties exercising the rights referred to in paragraph 5, relating to the return or making of payments and to the transfer of the assets at the time when 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 issue of financial instruments, may provide that the relationship be governed by a law other than San Marino law and may also provide for clauses derogating from San Marino jurisdiction, subject to authorisation of the supervisory authority.

Art. 65
(Contracts concluded by non-authorised parties)

1. If a party engaged in a reserved activity without the necessary authorisation concludes with another party a contract whose signing or performance constitutes, in whole or in part, the exercise of said reserved activity, the contract shall be null and void. The nullity shall only be claimed by the counterparty of the party that has illegally exercised the reserved activity.
2. The counterparty shall be entitled:
a) To be returned any sum paid or right transferred under the terms of the contract;
b) To be compensated for the damages suffered as a result of the payment of the sums or transfer of rights made in accordance with the contract and of the subsequent reacquisition of the sums or rights.
3. The amount of compensation awarded under paragraph 2 shall be agreed between the parties or, at the request of one of the parties, shall be established by the Law Commissioner.

Art. 66
(Rules of behaviour)

1. In the offer and execution of contracts, the authorised parties shall:
a) Behave diligently, fairly and transparently towards customers;
b) Obtain from customers the information necessary to assess their needs and operate in such a way that the customers are adequately informed;
c) Organise in such a way as to identify and avoid conflicts of interest where reasonably possible and, in conflict situations, act in such a way as to offer customers the necessary transparency with regard to any adverse effects.
2. The supervisory authority may establish further rules of behaviour and criteria with which authorised parties shall comply in their behaviour.
3. The supervisory authority may adopt specific provisions, relating to the rules of behaviour, to be observed in the relationships with customers, so that the activity is carried out correctly and adequately with respect to the specific needs of customers.
4. The supervisory authority shall take into account the different protection needs of customers, identify the categories of parties that do not need the protection afforded to customers by this Chapter

and determine the modalities, limits and conditions of application of these provisions in the offer and execution of contracts.

Art. 67

(Offer by means of remote communication techniques)

1. The supervisory authority shall regulate the modalities and conditions to ensure compliance with the obligations laid down in this Chapter where the authorised party uses remote communication techniques for the offer and the conclusion of contracts.

Art. 68

(Reports to the supervisory authority)

1. The customers of authorised parties, as well as associations representing the interests of consumers, shall be entitled to send to the supervisory authority, according to the procedure provided for by such authority, reports on the conduct of authorised parties, by indicating any alleged non-compliance with the provisions of this Law and with the measures issued by the supervisory authority.

1-bis. Besides reporting, in accordance with the preceding paragraph, any alleged non-compliance that is considered detrimental to their rights, anyone shall be entitled to report to the supervisory authority any violations of the provisions of this Law or of the measures issued by the supervisory authority.

1-ter. In the cases referred to in the preceding paragraph, the supervisory authority shall ensure:

a) A safe and specific channel for such reports;

b) Adequate protection of the reporting party against retaliatory, discriminatory or otherwise unfair conduct resulting from the report;

c) Confidentiality of the identity of the reporting party and of the person allegedly responsible for the violation at all stages of the procedure, unless the reporting party consents or knowledge is indispensable for the defence of the reported person, without prejudice to the rules governing investigations or proceedings initiated by the judicial authority in relation to the reported facts.

1-quater. Reports made in accordance with paragraph 1-bis shall not constitute a violation of any restriction on disclosure of data or information resulting from contracts or legislative, statutory, regulatory or administrative provisions, nor of confidentiality requirements and of professional,

official or banking secrecy referred to in Article 36. Reports shall not involve any liability if made in good faith.

Art. 69

(Promoters, independent financial advisers and insurance and reinsurance intermediaries)

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

CHAPTER V
PROVISIONS ON INVESTMENT SERVICES AND ACTIVITIES AND ON COLLECTIVE INVESTMENT SERVICES

Art. 70

(Investment services and activities and collective investment services)

1. The supervisory authority shall regulate:
a) The procedures for the deposit and sub-deposit of financial instruments and money belonging to customers and for the deposit and sub-deposit of assets of mutual investment funds;
b) The methods for calculating the value of units or shares in collective investment undertakings;
c) The criteria and procedures to be adopted for the valuation of assets and securities in which the assets are invested and the frequency of the valuation, including with regard to the various types of mutual investment funds;
d) The procedures, including internal control procedures, relating to the services provided and the keeping of records of orders and transactions carried out;
e) The behaviour to be observed in the relationships with investors;
f) The general types of and criteria to be met by mutual investment funds with regard, inter alia, to the object of the investment, the categories of investors to whom the units are to be offered, the modalities of participation and the form of the investment fund;
g) General and specific criteria for drawing up the rules of the mutual investment fund;

h) The procedures for the approval of the above-mentioned rules, and of amendments thereto, by the supervisory authority, which may also be laid down in general;
i) The procedures for mergers between mutual investment funds;
j) The modalities for the representation of units in mutual funds;
k) The exercise of voting rights relating to financial instruments pertaining to the fund;
l) Information flows among the various sectors of the company's organisation, also taking into account the need to avoid interference between the different services provided;
m) The changes in the custodian bank.
2. In exercising their respective functions, the promoting company, the manager and the custodian bank shall act independently and in the interests of the participants in the fund. The promoting company and the manager jointly and severally assume the obligations and responsibilities of the agent towards the participants in the fund.

Art. 71
(Custodian bank)

1. The supervisory authority shall regulate:
a) The conditions for assuming the task of custodian bank for the assets of the mutual investment fund;
b) The obligations to be met by the custodian bank for the assets of mutual investment funds, and the additional tasks attributable to it, including under Article 49;
c) The cases and modalities with which the custodian bank of mutual funds reports to the supervisory authority on irregularities found in the administration of the authorised party.
2. The custodian bank shall be answerable to the authorised party and the participants in the fund for any prejudice they may suffer as a result of non-compliance with its obligations.

Art. 72
(Asset separation)

1. The supervisory authority shall regulate the cases in which the assets of the customers of an authorised party are subject to an asset separation regime.
2. Under the asset separation regime referred to in the first paragraph, the assets of individual customers, for whatever reason held by the authorised party, shall constitute autonomous assets,

which are separate in all respects from those of the authorised party and other customers. No actions by the creditors of the authorised party or in their interests shall be admitted against the aforesaid assets. Any actions by the creditors of individual customers shall be admitted within the limits of the latter's assets.
3. Under the asset separation regime referred to in the first paragraph, the authorised party shall not, except with the written consent of the customers, use in its own interest or in the interest of third parties any assets belonging to its customers that it holds for any reason whatsoever.

Art. 73
(Asset separation of mutual investment funds)

1. Each mutual investment fund, or each sub-fund of the same fund, shall constitute autonomous assets, separate in all respects from the assets of the authorised party and from those of each participant, as well as from any other assets managed by the same party. No actions by the creditors of the authorised party or in its interests shall be admitted against the aforesaid assets, nor those by the creditors of the custodian or of the sub-custodian or in their interests. Claims by the creditors of individual investors shall be admitted only against their shareholdings.

CHAPTER VI
ACTIVITIES ABROAD AND FOREIGN PARTIES

Art. 74
(Activities abroad carried out by San Marino authorised parties)

1. Any authorised party intending to establish a representative office or branch abroad, or to operate abroad by way of provision of services without any establishment, shall notify San Marino's supervisory authority thereof before submitting the relevant request to the competent authority of the host country.
2. The supervisory authority may prohibit the authorised party from operating abroad on grounds relating to its assets and liabilities, financial position and economic outturn, or if the legislative, regulatory or administrative provisions of the host country hinder the effective exercise of supervisory functions.

Art. 75

(Activities carried out by foreign parties)

1. Any foreign party intending to carry out one or more reserved activities in the Republic by setting up a branch or by way of provision of services without any establishment shall apply to the supervisory authority for authorisation. The provision of services without any establishment shall mean the provision of services in the territory of the Republic by means of a temporary facility or of remote communication techniques, or through intermediaries or independent agents as established by the supervisory authority.
2. The supervisory authority shall determine the cases in which the exercise by foreign parties of one or more reserved activities in the Republic of San Marino shall be carried out only by setting-up a branch and not by way of provision of services without any establishment. The provisions of Part I, Title II of this Law shall apply to authorisation for the establishment of a branch.
3. The supervisory authority shall establish the requirements for authorisation to exercise reserved activities by way of provision of services without any establishment. In no case shall the economic needs of the market be an obstacle to granting authorisation.
4. Without prejudice to the preceding paragraphs, the authorisation for setting up a branch in the Republic, or to carry out activities by way of provision of services without any establishment, shall be subject to the following conditions:

a) The authorisation and effective performance in the State of origin of the activities that the branches intend to carry out in the Republic;
b) The existence of ad hoc agreements between the supervisory authority and the competent authorities of the State of origin;
c) Compliance in the State of origin with conditions of reciprocity or, in the absence thereof, a favourable decision by the Credit and Savings Committee (CSC) in the performance of its tasks under Article 101.

Art. 76

(Offering of foreign financial instruments, other savings collection instruments and insurance contracts)

1. Foreign financial instruments, other savings collection instruments, including non-negotiable ones, or insurance contracts shall be freely offered in the Republic in compliance with the provisions contained in this Law and in San Marino legal system.
2. The supervisory authority may identify, also on a residual basis, categories of financial instruments, other savings collection instruments, including non-negotiable ones, or insurance contracts whose offer in the Republic shall be preceded by a communication to the supervisory authority.
3. In the cases referred to in the second paragraph, the supervisory authority may, within the time-limits generally set by it, request further information from the issuer, the offeror or the placement intermediary. The offer may be made only when the above mentioned time-limits have elapsed since receipt of the communication referred to in the second paragraph or, if requested, since receipt of the additional information. Within the same time-limits, the supervisory authority may prohibit the offer if the financial instruments, other savings collection instruments or insurance contracts do not fall within the types provided for by San Marino legal system or do not have the characteristics identified by the supervisory authority.

TITLE II
EXTRAORDINARY PROCEDURES AND GUARANTEE SYSTEMS

Art. 77

(Parties to which extraordinary measures apply)

1. The parties authorised to carry out reserved activities shall be subject to the provisions of Chapters I and II of this Title. Law no. 17 of 15 November 1917 and subsequent amendments shall not apply to cases where the debtor is an authorised party, except as expressly referred to in this Title.
2. As a result of the preceding paragraph, the provisions of Chapters I and II of this Title shall also apply:
a) To branches established in a country of the European Union of authorised parties having their registered office in the territory of the Republic of San Marino;

b) To branches established in the territory of the Republic of San Marino of a foreign party having its registered office in a country of the European Union, in which it is authorised to carry out an activity equivalent to that referred to in Annex 1;
c) To branches established in the territory of the Republic of San Marino of a foreign party having its registered office in a country that is not a member of the European Union, in which it is authorised to carry out an activity equivalent to that referred to in Annex 1.

3. Where the resolution tools are applied and the resolution powers regulated by the legislation transposing the Bank Recovery and Resolution Directive (BRRD) are exercised, the provisions of Chapters I and II of this Title shall also apply to authorised parties, as well as to branches established in the Republic of San Marino of foreign authorised parties falling within the relevant scope of application.

Art. 77-bis
(Recognition abroad of extraordinary measures applying to banks and investment firms)

1. Measures and procedures of extraordinary administration, suspension of governing bodies and administrative compulsory winding-up of parties authorised to carry out the activities referred to in letters A and D of Annex 1 shall apply and be effective, on the basis of multilateral or bilateral agreements, in the countries of the European Union and also in countries that are not members of the European Union.
2. The agreements referred to in paragraph 1 above shall govern the terms and conditions under which extraordinary proceedings shall have effect in the legal system of the foreign country concerned.

CHAPTER I
EXTRAORDINARY ADMINISTRATION AND SUSPENSION OF GOVERNING BODIES

Art. 78
(Extraordinary administration)

1. By means of a decision adopted by the Supervision Committee, the bodies with governing and control functions may be dissolved when one or more of the following situations occur:

a) There are serious irregularities in the administration or serious breaches of the sound and prudent management of the authorised party or of the legislative, administrative or statutory provisions or measures of the supervisory authority governing its activities;
b) Serious losses of the company's assets are expected;
c) There is a serious and persistent lack of liquidity;
d) There are false statements or serious omissions in record keeping or alterations of accounting documents;
e) Dissolution is invoked by means of a reasoned request by the governing bodies or by an extraordinary shareholders' meeting.

2. The supervisory authority shall be responsible for managing the extraordinary administration procedure.
3. The decision referred to in the first paragraph shall suspend all functions of the shareholders' meetings.
4. An abstract of the decision referred to in the first paragraph shall be published in the Official Bulletin.
5. The decision referred to in the first paragraph shall be communicated by the extraordinary administrators to the persons concerned, who so request, only after they take office pursuant to Article 81.
6. Extraordinary administration shall last for one year unless a shorter period is specified in the decision referred to in the first paragraph. Only in exceptional and duly motivated cases may the supervisory authority extend extraordinary administration for a further period of six months.
7. The supervisory authority may grant a further two months' extension in case of needs related to the termination of extraordinary administration.

Art. 79

(Bodies responsible for the extraordinary administration procedure)

1. The supervisory authority shall appoint:
a) One or more administrators;
b) An oversight committee, composed of three or five members, which shall appoint its chairman by a majority of votes.
2. An abstract of the appointments made by the supervisory authority and the oversight committee, referred to in the first paragraph, shall be published in the Official Bulletin. Within fifteen days of

notification of the appointment, the administrators shall file with the company register a copy of the instruments of appointment of the bodies responsible for the extraordinary administration procedure and of the chairman of the oversight committee.
3. The supervisory authority may remove or replace the administrators and the members of the oversight committee.
4. The fees due to the administrators and the members of the oversight committee shall be established by the supervisory authority and shall be borne by the authorised party subject to extraordinary administration.
5. Until such time as the bodies responsible for extraordinary administration take office, the supervisory authority may temporarily appoint one of its employees, who shall have the same powers as the administrators.
6. The supervisory authority shall establish the requirements to take the office of administrator or member of the oversight committee. Without prejudice to the provisions contained in the following sentence, the supervisory authority shall appoint as administrator or member of the oversight committee any professional registered with the Association of Lawyers and Notaries Public of the Republic of San Marino and/or with the Association of Certified Accountants and Accounting Experts of the Republic of San Marino. If there are specific needs and duly motivated circumstances, and subject to authorisation by the Credit and Savings Committee, the supervisory authority may autonomously appoint professionals not resident in the Republic of San Marino.

Art. 80

(Powers and functioning of the bodies responsible for extraordinary administration)

1. Administrators shall take over the functions and powers granted to the authorised parties' governing bodies that have been dissolved. They shall assess the company's position, remove irregularities and promote useful solutions in the interests of customers. Administrators shall be public officials in the performance of their duties.
2. The oversight committee shall take over the functions and powers granted to the authorised parties' control bodies that have been dissolved, also by providing opinions to the administrators.
3. The functions of the administrators and of the oversight committee shall start when they take office under Article 81 and shall end when extraordinary administration terminates.
4. The supervisory authority may order the bodies responsible for extraordinary administration to adopt special precautions and limitations in the management of the authorised party. The members of

the bodies responsible for extraordinary administration shall be personally liable for non-compliance with such orders; the latter shall be enforceable against third parties only if they have knowledge of them.
5. Liability actions against the members of the authorised party's governing and control bodies that have been dissolved shall be taken by the administrators after consultation with the oversight committee and authorisation by the supervisory authority. The governing bodies succeeding the administrators shall carry on the above-mentioned liability actions and shall report to the supervisory authority thereon.
6. Subject to authorisation of the supervisory authority, the administrators may convene all bodies not having a governing or control function and whose activity has been suspended pursuant to Article 78, paragraph 3. The agenda shall be drawn up by the administrators and shall not be modified by the body convened.
7. When there are more than one administrator, they shall decide by a majority of the members in office; in the event of a tie, the decision shall be deemed rejected. The powers of representation of administrators shall be validly exercised through joint or separate signature, as provided for by the supervisory authority in the appointment document. The possibility of delegating powers to one or more administrators shall remain unaffected.
8. The oversight committee shall decide by a majority of its members in office; in the event of a tie, the chairman's vote shall prevail.

Art. 81
(Initial requirements to be fulfilled)

1. The administrators shall take office by taking over the company from the authorised party's governing bodies that have been dissolved. The administrators shall formalise the above-mentioned taking office by drawing up a summary of the minutes. The taking office operations shall be attended by at least one member of the oversight committee.
2. If the administrators are unable to take office due to the lack of support from the authorised party's governing bodies that have been dissolved or for other reasons, they shall take office ex officio with the assistance of a notary.
3. The provisions of paragraphs 1 and 2 above shall also apply to the temporary administrators referred to in Article 79, paragraph 5.

4. Where the financial statement for the year ending before the beginning of the extraordinary administration has not been approved, the administrators shall file with the Single Court a report on the assets and liabilities and economic outturn, drawn up on the basis of available information, in lieu of the financial statement. The report shall be accompanied by a report of the oversight committee. In any case, any distribution of profits shall be excluded.

Art. 82
(Suspension of payments)

1. Where exceptional circumstances arise, the administrators may, in order to protect the interests of creditors, suspend the payment of liabilities of any kind by the authorised party or the return of financial instruments to the authorised party's customers. The suspension measure may be issued only after obtaining the opinion of the oversight committee and following the authorisation of the supervisory authority, which may issue orders on how the above suspension measure shall be implemented.
The suspension shall be valid for a period not exceeding one month, which may be extended more than once with the same procedures, for a total period not exceeding a further two months, unless both of the following conditions are met:
a) Any possible and concrete measures have been identified by the bodies responsible for the extraordinary administration procedure to solve the authorised party's crisis and involving the full and lasting replacement of all members of the governing and control bodies that have been dissolved and of the external auditor;
b) The termination of the period of suspension would not allow the above solutions to be implemented;
Upon reasoned request of the administrators, with the favourable opinion of the oversight committee, in order to overcome the authorised party's crisis, with particular reference to the protection of the interests of employees and depositors, the supervisory authority shall further authorise the continuation of the suspension of payments, in any case for a period not exceeding a further 90 days.
2. During the period of suspension provided for in the preceding paragraph, any enforcement acts or precautionary measures on the assets of the authorised party subject to extraordinary administration and on the financial instruments of its customers shall not be taken and shall therefore remain devoid of any effect. During the same period, no mortgages on real estate shall be registered or other pre-emptive rights on the movable property of the authorised party subject to extraordinary administration

shall be purchased, except by virtue of measures issued by the judicial authority prior to the beginning of the suspension period.
3. The suspension shall not constitute a state of insolvency.

Art. 83
(Final requirements to be fulfilled)

1. The administrators and the members of the oversight committee shall, at the end of their mandate, draw up separate reports on their activities and forward them to the supervisory authority. The supervisory authority shall ensure that the termination of the extraordinary administration procedure is published in the Official Bulletin.
2. The closure of the current financial year at the beginning of the extraordinary administration procedure shall be extended for all legal purposes until the end of the procedure. The administrators shall draw up the financial statement, submit it for approval to the supervisory authority within four months of the termination of the extraordinary administration procedure and publish it as required by law. The financial year covered by the financial statement drawn up by the administrators shall constitute a single tax period. Within one month of the approval by the supervisory authority, the bodies succeeding the administrators shall submit an income tax return for that period in accordance with the tax legislation in force.
3. Before their duties cease, the administrators shall ensure the reconstitution of the bodies of ordinary administration . Successor bodies shall take over the company from the administrators in the manner provided for in Article 81.

Art. 83-bis
(Branches of foreign parties having their registered office in a non-EU member country)

1. In the case of extraordinary administration of branches established in the territory of the Republic of San Marino by a foreign authorised party with registered office in a country that is not a member of the European Union, the administrators and the oversight committee shall assume in respect of such branches the powers of the governing and control bodies of the foreign authorised party they belong to.
2. The supervisory authority shall notify the initiation of the extraordinary administration procedure to the supervisory authorities of the countries of the European Union where the other branches of the

party referred to in paragraph 1 are established. Information shall be provided, on the basis of multilateral or bilateral agreements, immediately after the start of the procedure.
3. The provisions of this Chapter shall apply, insofar as compatible.

Art. 84

(Suspension of governing bodies)

1. In cases of absolute urgency, the supervisory authority may order the suspension of the authorised party's governing bodies and, at the same time, the appointment of an administrator who shall assume its management when the conditions laid down in Article 78 are met.
2. The administrator shall remain in office for a maximum period of sixty days. The administrator shall be a public official in the performance of his duties. The supervisory authority may establish special precautions and limitations for the management of authorised parties and shall be kept constantly updated.
3. The fees payable to the administrator shall be determined by the supervisory authority on the basis of criteria established by it and shall be borne by the company placed under extraordinary administration.
4. Civil actions against the administrator for acts carried out in the performance of his duties shall be brought following the authorisation of the supervisory authority.

Art. 84-bis

(Branches of foreign parties having their registered office in a non-EU member country)

1. In cases of suspension of governing bodies applied to branches established in the territory of the Republic of San Marino of a foreign authorised party with registered office in a country that is not a member of the European Union, the administrator shall assume in respect of such branches the powers of the governing bodies of the foreign authorised party they belong to.
2. The supervisory authority shall notify the initiation of the suspension procedure of the governing bodies to the supervisory authorities of the EU countries in which the other branches of the authorised party referred to in paragraph 1 are established. Information shall be provided, on the basis of multilateral or bilateral agreements, immediately after the start of the procedure.

Art. 84-ter

(Branches of foreign parties having their registered office in a EU-member country)

1. The measures and procedures for the reorganisation of a foreign authorised party with registered office in a EU-member country, including branches established in the territory of the Republic of San Marino, shall be adopted by the corresponding supervisory authority of that country.
2. On the basis of multilateral or bilateral agreements, the same measures and procedures shall be regulated and have their effects in San Marino legal system, according to the legislation of the country referred to in paragraph 1 above.
3. The agreements referred to in paragraph 2 of this Article shall govern the terms and conditions on the basis of which the reorganisation measures and procedures of the foreign authorised party referred to in paragraph 1 above shall become effective in the San Marino legal system.

Art. 84-quater

(Cooperation with foreign supervisory authorities)

1. The supervisory authority shall inform the supervisory authorities of the EU countries where the relevant branches are established of the initiation of any procedures concerning the extraordinary administration and suspension of governing bodies in respect of the parties authorised to carry out the activities referred to in letters A and D of Annex 1, as well as of the practical effects such procedures may have. Information shall be provided, on the basis of multilateral or bilateral agreements, immediately after the initiation of such procedures.
2. If the supervisory authority deems it necessary to apply a reorganisation procedure in the territory of the Republic of San Marino in respect of a branch of a foreign authorised party with registered office in a EU-member country, it shall submit a request to the supervisory authority of such country, on the basis of multilateral or bilateral agreements.
3. The agreements referred to in the preceding paragraphs shall govern the forms and modalities of cooperation and shall identify the appropriate channels for the exchange of information between the supervisory authority and the corresponding foreign supervisory authorities. Moreover, such agreements shall ensure the same conditions of confidentiality of information received or provided by all parties involved.

Art. 84-quinquies
(Publicity of measures of extraordinary administration and suspension of governing bodies)

1. An abstract of the measures concerning extraordinary administration and suspension of governing bodies taken in respect of parties authorised to carry out the activities referred to in letters A and D of Annex 1, and having branches established in a country of the European Union, shall be published in the Official Bulletin and, on the basis of multilateral or bilateral agreements, in two national newspapers of each country in which the branches are established.
2. The publications referred to in paragraph 1 above shall be in Italian and shall bear a heading in the official language of the country in which the branches are established, so as to clarify their nature and purpose.
3. The agreements referred to in paragraph 1 above shall list the national newspapers of the country concerned in which the measures referred to in paragraph 1 above and their contents are to be published.

CHAPTER II
ADMINISTRATIVE COMPULSORY WINDING-UP

Art. 85
(Administrative compulsory winding-up)

1. By decision of the Supervision Committee, even when extraordinary administration or ordinary winding-up procedure is in progress, it shall be possible to order the revocation of the authorisation to carry out reserved activities and the administrative compulsory winding-up of the authorised parties, if the facts referred to in Article 78, paragraph 1, are exceptionally serious.
2. Administrative compulsory winding-up may be ordered, through the same procedure indicated in paragraph 1 of this Article, on the basis of a reasoned request by the governing bodies or by an extraordinary shareholders' meeting of the authorised party, as well as by the administrators or liquidators.
3. The decision of the Supervision Committee shall be notified by the liquidators to the persons concerned, who so request, only after they take office pursuant to Article 89.
4. An abstract of the decision referred to in paragraph 1 above shall be published in the Official Bulletin.

5. From the date on which the decision referred to in paragraph 1 is issued, the functions of the governing and control bodies, shareholders' meetings and any other body of the authorised party shall cease.
6. For all matters not expressly governed by this Chapter, the provisions in force on bankruptcy matters shall apply, if compatible.

Art. 86
(Bodies responsible for the procedure)

1. The supervisory authority shall appoint:
a) One or more liquidators;
b) An oversight committee, composed of three or five members, which shall appoint its Chairman by a majority of votes.
2. An abstract of the appointments made by the supervisory authority and the oversight committee, referred to in the first paragraph, shall be published in the Official Bulletin. Within fifteen days of notification of their appointment, the liquidators shall file a copy of the instruments of appointment of the bodies responsible for the administrative compulsory winding-up and of the Chairman of the oversight committee with the Company Register.
3. The supervisory authority may revoke or replace the liquidators and the members of the oversight committee.
4. The fees due to the liquidators and the members of the oversight committee shall be established by the supervisory authority on the basis of criteria established by it and shall be paid from the assets being wound up.
5. Without prejudice to the provisions in the following sentence, the office of liquidator or member of the oversight committee shall be held by any professionals registered with the Association of Lawyers and Notaries Public of the Republic of San Marino and/or with the Association of Certified Accountants and Accounting Experts of the Republic of San Marino. If there are specific needs and duly motivated circumstances, and subject to authorisation by the Credit and Savings Committee, the supervisory authority may autonomously appoint professionals not resident in the Republic of San Marino.

Art. 87

(Effects of the decision declaring the administrative compulsory winding-up procedure)

1. From the date of establishment of the competent bodies, the payment of liabilities of any kind and the return of assets to third parties shall be suspended.
2. After the date indicated in paragraph 1 of this Article, no proceedings concerning the company's assets shall be initiated or carried on against the authorised party subject to compulsory administrative winding-up and without prejudice to the provisions of Articles 91 and 96, paragraph 3, below. Similarly, no enforcement acts or precautionary measures shall be initiated or carried on. The other rules in force on bankruptcy matters governing the divestment of assets, the nullity or ineffectiveness of the disposals affecting creditors, the maturity of all debts and the suspension of interest during the procedure, the setting-off and ranking of credits, liens, pending contracts, and any other rules of a non-procedural nature insofar as compatible shall apply.

Art. 88

(Powers and functioning of the bodies responsible for the administrative compulsory winding-up procedure)

1. Liquidators shall have the legal representation of the authorised party subject to administrative compulsory winding-up, shall exercise all actions that should be carried out by the authorised party and shall conduct winding-up operations. Liquidators shall be public officials in the performance of their duties.
2. The oversight committee shall assist the liquidators in the performance of their duties, monitor their actions and give opinions on the cases provided for in this Chapter or in the measures of the supervisory authority.
3. The supervisory authority may issue measures for the conduct of the administrative compulsory winding-up procedure and may also establish that certain categories of transactions or actions be authorised by the supervisory authority and a preliminary opinion of the oversight committee be obtained thereon. The members of the winding-up bodies shall be personally liable for non-compliance with the measures issued by the supervisory authority; such measures shall not be enforceable against third parties who have no knowledge thereof.
4. Within 180 days of their appointment, liquidators shall submit to the supervisory authority a report on the accounting situation and the assets and liabilities of the authorised party and on the

development of the administrative compulsory winding-up, accompanied by a report drafted by the oversight committee. The supervisory authority shall lay down the terms and conditions of the report on the developments of the procedure, which the administrators shall provide to creditors on a regular basis.
5. Any liability action against the members of the bodies of the authorised party undergoing administrative compulsory winding-up shall be brought by the liquidators, after consulting the oversight committee and subject to the prior authorisation of the supervisory authority.
6. Paragraphs 7 and 8 of Article 80 of this Law shall apply to the liquidators and the oversight committee.

Art. 89
(Initial requirements to be fulfilled)

1. Liquidators shall take office by taking over the company from the previous governing bodies and drawing up a summary of the minutes, they shall obtain a report on the accounts and draw up an inventory.
2. Article 1, paragraphs 1, last sentence, 2 and 4, shall apply.

Art. 90
(Assessment of liabilities)

1. Within two months of taking office, the liquidators shall notify the creditors, by registered letter with acknowledgement of receipt, of the sums due to each of them, based on the records and documents of the authorised party subject to administrative compulsory winding-up.
2. A similar notification shall be sent to those who are holders of rights in rem over the assets and financial instruments held by the authorised party subject to administrative compulsory winding-up, as well as to customers entitled to be returned such financial instruments.
3. The supervisory authority may establish further forms of publicity with a view to disclosing the expiry of the deadline for filing claims under paragraph 5 of this 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 mentioned above may submit or send, by registered letter with acknowledgement of receipt, their claims to the liquidators, attaching supporting documentation.

Failure to exercise the above option shall not affect the right to object to the statement of liabilities provided for in Article 91.
5. Within sixty days of publication of the decision providing for the administrative compulsory winding-up in the Official Bulletin, the creditors and holders indicated in paragraph 2, who have not received the notification referred to in paragraphs 1 and 2, shall request the liquidators, by registered letter with acknowledgement of receipt, to recognise their credits and return their assets, submitting documents proving the existence, type and extent of their rights.
6. After the expiry of the deadline provided for in paragraph 5 above and no later than thirty days thereafter, the liquidators shall submit to the supervisory authority, after hearing the authorised party's removed directors, the list of admitted creditors and the sums granted to each of them, indicating their pre-emptive rights and their ranking, as well as the lists of the holders of the rights indicated in paragraph 2 of this Article and of those whose claims have been rejected. Customers entitled to the return of financial instruments shall be recorded in a specific and separate section of the statement of liabilities.
7. Within the same deadlines provided for in paragraph 6 above, the liquidators shall deposit with the Single Court, at the disposal of the persons entitled thereto, the lists of preferential creditors, the holders of the rights indicated in paragraph 2 of this Article, as well as the parties belonging to the same categories, whose claims have been rejected.
8. Subsequently, by registered letter with acknowledgement of receipt, the liquidators shall inform, without delay, those whose claims have been rejected, in whole or in part, of the decision taken in their regard. Notice of filing of the statement of liabilities shall be published in the Official Bulletin.
9. Once the requirements provided for in paragraphs 6 and 7 above have been fulfilled, the statement of liabilities shall become enforceable.

Art. 91

(Objection to the statement of liabilities)

1. The parties whose claims have not been accepted, in whole or in part, may lodge an objection to the statement of liabilities in respect of their position and against the recognition of rights in favour of the persons included in the lists referred to in Article 90, paragraph 7, within fifteen days of receipt of the registered letter referred to in Article 90, paragraph 8. Such objection may also be lodged by the parties admitted within the same period running from the date of publication of the notice referred to in Article 90, paragraph 8.

2. The objection shall be lodged with the Single Court.
3. A single Law Commissioner shall have jurisdiction over all cases relating to the administrative compulsory winding-up procedure.
4. Without prejudice to the enforceability of the statement of liabilities and to the provisions of this Article, objection shall be lodged in the forms and manner prescribed by law.

Art. 92
(Liquidation of assets)

1. Liquidators shall be granted all the powers necessary to realise the assets.
2. With the favourable opinion of the oversight committee and subject to the authorisation of the supervisory authority, liquidators may transfer assets and liabilities, the company, business branches as well as property and legal relationships identifiable en bloc. The transfer may take place at any time during the procedure, even before the statement of liabilities is filed. In any case, the transferee shall be liable only for the liabilities resulting from the statement of liabilities. The supervisory authority shall determine the forms of publicity for the transfer. The provisions of paragraph 4 of Article 52 shall apply to the transfer of assets and liabilities pursuant to this paragraph.
3. If needed and for the better realisation of assets, the liquidators may, subject to authorisation by the supervisory authority, continue to conduct the business or certain business lines, in compliance with the precautions indicated by the oversight committee. Business continuation by the bodies responsible for the administrative compulsory winding-up procedure within the time-limit laid down in paragraph 1 of Article 87 shall exclude the legal dissolution of pre-existing legal relationships provided for by the provisions envisaged in paragraph 2 of Article 87.
4. Also for any distributions to those entitled thereto, liquidators may take out loans, carry out other borrowing transactions and pledge corporate assets, in accordance with the requirements and precautions laid down by the oversight committee and subject to the authorisation of the supervisory authority.

Art. 93
(Treatment of claims arising from insurance contracts)

1. The assets covering the technical provisions for life and non-life insurance shall be allocated primarily for the fulfilment of the obligations arising from the contracts to which they refer.

2. Since the decision ordering the administrative compulsory winding-up is taken, administrators shall not change the composition of the assets covering the technical provisions, entered in the special register kept in accordance with measures issued by the supervisory authority under Part II, Title I, Chapter II of this Law, and the register itself without the authorisation of the supervisory authority, except for the correction of purely clerical errors. By way of derogation from the requirement not to make any changes, administrators shall include in the register the yield from those assets, as well as the amount of premiums received in the period between the opening of the winding-up procedure and the payment of the insurance claims or, in the case of a portfolio transfer, until the transfer is made. If the product of the realisation of assets is less than their estimated value in the register, the administrators shall justify this to the supervisory authority.

3. The assets covering the technical provisions of life insurance shall be used to satisfy the following holders of claims, who shall take precedence over any other holders of claims arising prior to the winding-up measure, even if they are secured by a lien or mortgage:

a) Persons entitled to capital or compensation in respect of expired policies or policies under which a claim has arisen within 60 days following the date of publication of the winding-up measure and persons entitled to annuities accrued within the same period;
b) Holders of claims arising from capital redemption operations;
c) Persons entitled to the sums due for surrenders;
d) Holders of contracts in force as of the date referred to in letter a) above, in proportion to the amount of mathematical provisions;
e) Holders of contracts which do not envisage setting up any mathematical provisions, in proportion to the fraction of the premium corresponding to the risk not incurred.

4. If the assets covering the technical provisions for life insurance are insufficient to meet the above claims, those referred to in letters a), b), c) and d) shall take precedence over the claims specified in letter e).

5. The assets covering the technical provisions of non-life insurance shall be used to satisfy the following holders of claims, who shall take precedence over any other holders of claims arising prior to the winding-up measure, even if they are secured by a lien or mortgage:

a) Persons entitled to capital or compensation in respect of claims occurring no later than the 60th day following the date of publication of the winding-up measure;
b) Holders of contracts in force as of the date referred to in letter a) above, in proportion to the fraction of the premium corresponding to the risk not yet incurred.

6. If the assets covering the technical provisions for non-life insurance are insufficient to satisfy all the claims mentioned in paragraph 5 above, those referred to in letters a) shall take precedence over the claims referred to in letter b) above.

Art. 94
(Treatment of claims arising from reinsurance contracts)

1. In the event of administrative compulsory winding-up of a reinsured person, the reinsurer shall pay the full compensation due to the reinsured, subject to offsetting against premiums and other claims.
2. In the event of administrative compulsory winding-up of the company of the reinsurer or reinsured, at the end of the winding-up procedure debts and claims arising out of the closure of accounts relating to several reinsurance contracts shall be offset against each other.

Art. 95
(Returns and distributions)

1. Administrators shall return assets and financial instruments relating to investment services and distribute the assets realised based on the ranking laid down by bankruptcy provisions. The fees and reimbursements of costs payable to the bodies involved in the extraordinary administration procedure which preceded the administrative compulsory winding-up shall be treated as the costs incurred in bankruptcy proceedings.
2. If the separation of the authorised party's assets from those of the customers entered in the appropriate section of the statement of liabilities is respected, but the separation of the assets among such customers is not respected or the financial instruments are not sufficient to make all the returns, administrators shall, where possible, make the returns pursuant to paragraph 1 above in proportion to the claims based on which each customer has been admitted to the separate section of the statement of liabilities, or settle the financial instruments pertaining to the customer and distribute the proceeds according to the same proportion.
3. Customers registered in the separate section of the statement of liabilities shall rank with unsecured creditors, in the event that the separation of the bank's assets from those of customers is not respected, or for the part of the claim that remains unsatisfied, in the cases provided for in paragraph 2 above.

4. After consulting the oversight committee and subject to the prior authorisation of the supervisory authority, administrators shall make partial distributions and returns both to all those entitled and to certain categories thereof, even before all assets are realised and all liabilities are established.
5. Without prejudice to paragraphs 6, 7 and 8, distributions and returns shall not affect the possibility of a final allocation of shares and assets to all those entitled thereto.
6. In the event of claims by creditors or other interested parties not included in the statement of liabilities, administrators, when making distributions and returns, shall set aside the sums and financial instruments corresponding to the distributions and returns not made to each of such parties for the purpose of distributing or returning them in the event of recognition of claims or, if this is not the case, of making them available to others entitled thereto.
7. In the cases provided for in paragraph 6, administrators, with the favourable opinion of the oversight committee and subject to the authorisation of the supervisory authority, may acquire appropriate collateral in lieu of provisions.
8. If the complaints and applications provided for in Article 90, paragraphs 4 and 5 are lodged after the expiry of the time-limit, it shall only be possible to apply for any subsequent distributions and returns, to the extent that the claims are accepted by the administrator or, after the filing of the statement of liabilities, by the Law Commissioner in opposition proceedings brought pursuant to Article 91.

Art. 96

(Final requirements to be fulfilled)

1. After the realisation of the assets, but before the final distribution to creditors and the final return to those entitled thereto, the liquidators shall submit the final winding-up balance sheet, the financial account and the distribution plan, accompanied by their own report and that of the oversight committee, to the supervisory authority, which shall authorise their filing with the Single Court. The winding-up shall constitute, also for tax purposes, a single financial year: within one month of filing, the administrators shall submit the tax return for that financial year in accordance with the tax provisions in force.
2. Notice of filing shall be published in the Official Bulletin. The supervisory authority may establish additional forms of publicity.
3. Within twenty days of publication in the Official Bulletin, interested parties may lodge their complaints with the Law Commissioner.

4. After the expiry of the period referred to in paragraph 3 above, without any complaints having been lodged or settled by a judgement which has the force of res judicata, the liquidators shall distribute the assets to creditors and return them to those entitled in accordance with Article 95.
5. The sums and financial instruments which may not be distributed shall be deposited in the manner established by the supervisory authority for subsequent distribution to those entitled thereto, without prejudice to the option provided for in paragraph 7 of Article 95.
6. Pending appeals and judgements, including those concerning the establishment of the state of insolvency, shall not preclude the fulfilment of the final requirements provided for in this Article and the termination of the administrative compulsory winding-up procedure.
7. Liquidators shall request the removal of the company from the Company Register. Corporate books shall be filed with the supervisory authority and be kept for ten years, in accordance with Article 149.
8. After the termination of the administrative compulsory winding-up procedure, the liquidators shall retain their lawful entitlement to act in judicial proceedings, even in the subsequent levels of judgement.
9. In the cases of transfer provided for in paragraph 2 of Article 92, liquidators shall be excluded from the proceedings relating to the relationships involved in the transfer which the transferee has taken over.

Art. 97

(Branches of foreign parties having their registered office in a non-EU member country)

1. The provisions of this Chapter shall apply *mutatis mutandis* to the branches established in the territory of the Republic of San Marino by a foreign authorised party having its registered office in a non-EU member country.
2. The supervisory authority shall notify the initiation of the administrative compulsory winding-up to the supervisory authorities of the countries of the European Union in which the other branches of the party referred to in paragraph 1 are established. Notification shall be given, on the basis of multilateral or bilateral agreements, immediately after the start of the procedure.

Art. 97-bis

(Branches of foreign parties having their registered office in a EU-member country)

1. Measures and procedures concerning the winding-up of a foreign authorised party having its registered office in a EU-member country, including branches established in the territory of the Republic of San Marino, shall be adopted by the corresponding supervisory authority of such country.
2. Such measures and procedures shall be regulated and shall become effective, on the basis of multilateral or bilateral agreements, in the San Marino legal system, according to the legislation of the country referred to in paragraph 1.
3. The agreements referred to in paragraph 2 of this Article shall govern the terms and conditions on the basis of which the measures and procedures for the winding-up of the foreign authorised party referred to in paragraph 1 above become effective in the San Marino legal system.

Art. 97-ter

(Cooperation with foreign supervisory authorities for banks and investment firms)

1. The supervisory authority shall notify the supervisory authorities of the EU-member countries in which their branches are established of the initiation of any administrative compulsory winding-up procedures in respect of the parties authorised to carry out the activities referred to in letters A and D of Annex 1, as well as of the possible effects of such procedures. Notification shall be given, on the basis of multilateral or bilateral agreements, immediately after the start of the procedure.
2. The agreements referred to in paragraph 1 above shall govern the forms and modalities of cooperation and identify appropriate channels for the exchange of information between the supervisory authority and the corresponding foreign supervisory authorities. Moreover, such agreements shall ensure the same conditions of confidentiality of information received or provided by all parties involved.

Art. 97-quater

(Publicity of administrative compulsory winding-up measures applying to banks and investment firms)

1. The extracts of the administrative compulsory winding-up measures applying to parties authorised to carry out the activities referred to in letters A and D of Annex 1, and having branches established

in a EU-member country, shall be published in the Official Bulletin and, on the basis of multilateral or bilateral agreements, in two national newspapers of each country in which the branches are established.
2. The publications referred to in paragraph 1 shall be made in Italian and shall bear a heading in the official language of the country in which the branches are established in order to clarify their nature and purpose.
3. The agreements referred to in paragraph 1 above shall list the national newspapers of the country concerned in which the measures referred to in paragraph 1 above and their contents are to be published.

Art. 97-quinquies
(Notification to those entitled)

1. The notifications referred to in Article 90, paragraphs 1, 2 and 8, to parties having their residence, domicile or registered office in a EU-member country shall be made on the basis of multilateral or bilateral agreements with such country and shall specify the time-limits and modalities for lodging the claims referred to in Article 90, paragraph 4, and the objections referred to in Article 91, paragraph 1, as well as the consequences of failure to comply with the time-limits.
2. The notifications referred to in paragraph 1 above shall be written in Italian and shall bear a heading in the official language of the country in which such parties have their residence, domicile or registered office, so as to clarify the nature and purpose of such notifications.
3. The claims and requests referred to in Article 90, paragraphs 4 and 5, and the objections referred to in Article 91, paragraph 1, filed by parties having their residence, domicile or registered office in a EU-member country may be drafted in the official language of that country and shall bear a heading in Italian so as to clarify the nature of the document. The administrators may request that such documents be translated into Italian.
4. For the parties referred to in paragraph 1, the fifteen-day time-limit referred to in Articles 90, paragraph 4, and 91, paragraph 1, shall be doubled; the sixty-day time-limit referred to in Article 90, paragraph 5, shall run from the date of publication of the administrative compulsory winding-up measure in two national newspapers of each country of the European Union where the branches of banks or investment firms are established.

Art. 97-sexies
(Derogations)

1. By way of derogation from Articles 77-bis, 84-ter and 97-bis, the effects of a reorganisation measure or of the initiation of the winding-up procedure:
a) On employment contracts and employment relationships, shall be governed by the law of the country in which such contracts or employment relationships are applied;
b) On contracts conferring the right to make use of or acquire immovable property, shall be governed by the law of the country in whose territory the immovable property is situated. Such law shall determine whether a property is movable or immovable;
c) On rights relating to immovable property, to a ship or aircraft subject to registration in a public register, shall be governed by the law of the country under the authority of which the register is kept;
d) On the exercise of proprietary or other rights in respect of financial instruments whose existence or transfer requires them to be entered into a register, an account or a centralised deposit system, shall be governed by the legislation of the country in which such register, account or centralised deposit system is located.
2. As an exception to the provisions of Articles 77-bis, 84-ter and 97-bis, the following shall be governed by the law regulating the contract:
a) Netting agreements, as defined in the legislation transposing the Directive on financial collateral arrangements, without prejudice to the legislation transposing the Bank Recovery and Resolution Directive;
b) Repurchase agreements, transactions carried out on a regulated market, without prejudice to the provisions of the legislation transposing the Bank Recovery and Resolution Directive and the provisions of letter d) of paragraph 1.
3. Without prejudice to the provisions of the country in which the party is authorised to carry out the activities referred to in letters A and D of Annex 1, or activities equivalent thereto, concerning actions for voidness, voidability or unenforceability of legal acts detrimental to creditors, the adoption of a reorganisation measure or the initiation of a winding-up procedure provided for in Articles 77-bis, 84-ter and 97-bis shall not affect:
a) The right in rem of the creditor or third party with respect to movable or immovable, tangible or intangible assets belonging to the authorised party which are situated within the territory of a country other than that in which the authorisation was granted at the time of the adoption of a reorganisation measure or of the initiation of a winding-up procedure. A right recorded in a public register and

enforceable against third parties that makes it possible to obtain a right in rem shall be considered as a right in rem;
b) The seller's claims against the authorised party and based on a reservation of title, as well as the rights of the buyer of goods which, at the time of the adoption of the measure or of the initiation of the procedure, are located in the territory of a country other than the country in which the authorisation to operate the business was granted;
c) The creditor's right to demand the set-off of his claim against the claim of the authorised party, where such a set-off is permitted by the law applicable to the claim of the authorised party.
4. By way of derogation from Articles 77-bis, 84-ter and 97-bis, the legislation of the country in which the party has been authorised to carry out the activities referred to in letters A and D of Annex 1, or activities equivalent thereto, shall not apply to the voidness, voidability or unenforceability of acts detrimental to creditors, where the beneficiary of such acts demonstrates that the detrimental act is governed by the law of another country which, in such cases, does not envisage any form of appeal.
5. The effects of the adoption of a reorganisation measure or of the initiation of a winding-up procedure on pending proceedings concerning a property or a right of which the authorised party has been divested shall be governed by the law of the country in which such proceedings are pending.
6. Where, by an act concluded after the adoption of a reorganisation measure or the initiation of a winding-up procedure referred to in Articles 77-bis, 84-ter and 97-bis, the party authorised to carry out the activities referred to in letters A and D of Annex 1, or activities equivalent thereto, possesses, for consideration, the following:

- An immovable property
- A ship or aircraft subject to registration in a public register;
- Instruments or rights in such instruments whose existence or transfer requires their entry into a register, an account or centralised deposit system, the validity of such act shall be governed by the law of the country within the territory of which the immovable property is situated or under the authority of which the register, account or deposit system is kept.

Art. 97-septies

(Rules implementing the Directive on the reorganisation and winding-up of credit institutions)

1. If deemed necessary, the supervisory authority shall adopt provisions implementing the rules of Chapters I and II of this Title, in line with the principles of the Directive on the reorganisation and winding-up of credit institutions.

Art. 98
(State of insolvency)

1. After hearing also the opinion of the supervisory authority, the Law Commissioner may declare the state insolvency of an authorised party not subject to compulsory administrative winding-up, at the request of the same authorised party, or at the request of one or more creditors.
2. The request for the declaration of insolvency may be submitted to the Law Commissioner also by the administrators of authorised parties placed under extraordinary administration or whose governing bodies are suspended, subject to the opinion of the supervisory authority. In such cases the opinion referred to in paragraph 1 above shall not be necessary.
3. Following the declaration of insolvency of an authorised party, the supervisory authority shall initiate an administrative compulsory winding-up procedure.
4. If the authorised party undergoing administrative compulsory winding-up is in a state of insolvency, the liquidators, after obtaining the opinion of the supervisory authority, shall submit a request for the declaration of insolvency to the Law Commissioner. In such cases the opinion referred to in paragraph 1 above shall not be necessary.
5. As a result of the declaration of insolvency referred to in paragraph 1 above, the legislative provisions in force on bankruptcy proceedings shall be applicable to the administrative compulsory winding up procedure insofar as compatible. In such cases, at the request of the supervisory authority, the Head Magistrate shall appoint, among the Law Commissioners, an expert in bankruptcy matters who shall assist and advise the liquidators.

CHAPTER III
ORDINARY WINDING-UP

Art. 99
(Ordinary winding-up)

1. Authorised parties shall inform the supervisory authority without delay of the occurrence of a cause for dissolution of the company. The supervisory authority shall establish that the conditions for the smooth running of the winding-up procedure are met.
2. The acts deciding or declaring the dissolution of a company shall not be entered into the Company Register, unless the establishment referred to in paragraph 1 is made.

3. As a consequence of the entry referred to in paragraph 2, the authorisation to exercise reserved activities shall lapse. However, the supervisory authority may authorise the continuation of the activity within the limits established by the Company Law with respect to ordinary winding-up; in such cases, Article 65 shall not apply to concluded contracts.
4. The powers of the supervisory authority under this Law in respect of the company subject to winding-up shall remain unaffected.

CHAPTER IV
DEPOSIT GUARANTEE AND INVESTOR COMPENSATION SCHEMES

Art. 100
(Deposit guarantee schemes)

1. Deposit guarantee schemes shall be established by Regency decree. San Marino banks and branches of foreign banks shall be obliged to participate in the guarantee schemes referred to in this Article, unless they participate in an equivalent foreign guarantee scheme.
2. Guarantee schemes shall be managed by the Central Bank or by one or more companies controlled by the Central Bank.
3. The supervisory authority shall regulate:
a) The management and funding of guarantee schemes;
b) Cases and forms of intervention of guarantee schemes;
c) Contributions by banks participating in guarantee schemes;
d) Sanctions imposed on banks which fail to pay contributions under guarantee schemes;
e) Minimum and maximum reimbursement limits;
f) Characteristics of the deposits covered by each guarantee scheme, as well as the quantitative limits and requirements to be satisfied by such deposits to be covered;
g) Communications to bank customers concerning guarantee schemes;
h) Coordination of the operation of guarantee schemes with the rules laid down in Chapters I and II of this Title;
i) Any other aspect related to guarantee schemes.

Art. 100-bis

(Investor compensation schemes)

1. The provision by authorised parties of the investment services and activities referred to in letter D of Annex 1 and of the ancillary service of safekeeping and administration of financial instruments on behalf of customers shall be subject to their membership of an investor compensation scheme.
2. An investor protection fund shall be established as the compensation scheme referred to in the preceding paragraph. The parties authorised to provide the investment services and activities referred to in letter D) of Annex 1 and the ancillary service of safekeeping and administration of financial instruments on behalf of customers shall be required to become members of the investor compensation fund, with the exclusion of branches established in the Republic of San Marino of foreign authorised parties having their registered office in a country of the European Union or in a non-EU country, which are members of an investor compensation scheme considered equivalent by the Central Bank of the Republic of San Marino.
3. The investor compensation fund referred to in the preceding paragraph shall be managed by the Central Bank of the Republic of San Marino and shall be an independent asset fund. The assets of the investor compensation fund shall be autonomous and separate for all purposes from the assets of the Central Bank of the Republic of San Marino, being it subject to the regime of separation of assets.
4. San Marino investor compensation fund shall intervene following the adoption of the administrative compulsory winding-up measure referred to in Chapter II of this Title against an authorised party belonging to the fund.
5. Schemes which make payments in order to compensate investors shall subrogate to the rights of investors in administrative compulsory winding-up procedures up to an amount equal to the payment made by such schemes.
6. The supervisory authority shall govern through its own regulation:
a) Cases, arrangements and timing of compensation by the schemes, as well as the circumstances of exclusion;
b) The characteristics of the claims on which compensation is made and the minimum and maximum limits on compensation by the schemes;
c) The management and financing of compensation schemes, as well as the contribution by authorised parties belonging to the schemes;
d) The communications and information that the authorised parties shall provide regarding the compensation schemes to which they belong;

e) The coordination of the activity of compensation schemes with the provisions set forth in Chapter II of this Title;
f) The coordination between investor compensation schemes and deposit guarantee schemes referred to in Article 100, in the case of claims against a bank that are subject to the protection of both schemes;
g) The sanctions for failure by member parties to pay the contributions provided for by the compensation schemes;
h) Any other matter relating to compensation schemes.

TITLE III
RELATIONS WITH OTHER AUTHORITIES

Art. 101
(Relations with the CSC)

1. A decision of the CSC may specify the guidelines and general criteria to be followed by the supervisory authority in carrying out its supervisory functions and issuing general measures.

Art. 102
(Relations with the Congress of State)

1. The supervisory authority shall transmit to the Congress of State, through the CSC, copies of the general measures issued and sanctions imposed.
2. The supervisory authority shall transmit, on a confidential basis, to the Congress of State reports and data relating to serious irregularities detected, in accordance with the procedures laid down in Article 35 of the Statute of the Central Bank.

Art. 103

(Relations with foreign supervisory authorities and foreign central banks)

1. The supervisory authority shall cooperate with foreign counterparts on the basis of reciprocity, including by exchanging information. Information may be exchanged upon request or on a voluntary basis, based on objective criteria.
2. For the exchange of information referred to in the previous paragraph, the rules provided by the Law no. 70 of 23 May 1995 and subsequent amendments protecting the confidentiality of data, including the one referred to in the last paragraph of Article 4 of said Law. The corresponding foreign supervisory authorities shall ensure the same conditions of confidentiality of information received or provided by the supervisory authority. The exchange of the information referred to in the previous paragraph is also lawful pursuant to and for the purposes of Article 5, paragraph 1, letter e) by Law no. 171 of 21 December 2018 and subsequent amendments.
.3. In order to regulate the cooperation activities referred to in paragraph 1 above, the supervisory authority may enter into specific cooperation agreements which, once signed, shall be brought to the attention of the Credit and Savings Committee.
4. The agreements referred to in the previous paragraph shall provide for the possibility and modalities to acquire information and documents also directly from the supervised parties by the competent authority for the supervision of the respective foreign parent company.
5. The information exchanged by the supervisory authorities and foreign central banks in accordance with the preceding paragraphs:

a) Shall only be used by foreign authorities:

- To examine the conditions for access to the activity of supervised parties and to facilitate control, on an individual and consolidated basis, of the conditions under which the activity is carried out, including supervisory profiles regarding ownership structures, corporate managers, liquidity, capital adequacy, corporate governance and control systems;
- To apply sanctions;
- In the context of an administrative appeal or judicial proceedings against a decision of the competent authority;
- The fight against financial crime in cooperation with other competent authorities;
- For the granting of credit lines for cash or signature, in favour of the same supervisory authority or the The Republic of San Marino;

- For the execution of payment services requested by supervisory authority as guarantor of the payment system, pursuant to Article 38 of the Statue of the Central bank and also for the purpose of efficient monetary circulation.

b) Shall not be disclosed or in any case forwarded to third parties without the prior written consent of the competent authorities that provided it, except the information is due by the receiving authority to other national public authorities in compliance with the legal obligations in force in their own countries.

Art. 104

(Relations with the judicial authority)

1. The employees of the supervisory authority, in the performance of their duties, shall be public officials. The persons appointed by the supervisory authority pursuant to Article 42, paragraph 3, shall also be public officials when carrying out the task entrusted to them.
2. The persons referred to in paragraph 1 above shall be bound by official secrecy. They shall be obliged to report exclusively to the Supervision Committee all irregularities detected, even if they are crimes.
3. The Supervision Committee shall make reports to the judicial authority, in accordance with paragraph 2 of Article 35 of the Statute of the Central Bank.
4. In case of judicial investigations of authorised parties, financial promoters, independent financial advisers and insurance and reinsurance intermediaries, the Law Commissioner may avail himself of the collaboration of the supervisory authority.

Art. 105

(Relations with the Ministry of Industry)

1. The supervisory authority shall cooperate with the Ministry of Industry for the supervision of auditing firms and external auditors registered in the register referred to in Law no. 146 of 27 October 2004, when they are appointed by authorised persons.
2. If the supervisory authority detects a violation of the provisions of this Law governing the activities of external auditors, it shall notify the Ministry of Industry thereof.

PART III
REGULATION ON ISSUERS

TITLE I
INVESTMENT SOLICITATION

Art. 106
(Investment solicitation)

1. Investment solicitation means any offer, invitation, or promotional message, in any form whatsoever and addressed to the public, aimed at the sale or subscription of financial instruments or other savings collection instruments, including non-negotiable ones.
2. The activities referred to in paragraph 1 above shall not constitute investment solicitation when:
a) They are directed to professional customers only;
b) They are directed to a number of parties not exceeding that determined by the supervisory authority;
c) Their total amount does not exceed that determined by the supervisory authority;
d) They relate to financial instruments issued or guaranteed by the Republic.
3. The collection of bank deposits without issuing financial instruments shall not constitute investment solicitation.
4. The supervisory authority may identify other cases where the provisions of this Title shall not apply, in whole or in part.

Art. 107

(Offerors' obligations)

1. Anyone wishing to solicit investment shall notify the supervisory authority thereof in advance, attaching the prospectus to be published.
2. The prospectus shall contain the information which, depending on the characteristics of the financial instruments and issuers, is necessary to enable investors to make an informed judgement of the assets and liabilities, financial position, economic outturn and development of the issuer's business, as well as of the financial instruments and related rights.
3. The supervisory authority shall authorise the publication of the prospectus within a time limit generally set by the supervisory authority. The supervisory authority may indicate to offerors the additional information to be included in the prospectus and lay down specific arrangements for its publication.

Art. 108

(Regulation on investment solicitation)

1. The supervisory authority shall adopt provisions implementing this Title, including differentiated provisions according to the characteristics of the financial instruments, issuers and markets.
2. The supervisory authority shall establish:
a) The content of the notification to the supervisory authority and of the prospectus, as well as the manner and time-limits for the publication of the prospectus and its possible updating;
b) The procedures to be complied with, prior to the publication of the prospectus, to disseminate information, to carry out market surveys or to collect purchase or subscription intentions;
c) The manner in which solicitation shall be made, also with a view to ensuring equal treatment among the addressees.
3. The issuer may directly place its securities at its registered office and/or branches. If the solicitation activity is carried out through activities, including those of a promotional nature, conducted in a place other than the issuer's registered office and/or branches, it shall be carried out by parties authorised to exercise the activities referred to in letters D5 and D6 of Annex 1.
4. The supervisory authority shall establish the rules of fairness which the offeror, the issuer and the person placing the financial instruments shall be required to observe.

Art. 109
(Issuer's financial statements)

1. The latest approved financial statement and any consolidated financial statements drawn up by the issuer shall be accompanied by reports in which an auditing firm expresses its opinion. Investment solicitation shall not be made if the auditing firm has expressed a negative opinion or has declared to be unable to express an opinion.

Art. 110
(Disclosure requirements)

1. In order to ensure the correctness of information to the public, the supervisory authority may, also in general:
a) Require issuers, their controlling parties and companies controlled by them to disclose information and documents, setting out the relevant procedures;
b) Obtain information from the directors, internal and external auditors and managers of the companies and parties indicated in letter a) above;
c) Carry out inspections of the parties referred to in letter a) above.
2. The supervisory authority may also require companies or entities participating directly or indirectly in issuing companies to indicate the names of the shareholders and of the settlors in the case of fiduciary companies, based on available data.
3. Issuers shall submit to an auditor's opinion any statutory and consolidated financial statements approved or drawn up during the period of solicitation.

Art. 111
(Recognition of the prospectus)

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

Art. 112
(Powers to apply precautionary measures and prohibitions)

1. The supervisory authority may:
a) Suspend, as a precautionary measure, for a period not exceeding ninety days, investment solicitation in case of well-founded suspicion of a violation of the provisions of this Chapter or of the relevant implementing rules;
b) Prohibit investment solicitation in the event of an established violation of the provisions or rules referred to in letter a) above.

Art. 113
(Advertisements)

1. Prior to the publication of the prospectus, any advertisement regarding investment solicitation shall be prohibited.
2. Advertisements shall be transmitted to the supervisory authority in advance.
3. Advertisements shall be made in accordance with the criteria established by the supervisory authority, having regard to the correctness of the information and its consistency with the content of the prospectus.
4. The supervisory authority may:
a) Suspend, as a precautionary measure, for a period not exceeding ninety days, the further dissemination of the advertisement in case of well-founded suspicion of a violation of the provisions of this Chapter or of the relevant implementing rules;
b) Prohibit the further dissemination of the advertisement in the event of an established violation of the provisions or rules referred to in letter a) above;
c) Prohibit any investment solicitation in the event of non-compliance with the measures provided for in letter a) or b) above.

PART IV
PROVISIONS ON CONTRACTS OF INSURANCE AND REINSURANCE COMPANIES

TITLE I
DEFINITIONS

Art. 114
(Non-life insurance contract)

1. By means of a non-life insurance contract the insurer, against payment of a premium, shall undertake to compensate the insured, within agreed limits, for the damage caused to him by an accident.

Art. 115
(Insurance against civil liability)

1. In case of insurance against civil liability, the insurer shall undertake, within the limits of the sum provided for in the contract, to pay a claim to a third party on behalf of the insured person following an event occurring during the period of coverage, based on the liability indicated in the contract. Damages caused by wilful intent shall be excluded.

Art. 116
(Life insurance contract)

1. By means of a life insurance contract the insurer, against payment of a premium, shall undertake to pay a lump sum or annuity upon the occurrence of an event relating to human life.

Art. 117
(Capital redemption insurance)

1. By means of a capital redemption insurance contract the insurance company shall undertake, without any agreement relating to the length of human life, to pay specified amounts at the end of a predetermined period in return for single or periodic premiums paid in cash or by other means.

Art. 118
(Reinsurance contract)

1. By means of a reinsurance contract the insurer shall transfer to a reinsurer all or part of the risk assumed vis-à-vis the insured against payment of a premium.
2. A reinsurance contract shall not create any relationship between the insured and the reinsurer.

TITLE II
GENERAL PROVISIONS

Art. 119
(Proof of contract)

1. An insurance contract shall be proven in writing.
2. The insurer shall be obliged to issue the policyholder with the insurance contract or other documents signed by him.
3. The insurer shall be also obliged to issue duplicates or copies of the policy at the policyholder's request and expense, but in such cases he may require the original to be submitted or returned.

Art. 120
(On-demand and bearer policies)

1. If an insurance policy is an on-demand or bearer policy, its transfer shall entail the transfer of the claim to the insurer, with the effects of the assignment.
2. However, the insurer shall be released if, without wilful intent or gross negligence, he provides the service to the transferee or the bearer of the policy who is not the insured.
3. In the event of loss, theft or destruction of an on-demand policy, the provisions relating to the amortisation of the bill of exchange shall apply.

Art. 121
(Non-existence of risk)

1. An insurance contract shall be null and void if the risk has never existed or has ceased to exist before the contract was concluded.

Art. 122
(Mandatory content of contracts)

1. The supervisory authority shall, by means of an ad-hoc regulation, establish the mandatory content of the contracts referred to in Articles 114, 115, 116, 117 and 118.
2. Insurance, reinsurance and capital redemption contracts not having the mandatory content referred to in paragraph 1 above, or having a different content, shall be null and void.

TITLE III
NON-LIFE INSURANCE

Art. 123
(Interest in an insurance)

1. A non-life insurance contract shall be null and void if, when the insurance is due to take effect, the insured has no interest in compensation.

Art. 124
(Compensation limits)

1. The insurer shall be required to compensate, in the manner and within the limits set out in the contract, the damage suffered by the insured as a consequence of an accident.
2. The insurer shall be liable for any loss of profit only if he is under an express obligation thereto.

Art. 125
(Insurance for sums exceeding the value of insured assets)

1. Insurance for a sum exceeding the real value of an insured asset shall not be valid in case of wilful intent of the insured; if in good faith, the insurer shall be entitled to the premiums for the current insurance period.
2. If there has been no wilful intent on the part of the policyholder, the contract shall take effect up to the real value of the insured asset and the policyholder shall be entitled to a proportionate reduction of the premium in the future.

Art. 126
(Co-insurance)

1. If the same insurance or insurance of risks relating to the same assets is shared among the insurers based on specific percentages, each insurer shall be required to pay the insured compensation only in proportion to his percentage, even if only one contract is signed by all the insurers.

Art. 127
(Insurer's right of subrogation)

1. The insurer who paid compensation shall be subrogated to the rights of the insured against liable third parties up to the amount of such compensation.

2. Except in cases of wilful intent, the right of subrogation shall not apply if the damage is caused by the children, adoptees, ascendants, other blood relatives or relatives by affinity of the insured permanently living with him or by housekeepers.
3. The insured shall be liable to the insurer for any prejudice caused to the right of subrogation.

Art. 128

(Disposal of insured assets)

1. The disposal of insured assets shall not cause the termination of the insurance contract.
2. The rights and obligations of the insured shall be transferred to the purchaser if the latter, having been informed of the existence of the insurance contract, fails to declare to the insurer by registered letter, within ten days of the due date of the first premium following the disposal, that he does not intend to take over the contract.
3. In this case, the insurer shall be entitled to the premiums for the current insurance period.

TITLE IV
LIFE INSURANCE

Art. 129

(Insurance on one's own or third party's life)

1. Insurance may be taken out on one's own life or that of a third party.
2. Insurance taken out in the event of death of a third party shall not be valid if the third party or his legal representative does not consent to the conclusion of the contract. The consent shall be in writing.

Art. 130

(Insurance in favour of a third party)

1. Life insurance in favour of a third party shall be valid.
2. The beneficiary may be designated in the insurance contract, or through a subsequent written declaration notified to the insurer, or by will.
3. As a result of the designation, the third party shall acquire his own right to the benefits of the insurance.

Art. 131
(Forfeiture of the benefit)

1. The designation of the beneficiary, even if irrevocable, shall have no effect if the beneficiary makes an attempt on the life of the insured.

Art. 132
(Rights of creditors and heirs)

1. The sums owed by the insurer to the policyholder or beneficiary shall not be subject to enforcement or precautionary action and shall be considered unattachable pursuant to Article 17 of Law no. 55 of 17 June 1994.
2. In relation to premiums paid, the provisions relating to the revocation of acts carried out to the detriment of creditors and those relating to the collation and reduction of donations shall remain unaffected.

PART V
SANCTIONS

TITLE I
CRIMINAL SANCTIONS

CHAPTER 1
MARKET ABUSE

Art. 132-bis
(Insider trading)

1. Third-degree imprisonment, a fine and second-degree disqualification from public offices and civil rights shall be applied to anyone who, being in possession of inside information - since he is a member of governing, management or control bodies of the issuer, participates in the capital of the issuer, exercises a working activity, a profession or a function, including a public function, or an office, or is involved in criminal activities:
a) Buys, sells or carries out other operations, including the submission, modification or withdrawal of an offer, directly or indirectly, for his own account or for the account of third parties, for financial instruments, by fraudulently using such information;
b) Fraudulently discloses such information to others outside the ordinary performance of his employment, profession, function or office, or outside the cases where the disclosure may be a market sounding;
c) Fraudulently recommends or induces others, on the basis of such information, to carry out any of the operations referred to in letter a).
2. This Article shall apply to anyone who has obtained inside information, also due to circumstances other than those indicated in the first paragraph, being aware that such information is inside information.

3. The use of the recommendation or inducement referred to in letter c) of paragraph 1 shall constitute insider trading when the person exploiting the recommendation or inducement is aware that these are based on inside information.

Art. 132-ter
(Market manipulation)

1. Third-degree imprisonment, a fine and second-degree disqualification from public offices and civil rights shall be applied to anyone who fraudulently:
a) Enters into a transaction, issues an order to trade or takes any action which gives, or is likely to give, false or misleading signals as to the supply of, demand for or price of a financial instrument, or which fixes, or is likely to fix, the price of one or more financial instruments at an abnormal or artificial level, unless the reasons for which the person entered into the transaction or issued an order to trade are legitimate and these transactions or orders to trade comply with accepted market practices on the trading venue concerned;
b) Enters into a transaction, issues an order to trade or engages in any other activity or conduct which, through the use of fictitious devices or any other form of deception or contrivance, affects the price of one or more financial instruments;
c) Disseminates information, through social media, which gives false or misleading signals as to the supply of, demand for or price of a financial instrument, or which secures the price of one or more financial instruments at an abnormal or artificial level, when this results in an advantage or profits for the person who disseminated the information or for others;
d) Transmits false or misleading information or provides false or misleading inputs or any action which manipulates the calculation of a benchmark.

Article 132-quater
(Exemption for buy-back programmes and stabilisation)

1. The criminal offences referred to in Articles 132-bis and 132-ter above shall not apply to trading in own shares in buy-back programmes when all the conditions listed below are met:
a) The full details of the programme are disclosed prior to the start of trading;

b) Trades are reported as being part of the buy-back programme to the competent authority and subsequently disclosed to the public;
c) Adequate limits regarding price and volume are respected;
d) Trading is carried out in accordance with the objectives set out in the following paragraph.
2. In order to benefit from the exemption provided for in paragraph 1, a buy-back programme shall have one or more of the following purposes:
a) To reduce the capital of an issuer;
b) To meet obligations arising from debt financial instruments that are exchangeable into equity instruments;
c) To meet obligations arising from share option programmes, or other allocations of shares, to employees or to members of the governing or control bodies of the issuer or of a company for which the issuer holds at least one-fifth of the votes at the ordinary shareholders' meeting or one-tenth in case of a listed company.
3. In order to benefit from the exemption provided for in paragraph 1, the issuer shall report to the competent authority each transaction relating to the buy-back programme.
4. The criminal offences referred to in Articles 132-bis and 132-ter above shall not apply to trading in securities or associated instruments for the stabilisation of securities where:
a) Stabilisation is carried out for a limited period;
b) Relevant information about the stabilisation is promptly disclosed and notified to the competent authority;
c) Adequate limits with regard to price are complied with.
5. For the purposes of the preceding paragraph, "securities" means:
a) Shares and other securities equivalent to shares;
b) Bonds and other forms of securitised debt;
c) Securitised debt convertible or exchangeable into shares or into other securities equivalent to shares.

Article 132-quinquies
(Inside information)

1. For the purposes of this Chapter, "inside information" means:

a) Information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments;
b) In relation to commodity derivatives, information of a precise nature, which has not been made public, relating, directly or indirectly to one or more of such derivatives or directly concerning the related spot commodity contract, and which, if made public, would be likely to have a significant effect on the prices of such derivatives or related spot commodity contracts, and where this information is reasonably expected to be disclosed or is required to be disclosed in accordance with the provisions in force on this matter, market rules, contract, practice or custom, on the relevant commodity derivatives markets or spot markets;
c) In relation to emission allowances or auctioned products based thereon, information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more of such instruments, and which, if made public, would be likely to have a significant effect on the prices of such instruments or on the prices of related derivative financial instruments;
d) For persons charged with the execution of orders concerning financial instruments, it also means information conveyed by a customer and relating to the customer's pending orders in financial instruments, which is of a precise nature, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if made public, would be likely to have a significant effect on the prices of those financial instruments, the price of related spot commodity contracts, or on the price of related derivative financial instruments.
2. For the purposes of paragraph 1, information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments or the related derivative financial instrument, the related spot commodity contracts, or the auctioned products based on the emission allowances. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information.

3. An intermediate step in a protracted process shall be deemed to be inside information if, by itself, it satisfies the criteria of inside information as referred to in this Article.
4. For the purposes of paragraph 1, information which, if made public, would be likely to have a significant effect on the prices of financial instruments, derivative financial instruments, related spot commodity contracts, or auctioned products based on emission allowances shall mean information a reasonable investor would be likely to use as part of the basis of his investment decisions.

Article 132-sexies
(Market soundings)

1. For the purposes of this Chapter, a market sounding comprises the communication of information, prior to the announcement of a transaction, in order to gauge the interest of potential investors in a possible transaction and the conditions relating to it such as its potential size or pricing, to one or more potential investors by:
a) An issuer;
b) A secondary offeror of a financial instrument, in such quantity or value that the transaction is distinct from ordinary trading and involves a selling method based on the prior assessment of potential interest from potential investors;
c) An emission allowance market participant;
d) A third party acting on behalf or on the account of a person referred to in letter a), b) or c).
2. Disclosure of inside information by a person intending to make a takeover bid for the securities of a company or a merger with a company to parties entitled to the securities, shall also constitute a market sounding, provided that:
a) The information is necessary to enable the parties entitled to the securities to form an opinion on their willingness to offer their securities;
b) The willingness of parties entitled to the securities to offer their securities is reasonably required for the decision to make the takeover bid or merger.
3. A disclosing market participant shall, prior to conducting a market sounding, specifically consider whether the market sounding will involve the disclosure of inside information. The disclosing market participant shall make a written record of its conclusion and the reasons therefor. It shall provide such written records to the competent authority upon request. This obligation shall apply to each disclosure

of inside information throughout the course of the market sounding. The disclosing market participant shall update the written records referred to in this paragraph accordingly.
4. For the purposes of Article 132-bis, disclosure of inside information made in the course of a market sounding shall be deemed to be made in the normal exercise of a person's employment, profession or duties where the disclosing market participant complies with paragraphs 3 and 5 of this Article.
5. For the purposes of paragraph 4, the disclosing market participant shall, before making the disclosure:
a) Obtain the consent of the person receiving the market sounding to receive inside information;
b) Inform the person receiving the market sounding that he is prohibited from using that information, or attempting to use that information, by acquiring or disposing of, for his own account or for the account of a third party, directly or indirectly, financial instruments relating to that information;
c) Inform the person receiving the market sounding that he is prohibited from using that information, or attempting to use that information, by cancelling or amending an order which has already been placed concerning a financial instrument to which the information relates;
d) Inform the person receiving the market sounding that by agreeing to receive the information he is obliged to keep the information confidential.
The disclosing market participant shall make and maintain a record of all information given to the person receiving the market sounding, including the information given in accordance with letters a) to d) of the first paragraph, and the identity of the potential investors to whom the information has been disclosed, including but not limited to the legal and natural persons acting on behalf of the potential investor, and the date and time of each disclosure. The disclosing market participant shall provide that record to the competent authority upon request.

Article 132-septies
(Accepted market practices)

1. The criminal offence referred to in Article 132-ter shall not apply to the activities referred to in paragraph 1, letter a) of the same Article, provided that the person entering into a transaction, placing an order to trade or engaging in any other behaviour establishes that such transaction, order or behaviour have been carried out for legitimate reasons, and conform with an accepted market practice as established in accordance with this Article.

2. The supervisory authority may establish an accepted market practice, reviewing it at least every two years, taking into account the following criteria:
a) Whether the market practice provides for a substantial level of transparency to the market;
b) Whether the market practice ensures a high degree of safeguards to the operation of market forces and the proper interplay of the forces of supply and demand; whether the market practice has a positive impact on market liquidity and efficiency;
c) Whether the market practice takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice;
d) Whether the market practice does not create risks for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instrument;
e) The outcome of any investigation of the relevant market practice by any competent authority or by another authority, whether the relevant market practice infringed rules or regulations designed to prevent market abuse, or codes of conduct;
f) The structural characteristics of the relevant market, whether it is regulated or not, the types of financial instruments traded and the type of market participants, including the extent of retail-investor participation in the relevant market.

Article 132-octies
(Exemptions for State's economic policy)

1. The criminal offences referred to in this Chapter shall not apply to transactions carried out by the State for reasons related to economic policy.

CHAPTER II
OTHER ILLEGAL CONDUCTS

Art. 133
(Amendment of Article 321 of the Criminal Code)

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

Art. 321
"(Unlawful collection of savings)

Anyone who collects savings from the public, including through the issue of bonds, in violation of the laws in force or the provisions issued by the Central Bank of the Republic of San Marino, shall be punished with second-degree imprisonment and a fine, as well as with third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator, extraordinary administrator in companies or other entities having legal personality.".

Art. 134
(Unauthorised exercise of an activity)

1. Anyone exercising a reserved activity without the authorisation of the supervisory authority shall be punished with second-degree imprisonment and a fine, as well as with third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator, extraordinary administrator in companies or other entities with legal personality.
2. The same punishment shall 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 this Law;
b) Anyone engaged in the activity of financial promoter without being entered in the register indicated by Article 25, paragraph 3;
b-bis) Anyone engaged in the activity of investment advisor without being entered, where this is required, in the register indicated by Article 25-bis, paragraph 2;
c) Anyone engaged in the activity of insurance or reinsurance intermediation without being entered in the register indicated by Article 27, paragraph 1.

Art. 135
(Ownership structures)

1. Anyone providing false information in the notifications referred to in Articles 16, 17, 19 and 23, or fraudulently omitting to provide information shall be punished with first-degree imprisonment or a fine.

2. The punishment specified in paragraph 1 shall also apply to the same violations concerning participations in the parent holding companies referred to in Article 55.

Art. 136
(Inseparability of assets)

1. Anyone who, in the exercise of reserved activities, in order to obtain undue profit for himself or for others, violates the provisions on separation of assets causing damage to customers shall be punished with second-degree imprisonment and a fine, as well as with third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or extraordinary administrator in companies or other entities having legal personality.

Article 136-bis
(Bad faith administration)

1. Unless the fact constitutes a more serious crime, anyone who, in providing the service of financial instrument portfolio management, referred to in letter D4 of Annex 1, or collective investment services, referred to in letters E and F of Annex 1, in violation of the provisions governing conflicts of interest, carries out transactions that cause damage to customers, in order to obtain undue profit for himself or for others, shall be punished with 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, extraordinary administrator in companies or other entities having legal personality.

Art. 137
(False reporting by issuers)

1. Anyone who, in order to obtain undue profit for himself or for others, provides false information or conceals data or information in such a way as to mislead the recipients of the prospectuses required for investment solicitation, being aware that such information is false and with the intention of deceiving the recipients of the prospectuses, shall be punished with:

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 extraordinary administrator in companies or other entities having legal personality, if such conduct has not caused any pecuniary damage to them; 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 extraordinary administrator in companies or other entities having legal personality, if such conduct has caused a pecuniary damage to them.

Article 137-bis

(False centralised management of financial instruments)

1. Anyone who, in the registrations or certifications made or issued in providing the service of centralised deposit of financial instruments, referred to in letter D-quater of Annex 1, being aware of the false facts certified and with deceptive intentions, certifies false facts, whose registration or certification is intended to prove the truth, or transfers or delivers the financial instruments or transfers the relevant rights without having obtained in return the certificates, shall be punished with first-degree imprisonment and a fine, as well as with third-degree disqualification from holding the offices of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator, extraordinary administrator in companies or other entities having legal personality.

Art. 138

(False reports and communications by auditing firms)

1. The persons responsible for accounting auditing who, in order to obtain undue profit for themselves or for others, certify false information in their reports or other communications or conceal information concerning assets and liabilities, financial position and economic outturn of the authorised party, parent holding company or issuer subject to auditing, being aware of the false information and with the intention to deceive the recipients of the communications in such a way as to mislead them with respect to the above-mentioned position, shall be punished with:

- 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 extraordinary administrator in companies or other entities having legal personality, if such conduct has not caused any pecuniary damage to them; 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 extraordinary administrator in companies or other entities having legal personality, if such conduct has caused a pecuniary damage to them.

Art. 139
(Violation of bank secrecy)

1. Violations of bank secrecy by parties required to comply with it pursuant to Article 36 shall be punished with 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, extraordinary administrator in companies or other entities having legal personality.
2. The same punishment shall apply to anyone who, having illegally or involuntarily become aware of data and information covered by bank secrecy, discloses them to third parties or uses them for his own or others' profit.

Art. 140
(Impediment to the exercise of the supervisory function)

1. Anyone who, in the exercise of their functions of director, holder of representative powers, internal auditor, external auditor, actuary, liquidator or extraordinary administrator in authorised parties or other parties subject to supervision under this Law:

a) Fraudulently reports, in communications to the supervisory authority, facts not corresponding to the truth on assets and liabilities, financial position and economic outturn of the authorised parties or the parties mentioned above; or

b) Fraudulently conceals, in whole or in part, facts that should have been communicated concerning such position, shall be punished with 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, extraordinary administrator in companies or other entities having legal personality.

2. Except in the cases specified in paragraph 1, anyone who, in the exercise of the same functions and in the same parties as referred to in paragraph 1, reports facts not corresponding to the truth to the supervisory authority shall be punished with 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, extraordinary administrator in companies or other entities having legal personality.
3. Except in the cases specified in paragraphs 1 and 2, anyone who, in the exercise of the same functions and in the same parties as referred to in the above paragraphs, impedes the supervisory authority's exercise of its functions, or seriously or repeatedly fails to comply with the provisions issued by said authority shall be punished with first-degree imprisonment or a fine.

Article 140-bis
(Confiscation)

1. Article 147 of the Criminal Code shall apply to the criminal offences referred to in this Title.

TITLE II
ADMINISTRATIVE SANCTIONS

Art. 141
(Sanctions)

1. Administrative pecuniary sanctions imposed by the Central Bank in the exercise of its functions under this Law shall be governed by Article 31 of Law no. 96 of 29 June 2005 and by the relevant implementing delegated decree.
1-bis. If the violations are characterised by a low degree of seriousness or dangerousness, the supervisory authority may apply a sanction consisting in the order to eliminate the violations as an alternative to the application of the administrative pecuniary sanctions referred to in the previous paragraph, also by indicating the measures to be taken and the deadline for enforcement. In the event of failure to comply with the order within the prescribed deadline, the supervisory authority shall

impose the aforesaid administrative pecuniary sanctions increased by up to one third of the amount provided for the original violation, without prejudice to the envisaged ceilings.

PART VI
FINAL AND TRANSITIONAL PROVISIONS

Art. 142
(Minimum reserves)

1. Banks shall lodge a secured deposit amounting to eight percent of the total amount of direct deposits, including interbank deposits, as minimum reserves.
2. The secured deposit referred to in paragraph 1 above shall be made within the first working day of each maintenance period on dedicated accounts with the Central Bank of the Republic of San Marino.
3. Banks shall be required to submit to the supervisory authority, in a manner defined by the banks, a prospectus attesting the size of the reserve base. The prospectus shall show the amount outstanding on the last day of the second month prior to the beginning of each maintenance period.
4. Maintenance periods shall be on a monthly basis, from the first day of each calendar month to the last day of that month, without prejudice to paragraph 7 below. Throughout the maintenance period, the amount of the deposit shall always be equal to the amount of the minimum reserves set out in paragraph 1 above.
5. Secured deposits in cash shall be remunerated on the basis of the amount of deposits recorded during the maintenance period, with payment of interest at the end of each calendar month.
6. Any total or partial derogation from the obligations laid down in this Article may be authorised by the supervisory authority. To this end, the banks concerned shall lodge an ad-hoc application, attaching all appropriate documents for the supervisory authority's assessment.
No later than the fifteenth day before the start of the maintenance period, the supervisory authority shall give written notice of the acceptance or refusal of the authorisation, specifying all subsequent requirements to be fulfilled. The time-limit shall be suspended where the supervisory authority requests further information deemed necessary to supplement the documents submitted and shall start to run again from the date of receipt of the information requested.

7. By way of derogation from the consultation procedures referred to in Article 38, paragraph 5 above, the supervisory authority may, by its own measure, also during the maintenance period, amend the percentage indicated in paragraph 1 above, the components of the reserve base, the composition of the secured deposit, the duration of the reference and maintenance periods, the prospectus for the calculation of the reserve requirement, the rate of remuneration, and shall envisage averaging provisions.

Art. 143
(Financial companies)

1. For the purposes of this Law, "financial company" means a company authorised to carry out the activity referred to in letter B of Annex 1.
2. Any rules, including tax rules, contained in the legislative provisions in force, issued before the entry into force of this Law, with reference to financial companies and/or fiduciary companies, shall be understood to cover all companies authorised, pursuant to this Law, to carry out one or more of the activities referred to in letters B, C and D in Annex 1.

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

1. Any income generated by financial instruments and foreign assets covered by a specific fiduciary mandate and therefore entered in suspense accounts, shall not be considered to be paid by parties operating in the territory.

Art. 145
(Register of actuaries)

1. A public register of actuaries shall be established at the supervisory authority.
2. The supervisory authority shall regulate the scope of activities covered by the profession, the requirements for registration in the register, the procedures for registration, disciplinary proceedings, cases of suspension and cancellation from the register, supervision of those registered and the procedures for keeping and consulting the register.

Art. 146
(*Repealed*)

Art. 146-bis
(Coordination with the Code on bills of exchange)

1. A bank cheque is a negotiable instrument, enforceable and payable to a specific payee, which contains an unconditional order given by an account holder (drawer) to his bank (drawee) to pay on demand to a third party or to himself (beneficiary) a certain sum from his current account.
2. A prepaid cheque is a negotiable instrument, enforceable and payable to a specific payee, which contains the unconditional promise of a bank, authorised to do so by the Central Bank's Supervisory Authority, to pay on demand a certain sum to a person indicated therein as the beneficiary; the prepaid cheque is issued on request after the same amount of money has been made available by the requesting person, even if he is not a current account holder.
3. A drawers cheque is an enforceable and non-transferable negotiable instrument, sent by a bank to a beneficiary, indicating a sum available to the beneficiary, which can be cashed on demand by the beneficiary after he has signed the cheque on the front side to draw it and on the back as receipt of payment.
4. The negotiable instruments referred to in paragraphs 1, 2 and 3 shall be payment instruments as they are payable on demand only.

Art. 147
(Coordination with the Company Law)

1. The Company Law shall be applicable to authorised parties for all matters not regulated by this Law and by the implementing provisions issued by the supervisory authority.
2. The provisions of the Company Law which are incompatible with the rules contained in this Law and in the implementing provisions issued by the supervisory authority shall not apply.

Art. 148

(Coordination with the Law on Finance Leasing)

1. If a bank or financial company buys real estate located on San Marino territory for the purpose of leasing it to San Marino citizens, the authorisation of the Council of the Twelve shall not be required. Such derogation shall also apply in the following cases:

a) Where a new lessee taking over the lease is a San Marino citizen;

b) Transfer of ownership to a new lessor, where the lessee remains the same and the incoming lessor is a bank or financial company within the meaning of this Law.

In the event of termination of the contracts referred to in paragraph 1, since the reason for the lease of the real estate purchase ceases to exist, the bank or financial company shall submit, within ninety days of the date on which the lessee is notified of the termination, an application for authorisation to the Council of the Twelve, which shall legitimise the original purchase of the real estate and its entry under the asset item "assets to be leased", unless within that time-limit the real estate is re-leased or sold to another San Marino citizen: to this end, the date of registration of the new finance leasing or sale contract shall serve as a proof.

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

2. In order to safeguard the nature and prevailing financial purposes of the this instrument, leasing companies shall be prohibited, with regard to leasing contracts registered after the entry into force of this Law, from accepting advance rent payments from the lessee, in one or more instalments, for an overall amount exceeding 80% of the total value of the leasing contract or from agreeing to extend the duration of the lease in favour of said lessee beyond the maximum limit of thirty years.

3. Without prejudice to the nullity of any contractual agreements that establish a duration of the lease below the minimum duration referred to in Article 2 of Law no. 115 of 19 November 2001, the lessor and lessee, in case of exceptional circumstances, may jointly submit a reasoned request to the Tax Office to obtain authorisation to redeem the leased asset before the expiry of the minimum duration referred to above.

4. The bank or financial company owning a registered movable asset which is leased shall not be jointly and severally liable with the lessee for any damage caused to third parties in the use of the leased asset, when such damage exceeds the maximum coverage of the compulsory insurance policy for the purposes of its circulation. The lessee alone shall be liable for any excess damage.

Art. 149

(Coordination with general rules on lapse of rights)

1. By way of derogation from the general rules of thirty-year lapse of rights, the rights arising from contracts concluded by the authorised parties in the exercise of reserved activities shall lapse ten years after the date on which the act or event generating such rights occurred.
2. The ten-year period shall be understood as general and residual; therefore, it shall not be applied in cases where, for particular categories of rights, shorter periods for their lapse are established by the laws in force from time to time.
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, shall lapse one year after the date of issue of the cheque, which shall not be protested, pursuant to Article 1 of Law no. 47 of 24 November 1970 and Article 206 of the Criminal Code, if cashed more than sixty calendar days after the date of issue shown on the cheque.

Art. 150

(Coordination with the legislation on the combating of terrorism and money laundering)

1. The laws on the combating of terrorism and money laundering shall take precedence over this Law.

Art. 150-bis

(Coordination with other provisions transposing EU legal acts relating to financial matters)

1. Annex 2-bis contains a list of EU legal acts relating to financial matters transposed into San Marino legal system by adopting specific delegated decrees, also amending this Law.
2. Annex 2-bis shall be amended or supplemented by delegated decree.

Art. 151

(Coordination with the Law on Trusts)

1. In the second paragraph of Article 19 of Law no. 37 of 17 March 2005, the words “to banking, financial and fiduciary companies” shall be replaced by the following: “to banks, fiduciary companies, financial companies, investment firms and management companies”.

2. Law no. 37 of 17 March 2005 shall be understood as special and prevailing over this Law. The supervisory authority shall regulate the application of the provisions of this Law to the case where the exercise of the office of trustee constitutes the performance of reserved activities.

Art. 152
(Repealed)

Art. 153
(Coordination with provisions on operating licence)

1. The provisions contained in Law no. 18 of 8 June 1965, in Article 59 of Law no. 165 of 18 December 2003 and in Decree no. 23 of 16 February 2005 shall also apply to parties authorised to carry out reserved activities for any matter not regulated by this Law and by the implementing provisions issued by the supervisory authority.
2. The provisions referred to in paragraph 1 which are incompatible with this Law and with the implementing provisions issued by the supervisory authority shall not apply.
3. For the purposes of issuing the operating licence and the consequent attribution of the economic operator code, authorised parties shall submit to the competent offices, in addition to the documents required by the provisions referred to in the first paragraph, a certified copy of the authorisation of the supervisory authority referred to in Article 7.
4. In cases specified by the supervisory authority in accordance with Article 9, the supervisory authority shall grant the authorisation to start operations only to those parties already holding an operating licence.
5. Cases of suspension, revocation, lapse or surrender of the operating licence shall be notified by the Office for Industry to the supervisory authority within five days of the date on which they occur.

Art. 154
(Public Administration)

1. This Law shall not apply to the exercise of reserved activities by the Public Administration.

Art. 155

(Appointment of the President of the Cassa di Risparmio Foundation)

1. The President of the Cassa di Risparmio della Repubblica di San Marino-S.U.M.S. Foundation shall be appointed by the Great and General Council.

Art. 156

(Transitional rules)

1. Parties already engaged in reserved activities by virtue of an authorisation granted in accordance with the legislation referred to in Article 157, paragraph 1 below may continue to perform the reserved activities covered by the authorisation previously granted to them. Banks authorised pursuant to Law no. 21 of 12 February 1986 may continue to perform the activities referred to in letters A, B, C, D, I, J, K and L of Annex 1, and financial companies authorised pursuant to Law no. 24 of 25 February 1986 may continue to perform the activities referred to in letters B, C, D, K and L of Annex 1.
2. Within thirty days of the entry into force of this Law, the supervisory authority shall enter the parties referred to in paragraph 1 in the register of authorised parties.
3. The parties referred to in paragraph 1 shall have twelve months from the entry into force of this Law to notify the supervisory authority of any reserved activities that they no longer intend to carry out.
4. The parties referred to in paragraph 1 shall have twelve months from the entry into force of this Law to align their articles of association with the provisions of this Law, in accordance with Article 47.
5. The parties that, on the date of entry into force of this Law, are entered on the list of financial promoters held by the supervisory authority, shall be entered by the supervisory authority in the register of financial promoters referred to in Article 25.
6. For persons who, on the date of entry into force of this Law, perform functions of administration, management and control of authorised parties and whose requirements of good repute and professional competence have already been verified on the basis of the rules repealed by this Law or on the basis of provisions issued by the supervisory authority before the entry into force of this Law, it shall not be necessary to verify the requirements referred to in Article 15 for the purposes of fulfilling the ongoing mandate and until its natural expiry.

7. Insurance agents engaged in the activity of insurance intermediation, based on an operating licence issued before the entry into force of this Law, may continue to operate subject to prior notification to the supervisory authority for registration in the register provided for in Article 27.
8. The implementing provisions issued by the supervisory authority shall establish appropriate deadlines for transposition of the new provisions by obliged parties.
9. For group relationships already existing on the date of entry into force of this Law, notification to the foreign parent company pursuant to Article 36, paragraph 6, letter c) shall be allowed even in the absence of an agreement in force.
10. For the contracts and rights referred to in Article 149, paragraph 1, respectively, stipulated and arising prior to the entry into force of this Law, the ten-year lapse period shall apply from the date of entry into force of this Law. The ordinary thirty-year lapse period shall apply, if said period elapses prior to the ten-year expiry.

Art. 157
(Repealed legislation)

1. The following legislation is hereby repealed:
a) Law no. 10 of 30 March 1954;
b) Law no. 17 of 8 June 1954;
c) Law no. 3 of 27 February 1958;
d) Law no. 116 of 20 December 1984;
e) Law no. 21 of 12 February 1986;
f) Law no. 24 of 25 February 1986;
g) Decree no. 62 of 26 May 1986;
h) Decree no. 120 of 23 October 1986;
i) Law no. 33 of 8 March 1988;
j) Law no. 63 of 8 July 1994;
k) Articles 5 and 6, paragraph 2, and 7 of Law no. 130 of 29 November 1995;
l) Law no. 113 of 29 October 1999;
m) Article 1, letters b) and c) of Decree no. 37 of 11 March 2001;
n) Article 68 of Law no. 165 of 18 December 2003;
o) Article 78, paragraph 1, of Law no. 172 of 16 December 2004.

2. Paragraphs 2 and 3 of Article 5 of Law no. 24 of 25 February 1986 shall continue to be applied solely to contracts concluded by financial companies authorised pursuant to the above-mentioned Law, before the entry into force of this Law.
3. Any legislative provision not expressly referred to in this Law, which conflicts with a provision in this Law shall be deemed repealed.
4. The provisions issued by the supervisory authority pursuant to repealed or replaced provisions shall continue to apply until the date of entry into force of the provisions issued under this Law.
5. The provisions contained in the laws and decrees repealed by this Law shall continue to apply until the date of entry into force of the provisions issued under this Law in place thereof. References to laws, decrees or provisions, referred to in paragraph 1, which become inapplicable as a result of the issue of the afore-mentioned provisions, shall be expressly indicated in said provisions.

Art. 158
(Entry into force)

1. This Law shall enter into force on the hundred-twentieth day following that of its legal publication.

ANNEX 1
RESERVED ACTIVITIES

A) Banking activity

Banking activity means the taking of deposits from the public and the granting of credit.

B) Granting of credit

Granting of credit means the provision of loans in any form, including finance leasing, consumer credit, guarantees and commitments.

C) Fiduciary activity

Fiduciary activity means the registration of third party's assets in execution of a mandate without representation.

D) Investment services and activities

Investment services and activities relating to one or more financial instruments include the following:

D1) Reception and transmission of orders in relation to financial instruments

D2) Execution of orders in relation to financial instruments on behalf of customers

D3) Dealing in financial instruments on own account

D4) Financial instrument portfolio management

D5) Underwriting of financial instruments or placing of financial instruments on a firm commitment basis

D6) Placing of financial instruments without a firm commitment basis

D7) Investment advice

D8) Operation of multilateral trading facilities in financial instruments

D9) Operation of organised trading facilities in financial instruments

D-bis) Operation of regulated markets

Operation of regulated markets means the establishment, operation and organisation of regulated markets.

D-ter) Data reporting services on transactions concluded for financial instruments on trading venues

Data reporting services on transactions concluded for financial instruments on trading venues means:

a) Operation of an approved publication arrangement;
b) Operation of a consolidated publication system;
c) Operation of an approved reporting system.

D-quater) Centralised deposit service for financial instruments

A centralised deposit service for financial instruments includes the following activities:

a) Initial recording of financial instruments in a book-entry system (notary service);
b) Providing and maintaining securities accounts at the top tier level (central maintenance service);
c) Operating a settlement system for financial instruments (settlement service).

E) Collective investment services

Collective investment services means the following activities:

a) Promotion, establishment and organisation of collective investment undertakings and management of the relations with participants;
b) Management of the assets of collective investment undertakings on own account or on behalf of other institutions, through investment in financial instruments, debt claims or other movable or immovable assets.

F) Non-traditional collective investment services

Non-traditional collective investment services means the promotion, establishment, organisation and management activities, referred to in letter (E), carried out solely for collective investment undertakings and reserved to professional customers or using non-traditional management techniques.

G) Insurance activity

Insurance activity means direct taking and management of risks by an insurance company through the exercise of the following activities:

a) Life insurance;

b) Non-life insurance, including insurance against damage.

Life insurance means insurance and operations as resulting from the classification by class of insurance established by a measure of the supervisory authority.

Non-life insurance means insurance as resulting from the classification by class of insurance established by a measure of the supervisory authority.

H) Reinsurance activity

Reinsurance activity means the taking of risks ceded by an insurance company or by another reinsurance company.

I) Payment services

Payment services mean:

a) Services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account;

b) Services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account;

c) Execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider:

- Execution of direct debits, including one-off direct debits;
- Execution of payment transactions through a payment card or a similar device;
- Execution of credit transfers, including standing orders;

d) Execution of payment transactions where the funds are covered by a credit line for a payment service user:

- Execution of direct debits, including one-off direct debits;
- Execution of payment transactions through a payment card or a similar device;
- Execution of credit transfers, including standing orders;

e) Issuing of payment instruments or acquiring of payment transactions;
f) Money remittance;
g) Payment initiation services;
h) Account information services.

J) Electronic money issuance services

Electronic money issue services mean the issue of monetary value as represented by a claim on the issuer which is:
a) Stored on an electronic device;
b) Issued on receipt of funds of an amount not less in value than the monetary value issued;
c) Accepted as means of payment by undertakings other than the issuer.

K) Exchange intermediation

Exchange intermediation means the trading of one currency for another, spot or forward, as well as any form of currency intermediation.

L) Shareholding acquisition

Shareholding acquisition means the activity, carried out for the public, for the acquisition, holding and management of rights in the capital of other undertakings, whether or not represented by securities. The activity mentioned above does not include the acquisition of shareholdings other than for the purpose of their disposal and of holdings which, over the period of holding, are not characterised by measures for corporate reorganisation or production development or for the fulfilment of the financial needs of the participated undertakings, including through the raising of risk capital.

ANNEX 2
FINANCIAL INSTRUMENTS

A. "Financial instruments" mean:

1) Transferable securities;
2) Money-market instruments;
3) Units in mutual funds or in collective investment undertakings;
4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
5) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties, otherwise than by reason of a default or other termination event;
6) Options, futures, swaps, and any other derivative contracts relating to commodities that can be physically settled provided that they are traded on a regulated market, a multilateral trading facility or an organised trading system, except for energy derivative contracts;
7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8) Derivative financial instruments for the transfer of credit risk;
9) Financial contracts for differences;
10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties, otherwise than by reason of a default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, a multilateral trading facility or an organised trading system;
11) Emission allowances consisting of any units recognised for compliance with the requirements of EU Directive establishing a scheme for greenhouse gas emission allowance trading.

B. “Transferable securities” mean those classes of securities which are negotiable on the capital market, such as, for example:
   1) Shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;
   2) Bonds or other forms of securitised debt, including depositary receipts in respect of such securities;
   3) Any other securities giving the right to acquire or sell any such transferable securities referred to in points 1) and 2) above or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.

C. “Depositary receipts” mean those securities which are negotiable on the capital market and which represent ownership of the securities of a non-domiciled issuer while being able to be admitted to trading on a regulated market and traded independently of the securities of the non-domiciled issuer.

D. “Money-market instruments” mean those instruments which are normally dealt in on the money market.

E. "Derivative financial instruments" mean the financial instruments referred to in letter A, points from 4) to 10), as well as the financial instruments referred to in letter B, point 3).

F. “Derivative contracts relating to commodities” mean those financial instruments which are related to commodities or underlying activities referred to in letter A, points 5), 6), 7) and 10), as well as the financial instruments referred to in letter B, point 3) when they are related to commodities or underlying activities referred to in letter A, point 10).

G. “Energy derivative contracts” mean options, futures, swaps, and any other derivative contracts mentioned in letter A, point 6) relating to coal or oil that are traded wholesale on an organised trading facility and must be physically settled.

H. Payment means are not financial instruments.

ANNEX 2-BIS
TRANSPOSITION OF EU LEGAL ACTS ON FINANCIAL MATTERS

EU Legal Acts	**Subject**	**Delegated Decree prior to ratification**	**Delegated Decree post ratification**
Directive 97/9/EC	Investor-compensation schemes	Delegated Decree no. 110 of 31 August 2018	Delegated Decree no. 148 of 22 November 2018
Directive 98/26/EC as amended by Directive 2009/44/EC and Directive 2010/78/EU	Settlement finality in payment and securities settlement systems	Delegated Decree no. 111 of 31 August 2018	Delegated Decree no. 111 of 31 August 2018
Directive 2001/24/EC	Reorganisation and winding up of credit institutions	Delegated Decree no. 112 of 31 August 2018	Delegated Decree no. 149 of 22 November 2018
Directive 2002/47/EC as amended by Directive 2009/44/EC and Directive 2014/59/EU	Financial collateral arrangements	Delegated Decree no. 113 of 31 August 2018	Delegated Decree no. 150 of 22 November 2018
Directive 2013/36/EU and Regulation (EU) 575/2013 Directive 2002/87/EC	Access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms Supplementary supervision of financial conglomerates	Delegated Decree no. 176 of 28 December 2018	Delegated Decree no. 50 of 26 March 2019

EU Legal Acts	**Subject**	**Delegated Decree prior to ratification**	**Delegated Decree post ratification**
Directive (EU) 2015/2366	Payment services	Delegated Decree no. 177 of 28 December 2018	Delegated Decree no. 177 of 28 December 2018
Directive 2014/65/EU and Regulation (EU) no. 600/2014 Directive 2014/57/EU and Regulation (EU) no. 596/2014, as supplemented by Directive (EU) 2015/2392 and by Delegated Regulation (EU) no. 2016/522	Markets in financial instruments Market abuse	Delegated Decree no. 61 of 29 March 2019	*(*)*

(*) Pending the issue of the Delegated Decree updating this Annex 2-bis pursuant to Article 150-bis, paragraph 2 of this Law, it should be noted that Delegated Decree no. 61 of 29 March 2019 was ratified without amendments on 5 June 2019.