

BANCA  CENTRALE
DELLA REPUBBLICA DI SAN MARINO

STATUTO --- STATUTE



STATUTE OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO

Law no. 96 of 29 June 2005

as amended by Law no. 179 of 13 December 2005

by Law no. 92 of 17 June 2008

by Law no. 178 of 4 November 2010

by Delegated Decree no. 24 of 4 March 2014

by Delegated Decree no. 77 of 19 May 2014

and by Law no. 146 of 19 September 2014

by Law no. 146 of 19 September 2014,

by Delegated Decree no.176 of 28 December 2018,

by Delegated Decree no.50 of 26 March 2019

by Delegated Decree no. 61 of 29 March 2019

and by Law no. 223 of 23 December 2020



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Public and private participation entity

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NOTICE

This Statute was issued by the Central Bank of the Republic of San Marino to facilitate consultation of Law no. 96 of 29 June 2005 and further amendments.

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**Law no. 96 of 29 June
2005**

REPUBLIC OF SAN MARINO

**STATUTE OF THE CENTRAL BANK
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CHAPTER 1

**STATUTE OF THE CENTRAL BANK OF
THE REPUBLIC OF SAN MARINO**

**TITLE I
GENERAL**

**Article 1
(Definitions)**

1. For the purposes of this law:
 - a. “Central Bank” shall refer to the Central Bank of the Republic of San Marino.
 - b. “Republic” shall refer to the Republic of San Marino.
 - c. “CCR” shall refer to the Comitato per il Credito e il Risparmio

(Committee for Credit and Savings).

- d. “Banking Law” shall refer to Law no. 21 of 12 February 1986 as further amended.
- e. “Law on Financial and Fiduciary Companies” shall refer to Law no. 25 of 25 February 1986 as further amended.
- f. “Law on the Tax Collection Service” shall refer to Law no. 70 of 25 May 2004 as further amended.
- g. “authorised intermediaries” shall refer to the banking, financial, and insurance intermediaries, as well as the subsidiaries and representative offices of foreign intermediaries who are authorised to operate in or from the territory of the Republic.
- h. “supervised parties” shall refer to the

authorised intermediaries, the enterprises which the authorised intermediaries participate in, and any other party supervised by the Central Bank.

- i. “financial system” shall refer to the authorised intermediaries operating in or from the territory of the Republic.

TITLE II
DEFINITION AND OBJECTIVES OF THE
CENTRAL BANK

Article 2
(The Central Bank)

1. The Central Bank of the Republic of San Marino is a publicly and privately owned entity with private legal status, unlimited life, and a registered office in the territory of the Republic.
2. The Central Bank shall possess supervisory authority over the banking, financial, and insurance sectors, and currency authority within the Republic. Additional functions may be assigned to the Central Bank through subsequent laws, provided that they are consistent with the objectives of this Statute.
3. The Central Bank’s objectives and functions shall be established by this Law.

Article 3
(The Central Bank’s objectives)

1. The Central Bank shall exercise its powers with the aim to:
 - a. promote the stability of the financial system and protect savings, which the Republic recognises as having significant social value, through the supervision of credit, financial, and insurance activities in which authorised intermediaries are engaged.

- b. provide banking and financial services to the State and the public administration, including coordinating the management of liquidity and forms of financing.
- c. provide the financial system of the Republic with adequate support, including providing incentives and guidance.
- d. facilitate the economic and financial activity by developing and maintaining efficient and reliable payment systems for the Republic.

Article 4
(The Central Bank’s responsibilities)

1. The Central Bank shall be answerable to the Great and General Council for the attainment of its objectives.
2. Upon presenting its Annual Accounts, the Central Bank shall submit to the Great and General Council, through the Ministry of Finance and the Budget, the Annual Report containing an account of the activities in which it has been engaged in the previous year and providing information on the performance of the financial system of the Republic. The report shall be subject to due acknowledgment by the Great and General Council.

TITLE III
THE ORGANS OF THE CENTRAL BANK

Article 5
(The Bodies of the Central Bank)

1. The Central Bank consists of the following statutory bodies:
 - a. the General Meeting of

- Shareholders.
- b. the Governing Council.
 - c. the President.
 - d. the Managing Director.
 - e. the Supervision Committee.
 - f. the Board of Auditors.

SECTION I
THE GENERAL MEETING OF
SHAREHOLDERS

Article 6
(Composition of the General Meeting of
Shareholders)

1. The State shall be represented at the General Meeting of Shareholders by the Minister of Finance and the Budget and by another member of the Congress of State. In the event that the Minister of Finance and the Budget is absent or unable to attend, the Congress of State shall designate a substitute representative.
2. The other participating shareholders shall be represented by their legal representatives or individuals designated by them.
3. In voting, each shareholder shall have one vote per each share of the endowment fund they have been a holder of for at least one month prior to the general meeting.
4. With the exception of the State, each shareholder may arrange to be represented by another participant by means of a written proxy. No participant may hold more than one proxy.

Article 7
(Convocation of the General Meeting of
Shareholders)

1. The ordinary general meeting must be convened at least once a year during the

first five months of the financial year.

2. The general meeting shall also be convened, on an extraordinary basis, whenever either the President, or the Vice President, in the absence of the former, or the Governing Council, deem it necessary. It may also be convened upon duly reasoned written request from a number of shareholders representing at least thirty percent of the endowment fund. In such case, the General Meeting shall take place within thirty days from the submission of the request.
3. The convocation of ordinary and extraordinary meetings shall be made by registered notice sent to the shareholders' addresses as listed in the company books, at least eight days before the scheduled meeting.
4. The notice of meeting shall state the date, time, and venue of the meeting, and contain the list of topics on the agenda.
5. The notice of meeting may also fix the date and time for a second convocation. In the event that the date and time for the second convocation are not stated in the letter, the General Meeting shall be reconvened within thirty days from the date of the first meeting.

Article 8
(Powers of the General Meeting of
Shareholders)

1. The General Meeting,
 - a. upon reviewing the report by the Governing Council and the Board of Auditors, shall approve the Annual Accounts by 31 May, including the reports by the Governing Council and the Board of Auditors, and shall forward it to the Great and General Council through the Ministry of Finance.

- b. shall approve the Annual Report on the Central Bank's activities in the previous year and submit it to the Great and General Council, through the Ministry of Finance.
- c. shall admit new shareholders upon proposal of the Governing Council and subject to approval of the Congress of State.
- d. shall resolve on the liability action against the Governing Council and the Board of Auditors, by proposing the measures laid down by the law, whenever applicable; determine the remuneration of the shareholders the Governing Council and Board of Auditors.
- e. shall resolve on increases in the endowment fund. Modifications to the endowment fund proposed by the General Meeting shall come into force subject to the approval by the Great and General Council.
- f. shall entrust the certification of the financial statements to a company enrolled in the San Marino Register of Accountant Auditors.
- g. shall pass resolutions on any other agenda items not falling within the competence of other bodies, or the decision on which has been referred to the judgment of the General Meeting due to the significance of its subject.

Article 9

(Meeting Procedures)

- 1. For a general meeting to be valid, a quorum of at least 2/3 of the participants in the endowment fund is required at first call. The quorum required at second call is the absolute majority of participants in the endowment fund.
- 2. The General Meeting shall pass

resolutions by a majority of the shareholders representing at least two thirds of the endowment fund in the first two votes, and by an absolute majority in subsequent sessions.

- 3. The President of the Governing Council shall chair both ordinary and extraordinary general meetings.

SECTION II

THE GOVERNING COUNCIL

Article 10

(Composition of the Governing Council)

- 1. The Governing Council shall consist of the President and five members nominated by the Great and General Council, chosen from among individuals with financial and/or legal expertise and significant experience in managing and monitoring the financial system. The majority of the members of the Governing Council must be San Marino citizens or residents.
- 2. The members of the Governing Council shall serve a term of five years and are eligible for reappointment for one further term. In the event that one or more members resign before the expiry of the term of office, quorum requirements for the constitution of meetings and for votes within the Governing Council shall be determined based on the members still in office. The Governing Council cannot validly convene or pass resolutions if the number of members in office is less than three.
- 3. The Governing Council shall appoint the Vice President from among its members. It shall also appoint a Secretary chosen from among the senior officers and officers of the Central Bank. In the event that the Secretary is absent or unable to attend, the youngest member shall replace them.

4. The Managing Director shall attend the meetings of the Governing Council without the right to vote.

Article 11

(Convocation of the Governing Council and meeting procedures)

1. The meetings of the Governing Council shall be convened by the President or Vice President, by a notice setting out the agenda, to be sent to the members' address at least five days before the meeting.
2. In urgent circumstances, notice of the meeting may be given regardless of the period of notice set out in the paragraph above, provided that at least one day's notice is given.
3. The Governing Council may however validly convene and pass resolutions on items not included in the agenda or when the convocation formalities have not been met, provided that all of those entitled are present, including the Auditors and Managing Director, and they agree unanimously on the agenda items to be discussed.
4. The Governing Council shall meet whenever the President deems it appropriate, or upon request of at least three of its members, stating the items to be submitted to the Council. In any case, meetings shall be held no less than twelve times a year and with no more than 45 days between consecutive notices.
5. For meetings to be valid, the President and the majority of the Governing Council including the Vice President must be present. In the event that the President is absent or unable to attend, they can be replaced by the Vice President.
6. Resolutions shall be passed by an absolute majority of those present. In urgent circumstances, resolutions may also be passed by handwritten indication of votes

on the document containing the proposed resolution. The Governing Council meetings may also be held by videoconference or teleconference provided that:

- a) the role of secretary to the meeting is performed by a notary.
 - b) the President and the recording secretary are located in the Republic of San Marino.
 - c) each participant is able to identify the other participants and take part in the discussion in real time.
 - d) each participant is allowed to view, receive, and transmit documentation relating to the meeting.
7. In case of a tie in open voting, either the President's vote, or the Vice President's vote, should the former be absent, shall prevail. In secret voting, the proposal shall be deemed rejected.
 8. The minutes of the Governing Council's meetings shall be signed by either the President, or the Vice President, should the former be absent, and by the Secretary.
 9. The Secretary may issue copies and extracts from the minutes which, when countersigned by the President, shall serve as evidence in legal proceedings, as well as before any judicial and administrative authority and vis-à-vis third parties.

Article 12

(Powers of the Governing Council)

The Governing Council shall be in charge of the direction and management of the Central Bank.

The Governing Council shall:

- a. propose the admission of new Shareholders to the General Meeting of Shareholders.
- b. draw up the Annual Accounts and submit

- it to the General Meeting together with its own report.
- c. propose modifications to the endowment fund to the General Meeting.
 - d. resolve on the acquisition, modification, and disposal of holdings, including those acquired to safeguard the Central Bank's credit claims.
 - e. designate the representatives of the Central Bank in the Boards of Directors, Auditors' Boards, and the organs of entities or enterprises in which holdings are taken.
 - f. appoint the Managing Director, subject to the approval of the Great and General Council.
 - g. nominate the Supervision Committee Inspectors, upon proposal of the Managing Director.
 - h. nominate the Vice Director, senior officers, and officers, and decide on staff recruitment.
 - i. determine the remuneration and allowances of the members of the Supervision Committee and other contractual conditions for external inspectors.
 - j. submit to the General Meeting for consideration as many resolutions as it may deem appropriate.
 - k. pass resolutions on any other matter deemed to be beneficial to the interests of the Central Bank.
 3. Without prejudice to the provisions set out in paragraph 3 of article 30, the Governing Council shall be responsible for matters of regulatory supervision. The Supervision Committee shall regularly report to the Governing Council on its work and supervision initiatives.
 4. The Governing Council, with the exception of the powers reserved to it under paragraph 2 above, may delegate part of its powers to one or more of its

members, the Managing Director, the Vice Director, or other Bank staff. It may also establish the procedures for the delegates to follow when bringing their decisions to the attention of the Council.

5. The Governing Council shall also lay down the criteria for the exercise of the power to sign and may confer special powers of attorney for the execution of specific acts or negotiations to the Central Bank's senior officers, officers, staff, or other third parties.

SECTION III **THE PRESIDENT**

Article 13 *(President)*

1. The President shall hold legal representation of the Central Bank.
2. The President shall be appointed by the Great and General Council. They shall serve a five-year term and be eligible for one re-election only.
3. The President shall convene and chair the Governing Council and the General Meeting of Shareholders.
4. In urgent matters, the President shall be empowered to pass resolutions, bring legal and administrative actions, and defend actions brought against the Central Bank, by appointing counsels and attorneys ad litem.
5. By availing themselves of the power conferred on them by the previous paragraph, the President shall hold sufficient legal proof of urgency before third parties. The President shall inform the Governing Council that they have availed themselves of the abovementioned power at the earliest feasible meeting.
6. In the President's absence, their functions shall be performed by the Vice President. In dealing with third parties, the Vice

President's signature shall constitute legal proof of the President's absence or impediment.

SECTION IV
THE MANAGING DIRECTOR

Article 14
(Managing Director)

1. The Managing Director shall be appointed by the Governing Council, subject to the approval of the Great and General Council.
2. The Managing Director's term of office shall be six years and it is renewable.
3. The Managing Director shall chair the Supervision Committee, attend the meetings of the General Meeting of Shareholders, and the meetings of the Governing Council with advisory and proposal powers, but no voting rights.
4. The Managing Director shall be head of staff, as well as coordinate and supervise the work to be carried out. Among other duties, the Managing Director shall:
 - a. arrange for the implementation of the Governing Council's resolutions and the urgent measures adopted by the President. The Director shall also arrange the implementation of the resolutions passed by the Supervision Committee.
 - b. formulate proposals to protect the interests of the Central Bank.
 - c. issue binding orders and instructions for all staff, including orders and instructions on the structure of the organisation chart and the allocation of posts and duties.
 - d. sign documents relating to ordinary administration, countersign statements, annual reports and

accounts, sign documents of any other nature concerning the functions of the Central Bank, and adopt any other measures that may be required for the conduct and due performance of the Central Bank's functions and services.

- e. propose measures to the Governing Council pertaining to the staff, under the responsibility of the Governing Council.
5. In the event that the Managing Director is absent or unable to perform their functions, those functions shall be performed by the Vice Director, including the Supervision functions. In the dealings with third parties, the Vice Director's signature shall in itself constitute legal proof of the President's absence or impediment.
6. The Managing Director may be removed from office by resolution of the Governing Council passed by affirmative unanimous vote of those present.

SECTION V
SUPERVISION COMMITTEE

Article 15
(The Supervision Committee)

1. The Supervision Committee shall consist of the Managing Director, who chairs the Committee, and the Central Bank's inspectors. The inspectors shall be appointed by the Governing Council, upon the proposal of the Managing Director.
2. The Supervision Committee shall manage the supervisory powers over the San Marino banking, financial and insurance system, more specifically the supervision of inspections, reporting, regulations, and the protection of investors.
3. There may be no fewer than two inspectors. Inspectors may be either internal members of the Central Bank staff

or external consultants.

4. External inspectors shall be selected among individuals of unquestionable integrity who have gained several years of experience in the supervision of the banking, financial, or insurance sector.
5. Both internal and external inspectors must not have interests that may conflict with their supervision duties.
6. Each inspector's term of office shall be three years and may be renewed.
7. The Governing Council may remove from office one or more members of the Supervision Committee before the expiry date if they either fall short of the requirements stated in paragraph 5, or are unable to carry out their duties.
8. The Supervision Committee shall meet whenever the Managing Director deems it appropriate, or upon the request of at least two inspectors. Decisions shall be reached by an absolute majority of those present in the meeting. In case of a tie, the vote of the Managing Director shall prevail.

SECTION VI
THE BOARD OF AUDITORS

Article 16
(Board of Auditors)

1. The Board of Auditors shall consist of a Chairman and two statutory auditors. The Chairman shall be appointed by the Great and General Council, while the two statutory members shall be nominated by the minority members and by the General Meeting.
2. The Board of Auditors shall attend the meetings of the Governing Council.
3. The Board of Auditors shall exercise control over management, accounting and compliance with the Central Bank's regulations and legal provisions. It shall vouch for the veracity of the financial

statements, ensure that the valuation criteria for entries in the accounts comply with rigorous accounting principles, and present its own report to the Meeting upon discussing the Annual Accounts.

4. The Board of Auditors shall be entitled to inspect the Bank's books and request information, as long as it is relevant to the performance of its duties. Exception is made for confidential matters pertaining to the Bank's supervisory functions.
5. The Statutory Auditors must be enrolled in the Register of Accountant Auditors regulated by Law no. 146 of 27 October 2004 and shall remain in office for three financial years. Their appointment may be confirmed for one additional term.

SECTION VII
INCOMPATIBILITY AND SUBSEQUENT PROHIBITIONS

Article 17
(Incompatibility and conflict of interest)

1. The position of a member of the Governing Council, Managing Director or Inspector of the Central Bank shall be incompatible with the following statuses:
 - a. member of the Great and General Council and the Congress of State.
 - b. judge.
 - c. director, manager, auditor, officer, or employee of banks or credit, financial or insurance entities in the territory of the Republic of San Marino or in other countries.
2. The position of Statutory Auditor of the Central Bank shall be incompatible with the following statuses:
 - a. member of the Great and General Council and the Congress of State.
 - b. judge.

- c. director, manager, officer or employee of banks or credit, financial or insurance entities in the territory of the Republic of San Marino.
3. Individuals falling under any of the ineligibility conditions set out in Law no. 47 of 23 February 2006 and subsequent amendments, may not be elected as members of the Governing Council, Managing Directors, Statutory Auditors or Inspectors. If elected, they shall be removed from office.
4. The members of the Governing Council, the Managing Director, and the Inspectors of the Central Bank may not own holdings in entities supervised by the Central Bank.
5. Individuals who perform professional activities that might directly interfere with their independence and are not able to offer sufficient guarantees that they carry out their functions freely and independently, in compliance with the laws of the Republic and in its sole interest, may not hold the position of a member of the Governing Council, Managing Director, Auditor, or Inspector of the Central Bank.
6. Members of the Governing Council and the Board of Auditors may be removed from office by the Great and General Council if they no longer meet the conditions laid down in the previous paragraphs of this article, or they are no longer able to perform their duties.
7. Any member of the Governing Council found to have conflicting interests around the subject of a resolution shall be required to abstain from voting on such resolution.
8. Abstention of the member of the Governing Council from voting shall be ordered by the President upon request from the other members of the Council.
9. If the conflict of interest involves the

President, the Vice President shall decide on the President's abstention from voting upon request of a majority of the members present at the meeting.

Article 18

(Subsequent prohibitions)

1. During the twelve months following the expiry of their office or the tendering of their resignation, the Inspectors and the Managing Director may not hold positions as directors, nor engage in any duties as an employee or a consultant to parties that are supervised by the Central Bank.

TITLE IV

THE CENTRAL BANK'S FINANCIAL RESOURCES AND OPERATIONS

Article 19

(Composition of the equity)

1. The equity of the Central Bank shall consist of its endowment fund, the ordinary reserve, any extraordinary reserve, and any other un earmarked fund.

Article 20

(Endowment fund, shareholders, and holdings)

1. The Central Bank's endowment fund is set at € 12,911,425 and split into indivisible nominative shareholdings of € 5,164.57 each.
2. Ownership of the shareholdings shall be reserved to the State as a majority holder, and, to a lesser percentage, to San Marino companies engaged in credit, financial, or insurance business.
3. Participants in the Central Bank's endowment fund are granted the status of shareholders of the Central Bank.
4. The endowment fund may be increased or

reduced by a resolution of the General Meeting of Shareholders.

5. Decisions to increase or reduce the endowment fund shall be voted for by a majority representing two thirds of the fund in the first two votes and an absolute majority in subsequent votes.
6. The Central Bank shareholders' liability shall be limited to their shareholdings.
7. Shareholders shall have the right of option to issue new securities in proportion to those they already hold.
8. In the event that shareholders do not exercise their right of option, the new securities shall be temporarily acquired by the Central Bank and be available to the Governing Council, until further allocated.
9. The assignment of shareholdings shall be subject to approval of the General Meeting of Shareholders.
10. Share ownership shall be forfeited by withdrawal or any duly reasoned exclusion measure resolved by the Governing Council and ratified by the Congress of State.

Article 21

(Charges levied from supervised parties)

1. The Central Bank shall fund its operations out of the contributions made by the supervised parties, inter alia.
2. The contributions made by the supervised parties shall be laid down by a specific decree proposed by the Central Bank, based on the principles of objectivity and fairness. They shall also be proportionate to the development and growth of the supervised parties.
3. The amount of contributions may be determined so as to cover the whole of the costs, both direct and indirect, incurred by the Central Bank in the sole performance of its supervision functions. The amount shall be evidenced by an annual report that

the Central Bank is required to present to the Minister of Finance and the Budget and to the supervised parties.

Article 22

(Remuneration for the functions performed by the Central Bank for the State)

1. The Central Bank shall fund its operations out of fees granted by the State, public institutions, and autonomous authorities, inter alia, for the functions performed and services rendered.
2. Unless otherwise specified, the functions performed and the services rendered by the Central Bank to the State, public institutions, and autonomous authorities shall be remunerated with due regard to the costs incurred by the Central Bank.
3. The terms, conditions, and remuneration for the treasury and tax collection functions, the function of depository of financial resources, and any other service that the Central Bank may render to the State, public institutions and autonomous authorities, shall be established by ad hoc three-year agreements between the Central Bank and the Congress of State through the Minister of Finance and the Budget.
4. Should the Central Bank be entrusted with additional functions that entail an increase in activities, the fees stipulated in the aforementioned agreement shall be reviewed and adjusted accordingly.

Article 23

(Annual Accounts, profits, reserves)

1. The financial year shall begin on 1 January and close on 31 December each year.
2. The Annual Accounts, including the reports by the Governing Council and the Board of Auditors, shall be filed at the

headquarters of the Central Bank within the timeframes laid down by the current regulations on capital companies, and at least twenty days prior to the general meeting for its approval.

3. The Central Bank's Annual Accounts shall be certified by an auditing firm chosen by the General Meeting. The mandate for the auditing of the Annual Accounts may not exceed five years.
4. The General Meeting shall determine the distribution of the profits for the year and allocate at least 40 per cent of the profits to the ordinary reserves and at least 25 per cent to the bodies participating in the capital. Any residual balance shall be allocated to the extraordinary reserves and the establishment or supplementation of miscellaneous funds contributing to the Central Bank's equity.
5. The potential losses of the Central Bank shall be covered by resorting to reserves. In the event of insufficient funds, the loss shall be replenished within the following year with resources from the shareholders in proportion to their shares in the endowment fund.

Article 24

(Central Bank's tax status)

2. The Central Bank's profits shall be exempted from the general income tax and, if distributed, shall contribute to the tax base for the recipients.

Article 25

(The Central Bank's operations)

1. The Central Bank shall manage its own financial resources independently and according to the principles of prudence and good administration.
3. For its financial operations, the Central

Bank may engage in transactions and maintain relationships with both domestic and foreign credit institutions, international financial organizations, central banks, supervisory authorities, and similar foreign authorities. Within the scope of its functions, in addition to utilising its own equity funds, the Central Bank may conduct any financial provisioning operation, including through the issuance of bonds, and, more generally, any financial instrument.

4. Any issuance of its own bonds not determined by the law must be authorized by the General Meeting and communicated to the Great and General Council.
5. Bonds issued by the Central Bank may be classified as compulsory reserve.
6. The Central Bank may also engage in any necessary actions for the conduct of its own business and the attainment of its objectives, in compliance with current regulations. Actions may include:
 - a. conduct operations on financial instruments, gold and precious metals, foreign currencies, and derivative instruments.
 - b. acquire holdings in organisms, entities, and companies whose activities contribute and relate to the Central Bank's institutional objectives.
 - c. grant loans or mortgages to the State or public entities and autonomous companies.
 - d. purchase and sell real property and carry out all related management activities for the Central Bank's functional needs, as well as acting as the transferee of movable and immovable assets to partially or totally satisfy its creditor rights.
 - e. receive escrow deposits for safekeeping, security deposits, or

deposits otherwise placed as collateral.

f. open current accounts in foreign currencies and securities deposit accounts.

g. enter into contracts with the aim of reducing and managing financial risks arising from fluctuations in interest rates and exchange rates, or arising from other economic and financial factors that may affect the Central Bank's institutional activities.

7. With the exception of its employees and members of the governing bodies, or other exceptions that are necessary to achieving its institutional aims, the Central Bank may not engage in banking relationships, either active or passive, nor conclude banking operations with private individuals or entities.

TITLE V **THE CENTRAL BANK'S ORGANISATION AND STAFF**

Article 26 *(Administrative organisation)*

1. The Central Bank shall enjoy full organisational, managerial, contractual, and accounting autonomy in due compliance with the provisions of the law.
2. The Central Bank shall establish, through internal regulations, the organization of its administrative structure, taking into account budgetary constraints and based on criteria of efficiency, effectiveness, and cost-effectiveness. Without prejudice to the provisions of paragraphs 1 and 2, and paragraph 4 below, the organisation of the Central Bank shall include at least the following departments:
 - a. Supervision Department.
 - b. Treasury Department.

c. Tax Collection Department.

d. Payment System Department.

4. In defining the internal organisation of its administrative structure, the Central Bank must at all time ensure that the Supervision Department enjoys the necessary autonomy, while still meeting the coordination requirements.

Article 27 *(Regulation of activities)*

1. The activities of the Central Bank shall be regulated by this Law, the internal regulations laid down by the Board of Directors, and the internal provisions issued by the Managing Director.

Article 28 *(Legal protection)*

1. The members of the Governing Council, the inspectors, the Directorate, and other staff of the Central Bank shall not be held liable for actions or omissions carried out in the exercise of the powers and functions of the Central Bank, or in compliance with the obligations and duties established in this Law, provided that said actions or omissions are carried out in good faith, that is, free of wilful misconduct or gross negligence. Civil actions for damages shall be brought against the Central Bank, which is bound to provide legal protection to the aforementioned individuals in any civil, criminal, or administrative proceedings. The Central Banks has the right to pursue remedies against them, in the event of a final judgement establishing wilful misconduct or gross negligence. This paragraph shall also apply to the staff of the Financial Intelligence Agency.
2. Special administrators and members of the Supervision Committee appointed by the Central Bank pursuant to Articles 79, 84,

and 86 of Law no. 165 of 17 November 2005 and subsequent amendments, may be subject to civil liability action for damages caused while performing their duties, subject to the authorisation of the Supervision Committee.

3. Against the reasoned denial of authorisation to bring the aforementioned civil liability action, judicial appeal may be lodged before the Administrative Court for the reasons of legality and merit, in accordance with in the provisions of Title II of Law no. 68 of 28 June 1989, without prejudice to the possibility for the judge to derogate, in the context of such appeal, from the provisions of Article 18, paragraph 4, of the same law. In the event that the appeal is definitively upheld, the injured party shall be entitled to bring an action for damages against the Central Bank under paragraph 1 above.

Article 29
(Official secrecy)

1. The members of all bodies of the Central Bank, consultants, and all staff must observe the strictest secrecy regarding all matters related to the activities of the Central Bank and its relations with third parties. All news, information, and data held by the Central Bank in relation to its supervisory activity over intermediaries shall be covered by official secrecy. Staff is bound to official secrecy even after leaving a position or employment at the Central Bank.
2. Similarly, all those who, in any capacity or relationship with the Central Bank, acquire information about the Central Bank, its activities or the data owned or under its control, whether intentionally or unintentionally, shall be bound to secrecy.
3. Official secrecy may not be invoked against the judicial authority when the

information requested is necessary for investigations into criminally punishable violations. Similarly, it may not be invoked against the Financial Intelligence Agency in the exercise of its functions related to the prevention and combating of money laundering and terrorism financing.

TITLE VI
FUNCTIONS OF THE CENTRAL BANK

SECTION I
GENERAL

Article 30
(Powers of the Central Bank)

1. In order to achieve the objectives and carry out the functions assigned to it by this Law, the Central Bank may adopt measures, including regulations, orders, circulars, standard letters, recommendations, and instructions through its bodies, each of them operating within its respective areas of competence. These measures shall not only have a binding effect on the supervised entities, but also serve to explain and interpret the tasks assigned to the Central Bank by the Law.
2. The Central Bank shall make the acts referred to in paragraph 1 publicly available, using the most appropriate means, provided that they have public relevance and a general purpose.
3. The supervisory acts of the Central Bank, deliberated by the Supervision Committee, shall be issued by the Managing Director.

Article 31
(Sanctions)

1. Anyone violating the provisions of this Law and the laws regulating each function assigned to the Central Bank, as well as

the implementing decrees and regulatory measures referred to in Article 30 above, shall be subject to administrative fines and criminal sanctions, where applicable.

2. A specific decree proposed by the Central Bank and approved by the Credit and Savings Committee shall identify the following:

- a) the provisions whose violation is punished.
- b) those responsible for the violations.
- c) the minimum and maximum amount of each pecuniary administrative sanction provided that the minimum amount does not fall below € 50.00 and the maximum amount does not exceed € 50,000.00, to ensure that the sanctions are adequately effective, proportionate, and dissuasive.
- d) the sanctioning procedure in each of its stages, including special regulations regarding the methods and timeframes for notification to the parties involved.

3. The Central Bank establishes the amount of each sanction based on the principle of proportionality, that is, by determining the minimum and the maximum amount, based on the seriousness of the violation and in view of the following:

- a) the duration of the violation.
- b) the dimension of the legal person and the group to which it belongs.
- c) the effects, including potential effects, of the violation on the technical, organisational, and management situation of the supervised party and the group to which it belongs, as well as possible enforcement of prohibitory measures, specific or extraordinary measures on the supervised parties.
- d) the reliability of the corporate description provided to the Central

Bank.

e) the cases in which, by a single action or omission, multiple provisions have been violated or the same provision has been violated multiple times.

f) the impact, including potential impact, on customers, other qualified stakeholders or, in general, on the stability and reputation of the national financial system.

g) any remedial action carried out by the responsible parties or their supervised entity to eliminate or lessen the consequences of the violation.

h) the degree of personal liability of the parties subject to sanctions, in relation to the available information, such as the power structure, the specific conduct carried out, and the duration of the term of office.

4. A single sanction shall be applied in case of a single action or omission, even in the event of violations of multiple provisions or multiple violations of the same provision, without prejudice to the application of the criterion of proportionality referred to in subparagraph e) of paragraph 3 above.

5. Specific actions or omissions that were not found to be violations during previous inspections by the Central Bank are not subject to sanctions, unless new documents or information referring to the aforementioned actions or omissions is acquired at a later stage. The following parties, if not at fault, shall not be subject to sanctions:

- a) the director or auditor who has identified the violation deriving from a board resolution, provided that the findings have been included in the corporate books or records and an official and timely report has been sent

to the Central Bank.

- b) the auditing firm, the external auditor or actuary who, upon identifying the violation, has duly notified such findings in the form envisaged by the law and promptly reported it to the Central Bank.
 - c) other individuals who may be subject to the sanctioning procedure in accordance with the delegated decree mentioned in paragraph 2 above, who, upon identifying the violation in the exercise of their duties, have submitted a formal and timely report to the Central Bank.
6. The sanction procedure shall:
- a) be initiated by the Central Bank within 9 months after the alleged violations are identified. Notice of such violations must be transmitted to the individuals involved, informing them about the inspection, the supervisory activity, the unmet deadline, or the documents from which the alleged violations have arisen.
 - b) subject to any possible counter-argument presented by the individuals involved within a period of 30 days that might be extended upon provision by the Central Bank – the procedure shall be concluded within 60 days since its beginning, more specifically, since the notification of the alleged violations referred to above. At the end of the sanctioning procedure, either the case may be filed, or the administrative sanction may be enforced by means of a reasoned provision containing the order for payment. In the event that the deadline to submit the counter-arguments is extended, the aforementioned timeframe of 60 days shall be extended according to the number of days of extension granted.
- 7. The administrative sanction shall be discharged in the event that the sanctioned individual pays the relevant amount to the Central Bank within 60 days of the notification of the sanction.
 - 8. The legal persons to which the sanctioned individual belongs shall as well be legally responsible for the payment of the sanction imposed under an obligation to seek reimbursement from the perpetrators.
 - 9. The right to extinguish the penalty through voluntary settlement shall be exercised by the sanctioned individual by paying an amount equivalent to half the sanction imposed.
 - 10. A judicial appeal against the sanctioning measure may be filed before the Administrative Court in the forms and terms set forth in Title II of Law no. 68 of 28 June 1989, without prejudice to the possibility for the Judge to derogate from Article 18, paragraph 4 of the same Law in the context of appeals against sanctions imposed by the Central Bank.
 - 11. The filing of a judicial appeal in accordance with the previous paragraph 10 shall suspend the sanction that, therefore, becomes effective and enforceable with the *res judicata* of the judgment rejecting the appeal.
 - 12. In the event that neither the sanctioned individual nor the legally responsible entity have paid the sanction that has become indefeasible, the Central Bank shall resort to the compulsory collection procedure under Law no. 70 of 25 May 2004 to collect the amounts. Pecuniary administrative sanctions shall be collected in accordance with the same procedure envisaged for the collection of taxes, duties, charges, sanctions, and any other revenue due to the State (*Ecc.ma Camera* in Italian), public entities, and Autonomous State-owned Corporations.

13. The Central Bank shall transfer to the State the amount collected as sanctions, net of any legal expenses incurred to defend against the appeals referred to in paragraph 10 above. Such amounts shall be allocated to a specific chapter of the State Budget, "Interventions on the Banking, Financial, and Insurance System".
14. Pecuniary administrative violations defined by this Law and by the Delegated Decree referred to in paragraph 2 shall be included in the list that the Administrative Appellate Judge proposes annually pursuant to Article 32 of Law no. 68 of 28 June 1989.

Article 32
(Publication of sanctions)

1. In the circumstances and manners deemed most appropriate, the Central Bank may publish the decision on the pecuniary sanctions and the names of those sanctioned, only in those cases where the decision is final and not subject to appeal.

SECTION II
SUPERVISORY AND INVESTOR
PROTECTION FUNCTIONS

Article 33
(Supervision and investor protection)

1. For the attainment of its objectives, the Central Bank shall be entrusted with the following functions:
- a. regulation, monitoring and supervision of intermediaries and their activities and services, as well as of financial, banking and insurance instruments.
 - b. management, regulation, and

administration of guarantee systems for the protection of depositors.

- c. custody and administration of deposits in securities and cash tied by banks to reserve requirements.
- d. granting of credit to supervised parties operating in the territory of the Republic, provided that it is adequately supported by guarantees.

Article 34
(Regulation, monitoring, and supervision of authorised intermediaries)

- 1. The regulation, monitoring, and supervision of the activities of authorised intermediaries shall include the power to request information and data, the power to examine, supervise and regulate the acts of the supervised parties, as well as to impose restrictions and sanctions on the supervised parties and their directors and senior officers.
- 2. In the performance of its regulatory, control, and supervision functions over authorised intermediaries, the Central Bank may also:
 - a. issue all necessary regulatory acts, regulations, orders, circulars, standard letter, recommendations, and instructions in order to attain its objectives.
 - b. inspect any supervised party in order to examine the state of its accounts, books, funds, documents, and any other relevant material, and access any information that the Central Bank inspectors deem necessary.
 - c. request periodic reports, as well as financial statements and any other data and documents deemed necessary for the performance of its functions.
 - d. impose pecuniary sanctions on the supervised parties.

- e. issue authorisations and provide opinions as required by the applicable laws and regulations.
- f. suspend authorisation for authorised intermediaries in the event of serious administrative irregularities, serious infringements of the laws, regulations, and statutes regulating the supervised parties' activities, serious breach of provisions issued by the Central Bank, significant capital losses, and severe and persistent illiquidity. The suspension measure must be duly justified. The Central Bank shall promptly inform the Congress of State about the suspension measures through the Committee for Credit and Savings.
- g. propose to the Congress of State, through the Committee for Credit and Savings, the revocation or dissolution of the administrative and supervisory organs of the banks and financial intermediaries, as well as the appointment of extraordinary administration bodies in accordance with the procedure specified by the banking law.

Article 35

(Notification of severe irregularities)

- 1. The Managing Director, in representation of the Supervision Committee of the Central Bank, shall confidentially transmit to the Congress of State, through the Committee for Credit and Savings, the information and data acquired in the exercise of its supervision function and concerning any severe irregularities.
- 2. The abovementioned information and data shall also be transmitted to the judicial authority in those cases specified by law. The proceedings initiated following such communication must be kept strictly

confidential.

SECTION III

CURRENCY AUTHORITY FUNCTIONS

Article 36

(Currency authority functions)

- 1. The Central Bank shall fulfil the following functions to achieve its objectives:
 - a. hold exclusive management of currency transactions, with the possibility to delegate it to other banks or branches operating in the territory, in compliance with current laws.
 - b. supervise the enforcement of currency regulations.

SECTION IV

PAYMENTS SYSTEM MANAGEMENT

Article 37

(Payment system management)

- 1. For the achievement of its objectives, the Central Bank is entrusted with the management, regulation, and supervision of the payment system of the Republic.

Article 38

(Payments system management and organisation)

- 1. The Central Bank shall ensure that the payment system operates in a safe, stable, and efficient manner. The Central Bank shall adopt all measures and procedures it deems necessary to ensure the efficiency and stability of the San Marino payment system.
- 2. The Central Bank may delegate the management of the payment system's IT

infrastructure to third parties. In that event, the delegated party shall enter into a contract with the Central Bank by means of which it undertakes to treat the acquired information with the strictest secrecy and to implement adequate security systems and procedures.

SECTION V **CONSULTANCY**

Article 39 *(Consultancy)*

1. The Central Bank shall fulfil the following functions to achieve its objectives:
 - a. provide the Great and General Council and the Congress of State with opinions on monetary, credit, finance, currency, and economic issues, through the Ministry of Finance.
 - b. identify, upon request of the Congress of State through the Ministry of Finance and the Budget, the most suitable forms of borrowing to cover any funding requirements of the State and the Public Administration.

SECTION VI **OTHER FUNCTIONS**

Article 40 *(Other functions)*

1. In order to achieve its objectives, the Central Bank shall fulfil the following functions:
 - a. collect, compile, and publish monetary, financial, credit, and currency statistics.
 - b. act as a State treasurer and tax

collector by managing the treasury and tax collection services on behalf of the State, public entities, and autonomous agencies, as regulated by Law no. 35 of 3 March 1993 and Law no. 70 of 25 May 2004, and subsequent amendments.

- c. act as a depository of the available financial assets of the State and any other public entity and autonomous authority within the Extended Public Sector of the Republic.
- d. act as a State agent for the management of public debt securities.
- e. coordinate and promote consortium activities, initiatives, and services for the benefit of the San Marino financial system.
- f. act as the competent institution, in line with its objectives and functions, vis-à-vis International Financial Organisations, foreign Central Banks, supervisory authorities, or similar foreign institutions.
- g. perform any other functions assigned to it by the laws of the Republic.

Article 41 *(Central Bank's Publications)*

1. The Central Bank may publish statistical information, reports, and studies on legal, economic, and institutional topics related to the objectives and functions assigned to it by this law.

Article 42 *(Statistics on the financial system)*

1. The Central Bank, in accordance with its autonomy, shall be entrusted with the sole

competence to process and publish statistical data on the parties and activities under its supervision.

2. The Central Bank, in accordance with the previous paragraph, shall maintain direct relationships with international and supranational authorities, bodies, and agencies, providing them with the data and information permitted by the law and its own statute.
3. In order to perform the activities referred to in this article, the Central Bank is granted the authority to operate in derogation of the provisions of Laws no. 70 and no. 71 of 23 May 1995 as further amended, within the limits of the matters and procedures specified in paragraphs 1 and 2,. For any other activity, the Bank must comply with the provisions of the aforementioned laws.

Article 43

(Code of conduct)

1. Within one year from the approval of this law, the Central Bank must draw up a code of conduct for the members of its bodies and all staff. The code shall be presented by the Governing Council and approved by the General Meeting. It must include disciplinary and pecuniary sanctions in case of violations, aiming to ensure inter alia the independence and proper functioning of the Central Bank, as well as regulate conflicts of interest.

TITLE VII

CENTRAL BANK'S RELATIONS WITH STATE INSTITUTIONAL BODIES AND FOREIGN AND INTERNATIONAL BANKING AND FINANCING BODIES

Article 44

(Central Bank's relations with the State)

1. The Central Bank may, at its own discretion, grant loans or mortgages to the State, public institutions and autonomous agencies, as well as buying, holding, and selling public securities issued or guaranteed by the Republic of San Marino.

Article 45

(Reports to the Congress of State)

1. It falls within the authority of the Central Bank to assist and inform the Congress of State, through the Ministry of Finance, on economic matters and measures which may be associated with and influence the pursuit of the Central Bank's institutional objectives.
2. The Central Bank shall be entitled to put forward resolutions and comments on draft laws and regulatory acts that directly relate to the objectives and functions assigned to the Central Bank by this law. Additionally, it has the authority to develop its own draft laws and regulatory acts on matters that fall within its sphere of competence, to be submitted to the Congress of State through the Committee for Credit and Savings.

Article 46

(Relations with the Congress of State)

1. The Central Bank, through the Committee for Credit and Savings, shall provide the Congress of State with information on the most significant facts that it may have observed or obtained in the exercise of its institutional functions.

Article 47

*(Relations with foreign and international
bodies)*

1. In line with its objectives and functions, the Central Bank shall serve as an institutional reference point for international financial institutions, foreign central banks, and supervisory authorities, or similar foreign institutions.
2. Jointly with the representatives of the Congress of State, the Central Bank shall represent the Republic of San Marino in all the international financial institutions in which the Republic takes part.
3. The Central Bank, through the Committee for Credit and Savings, shall inform the Congress about ongoing relations with international financial institutions.

CHAPTER II
COORDINATION NORMS, FINAL AND
TRANSITIONAL MEASURES

TITLE I
COORDINATION NORMS

Article 48
(Committee for Credit and Savings)

1. The Committee for Credit and Savings consists of the Minister of Finance, who shall chair it, and a minimum of two up to a maximum of four individuals appointed by the Congress of State from among its members.
2. The Committee for Credit and Savings shall guide and direct the banking, finance, and insurance supervision activities. It shall also be responsible for promoting national and international cooperation to effectively prevent and counter money laundering and terrorist financing.
3. The Managing Director of the Central Bank and a representative of the Supervisory Committee may attend the

sittings of the Committee for Credit and Savings, without the right to vote. Other representatives of the Central Bank may also be invited to attend.

4. The Committee for Credit and Savings shall hold regular meetings in order to promote national and international cooperation for effective prevention and countering of money laundering and terrorist financing.
5. The abovementioned meetings shall be attended by a magistrate appointed by the Judicial Council in regular session, the Director of the Financial Intelligence Agency, or one of their delegates, and a representative appointed by the Police Corps Commands.
6. Based on the items to be discussed, the President of the Committee, may invite representatives of professional associations, public administrations, and other parties who are legally entitled to engage in the prevention and countering of money laundering and terrorist financing.

Article 49
(Monitoring and supervision of financial activity)

1. The Central Bank shall be in charge of all the functions, powers, and prerogatives previously assigned by the law to the Supervision Division and the Banking Division of the Central Bank of the Republic of San Marino, the Inspectorate for Credit and Currencies and the San Marino Credit Institute (Istituto di Credito Sammarinese) as of the entry into force of this law.

Article 50
(Managerial Staff and Staff of the Supervision Committee)

1. In order to ensure the smooth continuity of the Central Bank's operations, the Managing Director in office as of the effective date of this law shall maintain their position within the Bank under the contractual conditions already agreed upon at the time of their appointment, until the natural expiration of their mandate.
2. In order to ensure continuity in supervision activities:
 - a. as of the effective date of this law, the Coordinator of the Supervision Department in office shall maintain the existing contractual relationship with the Central Bank until its natural expiration, in the capacity of External Inspector of the Supervision Committee.
 - b. current members of the Supervision Committee who are not bound to an indefinite-term employment contract with the Central Bank shall maintain their existing contractual relationship with the Central Bank, until its natural expiration.

TITLE II
FINAL AND TRANSITIONAL
PROVISIONS

Article 51
(Final provisions)

1. This law shall abrogate:
 - a) Law no. 34 of 9 March 1988.
 - b) Law no. 86 of 27 June 2003.
 - c) Any other provision conflicting with the present law and published prior to its entry into force.
2. Article 3 of Law no. 35 of 3 March 1993 shall be replaced as follows:
 - a) without prejudice to the provisions of article 87 of Law no. 70 of 9

November 1979, the supervision and monitoring of the proper management of the Sole Treasury service shall be assigned to the Board of Auditors of the Central Bank.

- b) within the quarter following the annual closure of the financial year, the Central Bank is required to present to the Minister of Finance and the Budget, the Public Finance Control Commission and the Boards of Auditors of the individual public institutions concerned, the annual statement of incoming and outgoing payments made on behalf of the State and Authorities in the Extended Public Sector. The statement must be accompanied by a detailed explanatory report and the compliance opinion by the Board of Auditors of the Central Bank.

Article 52
(Entry into force)

1. The present law shall enter into force on the fifteenth day following its legal publication.

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