

**REGULATION ON
THE PAPER BASED TRANSACTION SERVICE (SRD)**

year 2007 / number 04

(As amended on 24/10/2011 – Update I)

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PART I DEFINITIONS AND GENERAL PROVISIONS

Article 1 – Definitions

1. For the purposes of this Regulation:

- a) **"Central Bank"**: means the Central Bank of the Republic of San Marino;
- b) **"Participants"**: means the banks and the branches (if any) of foreign banks with offices in the Republic of San Marino that participate to the Paper Based Transactions service (SRD);
- c) **"presenting bank"**: means the bank that presents the bank cheque;
- d) **"drawee bank"**: means the bank on which the bank cheque has been drawn;
- e) **"uniform categories"**: means paper instruments of the same kind and nature;
- f) **"multilateral offsetting"**: means the offsetting of debit and credit entries between Participants related to uniform categories of interbank transactions;
- g) **"interbank account"**: account held as between the Participants;
- h) **"accounting flow"**: means the electronic flow containing the identification details of the bank cheque;
- i) **"images"**: means the electronic flow containing the digitalised image of the bank cheque;
- j) **"formal receipt"**: document issued by the creditor to certify that payment has been made by the debtor;
- k) **"Paper instrument"**: means securities, documents and correspondence;
- l) **"Rete Interbancaria Sammarinese (RIS)" o "interbank network"**: means the electronic infrastructure for the transmission of information between the operators of the payment system of San Marino;
- m) **"service of Paper Based Transactions service (SRD)" or "SRD service"**: means the service for the exchange of correspondence and documents between the Participants;
- n) **"third party"**: means any natural person or legal person other than the Participant appointed by the latter for the purposes of the SRD service.

2. In the following articles of this Regulation, the words that correspond to these definitions are in bold characters.

Article 2 – Function of the Service

1. The SRD SERVICE allows the daily exchange of the PAPER INSTRUMENTS between the banks.

Article 3 – Manager of the Service

1. The SRD SERVICE is managed by the CENTRAL BANK of the Republic of San Marino.

Article 4 – Operational aspects and economic terms

1. The operational aspects and economic terms of the SRD SERVICE are set forth by the CENTRAL BANK and disclosed in the specific "technical fact sheet".

2. The "technical fact sheet" and any subsequent amendment are subject to a specific notice to the PARTICIPANTS and are published in the Internet website of the CENTRAL BANK.

3. Amendments shall be effective after the lapse of ten calendar days from the date of the relevant notice, to be made by means of registered letter with acknowledgement of receipt.

PART II GENERAL FEATURES OF THE SRD SERVICE

Article 5 – Purposes

1. Purpose of SRD SERVICE is to make the daily exchange of the PAPER INSTRUMENTS more effective and to ensure optimal security, certainty and reliability levels.

Article 6 – PARTICIPANTS and participation procedures

1. The banks and branches of foreign banks will receive from the CENTRAL BANK a specific notice for the participation to the SRD SERVICE.

2. The CENTRAL BANK is also a PARTICIPANT of the same service.

3. The SRD SERVICE is provided through the direct use of the exchange procedures, and commits the PARTICIPANT to comply with this Regulation within the context of the relationship with the CENTRAL BANK, in its two-fold role of manager of the SRD SERVICE and PARTICIPANT, and within the context of its relationship with the other PARTICIPANTS of such service.

Article 7 – Grounds for exclusion

1. The CENTRAL BANK may exclude any PARTICIPANT from the participation to the SRD SERVICE when it:
 - a) repeatedly and unjustifiably violates the requirement to be present at the location of the paper based transactions;
 - b) is subject to an extraordinary procedure pursuant to the provisions of Part II, Title II of Law no. 165/2005;
 - c) commits a serious violation of the provisions of this Regulation;
 - d) no longer possesses the requirements necessary to qualify for the participation to the SRD SERVICE.

Article 8 – Dates and times

1. The dates and times for the activities of the SRD SERVICE are set by the CENTRAL BANK.

Article 9 – Tariffs

1. The PARTICIPANT is required to pay the tariffs set by the CENTRAL BANK for participating to the SRD SERVICE, as specified in the "technical fact sheet".

Article 10 – Changes to the corporate structure of the PARTICIPANT

1. Changes to only the name and/or legal form of a PARTICIPANT must be promptly reported to the CENTRAL BANK, so that it may update the central data registers. In the event of mergers or spin-off, on the contrary, all requirements provided for in case of new participation must be fulfilled.

Article 11 – Final provisions

1. This Regulation prevents the application of the convention dated 18 March 1986 as subsequently amended known as "Convention for the daily off-setting service between the Credit Institutions with offices in the Republic of San Marino" and abrogates any other provision of the CENTRAL BANK which is in contrast with this Regulation.

Article 12 – Sources of law

1. This Regulation is issued pursuant to articles 37 and 38 of Law no. 96 of 29 June 2005 as subsequently amended.

PART III

SPECIFIC FEATURES OF THE SRD SERVICE

Article 13 – Subject matter of the SRD SERVICE

1. Within the context of the SRD SERVICE, the cheques presented by PARTICIPANTS and drawn on other PARTICIPANTS are exchanged, as well as other PAPER INSTRUMENTS related to transactions agreed between such participants, as specified in the "technical fact sheet".

Article 14 – Location of the PAPER BASED TRANSACTION

1. The material exchange of the PAPER INSTRUMENTS is made daily at the registered office of the CENTRAL BANK, on the date and at the times specified in the "technical fact sheet".

2. The PARTICIPANT is required to take part, without delay, in all sessions, for the purpose of exchanging the PAPER INSTRUMENTS with the other PARTICIPANTS and it must not to leave prior to the conclusion of the session.

3. If, due to a force majeure event known or that could have been known by the day prior to the date of non-participation, it is not possible to ensure the presence, the PARTICIPANT must notify the CENTRAL BANK and the other PARTICIPANTS as soon as possible and in any case not later than on the business day preceding the date of the failure to participate. Only for unforeseeable or exceptional events that entail the impossibility to take part to the SRD SERVICE, the notice must be issued not later than the time provided for in the "technical fact sheet" for the date of the failure to participate. In such case, the other PARTICIPANTS may transmit the PAPER INSTRUMENTS to the absent PARTICIPANT through the means deemed more appropriate and at the same economic conditions provided for in this Regulation. The CENTRAL BANK, in case of exceptional events, may decide that the SRD SERVICE may not be performed on a particular day and immediately notify all of the PARTICIPANTS.

Article 15 – Persons responsible for the exchange of the PAPER INSTRUMENTS

1. The PARTICIPANTS may materially execute the exchanges of the PAPER INSTRUMENTS with their own staff or they may delegate a THIRD PARTY.

2. Each PARTICIPANT must notify in writing to the CENTRAL BANK the names and relevant handwritten signatures of the individuals responsible for the delivery and collection of the PAPER INSTRUMENTS; additionally, it must promptly notify the CENTRAL BANK of any termination or replacement of such individuals and, in any event, keep the Central Bank up to date about any changes. A copy of such notices is stored, at the disposal of the PARTICIPANTS, at the premises where the sessions of the SRD SERVICE must be held.

3. Each PARTICIPANT is fully liable for the actions of the THIRD PARTY appointed, so it is its responsibility to verify the existence and maintenance of the honourability requirements, in compliance with the supervisory provisions currently in force with reference to the company members of the banks.

4. The CENTRAL BANK does not accept any liability as regards to the regularity of the mandates and of their updating, nor, more in general, as regards to anything involved in the exchange of the PAPER INSTRUMENTS between the PARTICIPANTS or their delegates.

Article 16 – Procedures for the exchange of the PAPER INSTRUMENTS

1. The PAPER INSTRUMENTS are exchanged by the PARTICIPANTS according to the following procedures:

- a) the PAPER INSTRUMENTS must be grouped according to the UNIFORM CATEGORIES specified in the "technical fact sheet" and included, accompanied by the relevant summary lists, in packets to be closed in such a manner that the opening thereof would require the tearing of the wrapping;
- b) each packet must refer to one PARTICIPANT only and must be accompanied by a list with the details specified in the "technical fact sheet". This list must be signed for receipt by the PARTICIPANT that collects the packet and kept by the presenting PARTICIPANT;

c) with reference to bank cheques only, these must bear an indelible stamp with the name of the presenting PARTICIPANT, the relevant identification code of the bank, the date of the exchange and the wording "compensated" to be affixed immediately under the last endorsement, additionally, the cheques transmitted must have the upper left corner removed;

d) the presenting PARTICIPANT shall affix, on the remaining PAPER INSTRUMENTS, an indelible stamp with the details required by the CENTRAL BANK, as specified in the "technical fact sheet";

e) as regards to bank cheques only, besides the material exchange, the PARTICIPANTS must exchange them according to the electronic procedures through the exchange of ACCOUNTING FLOWS and IMAGES, through the use of the RIS, in line with the provisions of the technical fact sheet of the SAN MARINESE INTERBANK NETWORK - RIS known as "Assegni Domestici" (Domestic Cheques), approved by the CENTRAL BANK. These flows shall contain all information required for the automated processing of the credit instruments negotiated, also for the purposes of the settlement by means of MULTILATERAL OFFSETTING between PARTICIPANTS. If the exchange from one PARTICIPANT to another PARTICIPANT is incomplete, the first shall present again, on the following business day, the physical document together with the ACCOUNTING FLOW and the IMAGES. Upon closing of the SRD SERVICE, the CENTRAL BANK, subject to the prior check of the presence of the credit instruments in physical form, of the ACCOUNTING FLOW and of the IMAGES, authorises the Technical Manager of the SAN MARINESE INTERBANK NETWORK - RIS to transmit the daily electronic flows to the drawee PARTICIPANTS.

2. The PARTICIPANTS, through the participation to the SRD SERVICE, waive the FORMAL RECEIPT on the PAPER INSTRUMENTS.

3. Each PARTICIPANT is required to review the PAPER INSTRUMENTS delivered to it in order to ascertain the regularity thereof, and is also required to return any PAPER INSTRUMENTS found to be irregular.

4. The return of the irregular PAPER INSTRUMENTS, if any, must be immediately notified to the presenting PARTICIPANT with the means deemed to be most appropriate, and must occur not later than on the second business day following the day of the initial exchange.

Article 17 – Accounting settlement of the SRD SERVICE

1. The accounting settlement of the PAPER INSTRUMENTS exchanged occurs on the INTERBANK ACCOUNTS held between the PARTICIPANTS of the SRD SERVICE.

Article 18 – Exchange of unpaid bank cheques

1. As regards to unpaid cheques, notice must be given to the DRAWEE BANK by means of a specific message of the INTERBANK NETWORK or, absent such message, with an accountable letter exchanged within the SRD SERVICE, not later than on the second business day following the day when the initial exchange occurred. The aforementioned term is intended as peremptory, and failure to meet such term determines the assumption of payment, without prejudice to the right to have one's claims heard in court.

2. Not later than on the sixth business day following the day of the initial exchange, the DRAWEE BANK shall return to the PRESENTING BANK a certified copy of the notary deed of protest, charging the relevant expenses or, alternatively, it shall credit back the face value of the credit instrument, previously debited, with an appropriate message of the INTERBANK NETWORK or, absent such message, by means of an accountable letter exchanged within the SRD SERVICE.

3. The unpaid bank cheques, presented after the terms provided for in article 149 of Law no. 165/2005, are returned, non protested, to the PRESENTING BANK together with the notice provided for under paragraph 1, and within the same term.

4. The exchanges of the PAPER INSTRUMENTS referred to in paragraphs 1 and 2 are settled individually on the INTERBANK ACCOUNTS held between the PARTICIPANTS of the SRD SERVICE.

5. Any exceptional event that prevents the PARTICIPANT from participating to the SRD SERVICE or the issuance of the notices referred to in paragraphs 1 and 2, is promptly notified to the CENTRAL BANK through the means deemed more appropriate, in order to obtain an extension of the terms referred to in this article. The CENTRAL BANK, having verified the impediment caused by the event and its unpredictability, may extend the aforementioned terms for as many days as the number of days from the beginning to the conclusion of the impediment, giving notice thereof to all PARTICIPANTS.

6. Any exceptional events that prevent the CENTRAL BANK from performing the SRD SERVICE are promptly notified to the PARTICIPANTS through the means deemed most appropriate. In such cases, the terms referred to above are extended for as many days as the number of days between the beginning and the end of the impediment.

Article 19 – Entry into force

1. This Regulation shall enter into force on 1st June, 2007 and shall be effective on all PAPER INSTRUMENTS exchanged as from such date.

TECHNICAL FACT SHEET

Operational aspects and economic terms

TECHNICAL FACT SHEET

OPERATIONAL ASPECTS

The points related to the Paper Based Transactions service (SRD) (SRD) incorporated in the Regulation are specified below:

Tariffs

Article 9 – Tariffs

No tariff shall be charged to the PARTICIPANTS.

Days and times

Article 14 – Location of the PAPER BASED transaction

The exchange of the PAPER INSTRUMENTS is carried out on each and every business day as defined by the CENTRAL BANK.

The SRD SERVICE will be available from 9:00 AM to 11:00 AM. The notice of failure to participate to the SRD SERVICE, due to unforeseeable or exceptional events only, must be transmitted not later than at 9:00 AM on the day of the failure to participate.

Categories of PAPER INSTRUMENTS

Article 13 – Subject matter of the SRD SERVICE

Article 16 – Procedures for the exchange of PAPER INSTRUMENTS – paragraph 1, letter a).

1. bank cheques presented by PARTICIPANTS and drawn on other PARTICIPANTS

The list of bank cheques presented must include the date of the exchange within the SRD SERVICE, the amount and number of the individual cheques, the amount and aggregate number of the money transfer.

2. settlement of bills of exchange (bills and drafts) and/or business receivables (as regards to cash orders (Ri.Ba.) and order confirmations only) payable at other PARTICIPANTS

The list of credit instruments expired must include the date of the exchange within the SRD SERVICE, the amount and expiry date of the individual instruments, the amount and aggregate number of the instruments expired, together with the accounting entries and copies of the individual instruments expired.

3. documented transactions, also on behalf of third parties, related to miscellaneous transactions carried out between PARTICIPANTS

The list of documented transactions must include the date of the exchange within the SRD SERVICE, the amount of the individual transactions, the indication of the type of documented transaction, the aggregate amount of the documented transactions, together with the accounting entries and the documents attached, if any.

4. generic correspondence

The detailed list of the generic correspondence must include the date of the exchange within the SRD SERVICE and the number of letters/correspondence transmitted to the other PARTICIPANT. Any acknowledgement of receipt envisaged for the generic correspondence is signed by the recipient PARTICIPANT.

Indelible stamp

Article 16 – Procedures for the exchange of PAPER INSTRUMENTS – paragraph 1, letter d).

The stamp that the presenting PARTICIPANT is required to affix on the so called remaining PAPER INSTRUMENTS must include the name of the PARTICIPANT and the wording "Recapito scambiato nel servizio Scambio Recapiti Domestici in data gg/mm/aaaa" (Paper instrument exchanged within the Paper Based Transactions service (SRD) on dd/mm/yyyy).

ECONOMIC TERMS

Below is a list of the economic terms provided for the accounting settlement of the PAPER INSTRUMENTS exchanged within the SRD SERVICE:

1. presented cheques: payments
 - a) value date: equal to the date of presentation for the cheques exchanged on the following business day within the SRD SERVICE;
 - b) commissions not applied;
 - c) timing: business day following the date of presentation.

2. unpaid cheques: notice
 - a) value date: equal to the business day following the date of exchange of the notice of non-payment within the SRD SERVICE;
 - b) commissions not applied;
 - c) timing: not later than on the second business day following the date of exchange of the presented cheque within the SRD SERVICE; notice to be anticipated by fax not later than by 05:00PM.

3. notice of cheque paid, previously reported as unpaid
 - a) value date: equal to the business day following the date of exchange of the notice of payment within the SRD SERVICE;
 - b) commissions not applied;
 - c) timing: not later than on the sixth business day following the date of exchange of the presented cheque within the SRD SERVICE; notice to be anticipated by fax not later than by 05:00PM.

4. protested cheques: transmission of the certified copy of the notary deed of protest attached to the debit voucher of the expenses (option under point 3).
 - a) value date: equal to the business day following the date of exchange of the notice of protest within the SRD SERVICE;
 - b) commissions: Euro 4.34 in favour of the DRAWEE BANK;
 - c) timing: not later than on the sixth business day following the date of exchange of the presented cheque within the SRD SERVICE.

5. bills of exchange, cash orders (Ri.Ba.) and order confirmations: expiry
 - a) value date: equal to one fixed day following the expiry date;
 - b) commissions not applied;
 - c) timing: not later than on the expiry date for the bills of exchange; not later than on the second business day after the expiry date for business receivables. The notice of expiry must be anticipated by fax by 05:00 PM. Any maturity that does not fall on a business day is deemed to fall on the first following business day.

6. documented transactions
 - a) value date: as agreed between the PARTICIPANTS;
 - b) commissions: as agreed between the PARTICIPANTS;
 - c) timing: as agreed between the PARTICIPANTS.