

**REGULATION FOR THE MANAGEMENT AND
FUNCTIONING OF THE GUARANTEE FUND**

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PART I

Nature - Management - Financing and Functioning of the Fund

Title I

Nature of the Fund

Article 1 – Nature of the Fund

1. The Fund has the nature of independent assets and is managed by the Central Bank upon appointment from the legislator and the member banks. All banks included in the Register of Authorised Parties are required to participate to the Guarantee Fund.

Title II

Management of the Fund

Article 2 - Management and Control Bodies of the Fund

1. The ordinary and extraordinary powers to manage the Fund, and the powers to decide on any intervention taken by the Fund in order to protect the depositors, are the responsibility of the Supervision Committee. The Supervision Committee may delegate ordinary decisions to certain identified structures of the Central Bank.

2. In case of need and urgency, the Chairman of the Supervision Committee may take decisions concerning the activities of the Fund, provided that they must be subsequently ratified by a meeting of the Supervision Committee called for this purpose.

3. The Board of Statutory Auditors of the Central Bank, within the scope of the rights provided for by article 16 of Law no. 96 dated 29 June 2005 as subsequently amended, exercises its powers to audit the management of the Fund.

Article 3 - Duties of the Supervision Committee

1. The Supervision Committee determines the general guidelines for the activities of the Fund, decides on the interventions for the protection of the depositors, is vested with the powers necessary to admit to, and exclude from, the Fund any member banks and branches of foreign banks (if any), and on any other issue and matter related to the activities of the Fund itself.

2. Specifically, the Supervision Committee shall:

- request from the member banks the resources required to implement the interventions for the protection of the depositors;
- decide on possible sanctions against the member banks of the Fund, pursuant to Part III, Title II of this

Regulation.

3. The Central Bank, within the context of the Annual Report to the Great and General Council, reports on the activities of the Fund and, following the performance of any actions aimed at the protection of depositors, to the Committee for Credit and Savings.

4. The representation of the assets and liabilities of the Fund and of the costs and revenues for the financial year is carried out within the context of the documentation comprising the financial statements of the Central Bank, according to the model annexed to this regulation.

Title III

Funding of the Fund for the purpose of implementing the respective interventions

Article 4 - Supply of the resources by the members banks

1. The resources required to implement the interventions for the protection of the depositors are supplied by the member banks following the notice received from the Central Bank.

2. The maximum amount of the financial resources that each bank may be required to pay to the Fund may not exceed 0.50% of the aggregate amount of its protected deposits, also in the form of certificates of deposit, referred to the date of the most recent financial statements approved, except as provided for by art. 7, sub. 3 of this regulation.

3. The requirement to contribute to the implementation of the interventions does not apply to the banks in extraordinary administration and those in administrative compulsory liquidation or in voluntary liquidation, if the latter has been approved prior to the resolution of the Supervision Committee that approves the intervention of the Fund.

4. Once the amount of the intervention has been determined, the Central Bank notifies the member banks pursuant to the 1st subparagraph, of the amount payable on a pro rata basis by each bank, and automatically charges such amounts to the accounts open with it.

5. In the event that the supply of the financial resources requested by the Central Bank would pose a liquidity threat for the member bank, the Central Bank may provide a temporary extension for the payment due, which, in any case, must be carried out as soon as possible.

6. The share of the resources related to the intervention payable by the individual member banks is determined by the Central Bank based on the ratio between the amount of the protected deposits of the bank under

administrative compulsory liquidation and the sum of the maximum intervention due that each individual member bank is required to disburse.

DETERMINATION OF THE SHARE PAYABLE BY THE INDIVIDUAL BANKS

$$SQ = \min \left\{ \begin{array}{l} \alpha \times PROT_DEP \\ AM \end{array} \right.$$
$$\alpha = \frac{F}{\Sigma PROT_DEP} \quad (\text{with } 0 < \alpha \leq 1)$$

PROT_DEP: protected deposits of each member bank

SQ: individual share of each member bank;

F: actual requirements that correspond to the amount of protected deposits of the bank under administrative compulsory liquidation;

AM: Theoretical maximum amount payable by each member bank, equal to 0.50% of the protected deposits of each bank.

Title IV

Functioning of the Fund - Interventions to protect the depositors

Article 5 - Scope of application of the interventions of the Fund

1. The fund intervenes in favour of the member banks in the following cases:

- in case of administrative compulsory liquidation;
- in case of extraordinary administration, pursuant and according to the procedures provided for in the following Title V;
- in case of difficulties, although without the application of an extraordinary administration procedure, pursuant and according to the procedures provided for in the following Title V.

2. The Fund guarantees, within the limits set forth in this regulation, the depositors of the members banks, natural persons and legal entities.

3. The maximum limit of the refund is equal to an aggregate of Euro 50,000, which includes the interest accrued up to the date of initiation of the procedure for the administrative compulsory liquidation.

4. The interventions are subject to a resolution of the Supervision Committee. Therefore, not the member banks nor the depositors may exercise any claim against the Fund without the aforementioned resolution.

5. The interventions of the Fund to protect the depositors shall not hinder the claims for compensation (if any)

against the members of the bodies of the company and other managers, nor any other direct action for the protection of corporate assets.

6. The Fund protects the depositors and not the individual deposits. If one individual depositor has opened more than one deposit, he/she will be entitled to be refunded for the maximum amount referred to in sub. 3 of this article.

7. In the case of joint deposit accounts, the amount is equally divided between all of the joint account holders subject to the aforementioned maximum limit per individual depositor.

Article 6 - Exclusions from the protection granted by the Fund

1. The following are not covered by the protection of the Fund:

- a) deposits and other funds in bearer form;
- b) bonds and other debt securities resulting from securities transactions, including repurchase agreements;
- c) deposits from public administrations;
- d) interbank deposits and other debts. Interbank deposits are excluded also if opened by banks in their own name for the account of third parties;
- e) the deposits of other non-banking financial companies (such as financial companies / fiduciary companies, investment undertakings, insurance companies, Management Companies, etc.), even if opened in their own name for the account of third parties;
- f) the deposits made by UCIs;
- g) deposits originated by contracts with reference to which a final conviction has been passed pursuant to art. 199 bis (Money Laundering) of the Criminal Code of San Marino. If such sentence is not final yet, the right to a refund is suspended until the final conviction is filed;
- h) the deposits, even if made through a third party, of the members of the corporate bodies and of the Director General of the Bank, of the Banking Foundation, of the parent company of the banking group;
- i) the deposits, even if made by third parties, of the shareholders holding more than 10% of the share capital of the bank or who, in any case, also through shareholders' agreements, control such Bank;
- j) the deposits for which the depositor has obtained from the bank, on a personal basis, interest rates and conditions that contributed to the deterioration of the financial situation of such bank, based on the findings of the liquidators.

Article 7 - Reduction and postponement of the refunds

1. Should the amount of the refunds payable based on the limits considered in articles 5 and 6 exceed the aggregate amount of the financial resources that the member banks are required to pay under the provisions of art. 4, sub. 2, the Fund will pay the refunds up to the limit of Euro 50,000 per depositor, deferring the payment for a maximum of five years.

2. In the case envisaged in the preceding subparagraph, each one of the member banks is required to pay annually to the Fund the amount determined by the Central Bank, to be paid to the qualified depositors of the bank in administrative compulsory liquidation.

3. In any case, the maximum amount of resources that the member banks are required to pay into the Fund for each individual administrative compulsory liquidation may not exceed, in the five years under consideration, an amount corresponding to 0.80% of the protected deposits held on aggregate by such member banks as at the date in which the Central Bank initially determined the amount pursuant to art. 4 sub. 1.

4. The amounts that the Fund is required to pay to the depositors do not bear any interest.

5. If the maximum amount of refund, for all qualified depositors of the bank in administrative compulsory liquidation, is not reached due to insufficient resources, the depositors will be deemed to have been satisfied by the refunds received proportionally to the resources made available by the member banks during the five financial years mentioned above.

Article 8 - Interventions for the protection of the depositors within the context of transactions for the transfer of assets and liabilities

1. As an alternative to the direct refund to the qualified depositors, the Fund may act, provided this is expected to generate a reduced cost, in agreement with the liquidator, within the context of transactions for the transfer of assets and liabilities, companies, business units and individual accounts in block, in favour of one (or more) member bank (banks).

Title V

Supporting Interventions

Article 9 - Supporting Interventions within the context of the extraordinary administration

1. Should one of the banks member of the Fund be under extraordinary administration, the Fund may, upon request from the Official Receiver, subject to the prior consent of the Supervisory Committee, order some supporting interventions to supplement a more general and structured reorganisation plan and provided that there is an expected lower cost compared to the measure aimed at refunding the depositors should the administrative compulsory liquidation be carried out and the bank be placed under extraordinary administration.

2. Such supporting measures may consist of.:

- interest bearing or free loans;
- provision of guarantees, interest bearing or not, in favour of the Bank for which such interventions are intended or third parties, with or without right of recourse;

- purchase of receivables and/or other assets, to be subsequently transferred to banks and/or other authorised entities;
- any other intervention carried out with technical forms other than those referred to above and deemed appropriate by the Supervision Committee.

3. The supporting interventions referred to in this article are carried out within the limits of the initial endowment of the Fund.

Article 10 - Supporting Interventions absent any extraordinary procedures

1. Should a bank member of the Fund be struggling, the Fund may take supporting interventions in addition to a more general and structured corporate reorganisation plan by such Bank and approved by the Supervision Committee, provided that a lower cost is expected compared to the refund to the qualified depositors within the context of an administrative compulsory liquidation of the struggling bank.

2. The application for the interventions must be filed by the Board of Directors of the requesting Bank, subject to the prior approval of the Board of Statutory Auditors, and must be accompanied by the reorganisation plan referred to in the first subparagraph and by a report of the auditing company that certifies the effectiveness of such plan.

3. The supporting interventions referred to in this article are carried out within the limits of the initial endowment of the Fund.

PART II

Coordination with other disciplines

Title I

Coordination with the discipline of Extraordinary Procedures

Article 11 - Coordination with the Extraordinary Administration

1. The Official Receiver, before the final fulfilments of the procedure under article 83 of the Law no. 165/2005 as subsequently amended, sanctions the application for the intervention, subject to the prior approval of the Supervisory Committee. Such application for intervention is associated to the presentation of a structured corporate reorganisation plan, within the context of which the intervention is included.

2. The corporate reorganisation plan, based on the causes that determined the crisis of the Bank, may, inter alia, provide for:

- a significant strengthening of the asset base, also through an enlargement of the shareholders' base;
- the replacement of the corporate bodies, which, with the intervention of the Fund, must be approved by the Supervision Committee;
- requalification of the management of the company;
- organisational restructuring and strengthening of the internal control procedures;
- income rebalancing through specific measures aimed at recovering productivity and efficiency;
- preparation of plausible plans for the growth of the mediated volumes within a pre-set time frame;
- allocation to the reserves of all profits within a pre-set period;
- detailed semi-annual reports on the performance of the reorganisation plan.

3. Only after the approval of the plan, including the supporting intervention, by the Supervision Committee, the Bodies in charge of the extraordinary procedure may take care of the final fulfilments referred to in article 83 of the LISF as subsequently amended, for the returning of the bank to the ordinary management.

Article 12 - Coordination with the administrative compulsory liquidation procedure

1. The interventions of the Fund within the context of an administrative compulsory liquidation are subject to the presence of an equity shortfall and, thus:

- to the issuing of the Resolution of the Supervision Committee that provides, pursuant to article 85 of the LISF, for the administrative compulsory liquidation by virtue, inter alia, of an equity shortfall;
- or to the assessment of the shortfall by the Liquidator even after the Resolution mentioned in the preceding subsection;
- or to the declaration of insolvency by the Law Commissioner, pursuant to article 98, subparagraphs 1 and 2 of the LISF. In these cases, the condition provided for in sub. 3 of the aforementioned art. 98 of the LISF must have been satisfied.

2. Within the term referred to in sub. 1 of article 90 of the LISF, the Liquidator notifies the Supervision Committee of the list of depositors qualified for the intervention of the Guarantee Fund, the amount payable, indicating any joint accounts, and the list of persons excluded from such intervention. As regards to the deposits in a foreign currency, the Liquidator calculates the refund due taking into account the spot foreign exchange rate on the date in which the resolution for the administrative compulsory liquidation has been issued by the Supervision Committee.

3. Within the following 30 days, the Guarantee Fund may pass a resolution for a first intervention in favour of the qualified depositors to an extent equal to 20% of the maximum amount recognised by the Fund for each depositor. Such deadline may be extended by the Supervision Committee in exceptional cases.

4. The remaining refunds, up to the amounts payable by the Fund to the individual depositors, are carried out after

the filing of the debt statement, within the deadline provided for in article 90, sub. 6 of the LISF, in two further tranches per quarter, in order to maintain the overall refund within a period of one year from the initiation of the administrative compulsory liquidation, notwithstanding any extension granted in exceptional cases by the Supervision Committee.

5. The payments are executed by the Guarantee Fund to the Liquidator, who will allocate them to the relevant beneficiaries taking also into account any pending oppositions to the debt statement.

6. The Guarantee Fund takes over the rights of the depositors vis-a-vis the bank in administrative compulsory liquidation, within the limits of the repayments made and, within such limits, it will collect the partial allocations and the final allocation with a priority over the depositors who are the intended recipients of such refunds.

7. The Guarantee Fund shall return to the member banks any amount recovered within the context of the initial allocations and of the final allocation. For this purpose, the Central Bank shall credit the mutual account held with the member banks with the amounts due, which shall bear no interest.

8. If the intervention in favour of the depositors is taken within the context of a transfer of assets and liabilities to another bank (or to other banks) for the purpose of covering in whole or in part the deficit resulting from the transfer, pursuant to art. 8 of this regulation, such intervention is realised only after the determination of final amounts of the transfer, made jointly by the parties involved in the transaction. The Guarantee Fund will be entitled to receive a refund up to the amount paid in case of any extraordinary proceeds resulting from the activities for the recovery of the assets transferred or in case of liabilities lower than initially expected. Just as in the preceding subparagraph, the Central Bank will credit the mutual accounts with the amounts due to the member banks.

PART III

Publication of the accession to the Guarantee Fund by the Member Banks - Sanctions - Representation of the net worth and economic data of the Guarantee Fund

Title I

Procedure for, and limits to, the publication of the accession to the Guarantee Fund

Article 13 – Procedures

1. The member banks will publicise the accession to the Guarantee Fund within the correspondence exchanged and on their website, if any.

2. At the bottom of the letters sent by the member banks, in addition to the information on the name, registered office, share capital etc., the following wording must be included: "Bank member of the system for the protection of depositors introduced with the Legislative Decree no. 111 dated 22 July 2011".

Article 14 – Limits

1. The member banks of the Guarantee Fund may only post on their website, if any, information concerning the institutional contents of this regulation (such as subjective and objective limits to the refund of the deposits, mandatory nature of the membership, etc.).

Title II

Sanctions Regime

Article 15 – Monetary Sanctions

1. If the member banks prevent the interventions of the Guarantee Fund for the protection of the depositors in the cases provided for by this regulation, the Central Bank, in consideration of the provisions of article 100 of the LISF, may impose, within six months from the occurrence of the non fulfilment, a monetary sanction proportioned to the percentage of the contribution that the non fulfilling banks should have paid.

2. The amount so determined shall be between a minimum of 1% and a maximum of 10% of the contribution payable, based on the possible existence of previous non fulfilments.

Article 16 – Non monetary Sanctions

1. In the most serious cases of reiterated breach or if the breach by the member banks prevents the refund of the depositors within the limits provided for in this regulation, the Supervision Committee may decide the exclusion of the bank from participating to the Fund.

2. In consideration of the mandatory nature of the Guarantee Fund, the exclusion of any bank in serious breach represents a serious irregularity in the management of such bank and a major violation of the legal and regulatory provisions, pursuant to articles 78, sub. 1 letter a) of the LISF.

Title III

Representation of the net worth and economic data of the Guarantee Fund

Article 17 – Net worth and economic data

1. The procedures for the representation of the net worth and economic data are subject, to the extent applicable, to the provisions of the Regulation no. 2008-02 as subsequently amended and supplemented.

2. In a specific paragraph of the Annual Report of the Great and General Council, the Governing Council of the Central Bank presents the activities performed by the Guarantee Fund. Similarly, the Board of Statutory Auditors of the Central Bank reports on the control activities performed on the assets under management.

3. At the bottom of the forms for the presentation of the net worth and economic data of the Guarantee Fund, (see Annex) the information concerning the main asset and economic items are summarised.