

**REGULATION ON
INFORMATION SUPERVISION FOR BANKS**

2015 – 01

(Consolidated text as at 01/11/2016 - Update II)

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PART I INTRODUCTION

Title I Premise

Article I.I.1 - Legal sources

1. This Regulation falls within the range of implementing measures of Law no. 165 of 17 November 2005, provided for by the first paragraph of Article 41, and implements the reference of Art. VIII.II.3 of CBSM Regulation 2007-07.
2. The regulatory power of the Central Bank of the Republic of San Marino to request information has its legislative source also in Law no. 96 of 29 June 2005 as subsequently amended, in particular in Article 34, paragraph 1.
3. The sanctioning power of the Central Bank of the Republic of San Marino with regard to the provisions contained in this Regulation, has its legal source in Art. 31 of Law no. 96 of 29 June 2005, as implemented by Decree 76 of 30 May 2006 as subsequently amended.

Article I.I.2 – Definitions

1. For the purpose of this Regulation and in general in the rules concerning individual supervisory reports, the expressions used herein have the following meaning:
 - "**CBSM / Central Bank**": The Central Bank of the Republic of San Marino, also defined as "Supervisory Authority";
 - "**reference date**": last day of the period to which the reports refer;
 - "**LISF**": Law no. 165 of 17 November 2005 as subsequently amended;
 - "**guide for compilation**": a collection of operational rules and regulatory interpretations to be used for the compilation and submission to CBSM of reports (see part II title II of this Regulation, also called "guide for compilation");
 - "**reporting form**": an information instrument used to compile reports (see part II title II of this Regulation, also called "form");
 - "**regulatory sources of reference**": CBSM measures that, implementing the provisions of Article 41, paragraph 1 of LISF, govern, jointly with the guides for compilation, the information requirements of reporting parties;
 - "**prospectus**": part of the form composed of uniform data; the individual regulatory sources of reference and guides for compilation qualify the content of the individual prospectuses;
 - "**operational contact person/s for the report**": party/parties in charge of compiling specific reports (see part II Title I of this Regulation);
 - "**supervisory reporting manager**": person responsible for the function in charge of compiling all the reports sent to CBSM (see part II Title I of this Regulation);
 - "**supervisory reports**": see the definition given in Art. I.I.2 of Regulation 2007-07 (in this Regulation, they are also defined as "reports");

- **"sectorisation"**: grouping of specific values by economic sectors, as qualified in part II Title III of this Regulation;
 - **"reporting parties"**: parties authorised to exercise banking activities in the Republic of San Marino and under specific information requirements, established in the individual regulatory sources of reference, to be fulfilled by compiling and submitting the reports to CBSM; in this Regulation, they are also referred to as "banks";
 - **"tables"**: grouping in tabular form of items that make up, either individually or with other tables, the prospectus;
 - **"item"**: elementary information of the report, to be entered in the prospectuses by compiling the relevant reporting form; if necessary, in relation to the information requirements provided, the item is further divided into sub-items.
2. In this document, the use of the terms included in the definitions is evidenced by SMALL CAPS CHARACTERS.
3. For terms that are not listed in this glossary, please refer to the definitions listed in CBSM Regulations no. 2007-07 and no. 2008-02 and, more generally, in LISF.
4. The specific REGULATORY SOURCES OF REFERENCE and the related GUIDES FOR COMPILATION may have more detailed glossaries containing definitions useful to the individual SUPERVISORY REPORTS.

Title II

Purposes, reference framework and structure of the measure

Article I.II.1– Purposes

1. This Regulation merges into a single organic measure the general supervisory rules applicable to the REPORTS prepared and sent to CBSM by BANKS, in relation to the information requirements established by the individual REGULATORY SOURCES OF REFERENCE.

Article I.II.2 – References

1. For an illustration of the specific provisions pertaining to individual REPORTS, please refer to the related REGULATORY SOURCES OF REFERENCE and the individual GUIDES FOR COMPILATION.

Article I.II.3 – Preparation

1. The Regulation, consistently with the provisions of Article 38 paragraph 5 of LISF and the implementing Regulation no. 2006-02, was subjected to prior consultation.

Article I.II.4 – Structure

1. The Regulation is divided into four Parts, each of which is divided into Titles. Each Title is divided into Articles.

2. The Article, which represents the basic regulatory unit, has a composite numbering, e.g. formed by three different sub-numbers divided by a point: the first part indicates the Part, the second the Title, and the third the Article.

PART II
GENERAL DIRECTIONS FOR THE COMPILATION AND TRANSMISSION OF
STATISTICAL REPORTS

Title I
Parties in charge of compiling, controlling and transmitting reports

Article II.I.1 – Supervisory Reporting Manager

1. The individual REPORTING PARTIES shall designate among their staff the SUPERVISORY REPORTING MANAGER, who is responsible for compiling all the REPORTS sent to CBSM. The appointment of the SUPERVISORY REPORTING MANAGER as well as his/her possible subsequent replacement is carried out prior to a resolution of the Board of Directors, a copy of which is to be sent to the Supervisory Authority, indicating the starting date of the appointment of the new Manager.
2. The SUPERVISORY REPORTING MANAGER shall coordinate the activities of the OPERATIONAL CONTACT PERSONS for the REPORTS or of the individual Organisational Units, if these are separate, in charge of preparing the REPORTS, and check that reports are complete (in terms of full compliance with the REPORTING FORM issued by CBSM), that they have been compiled properly and that they are regularly and timely forwarded to CBSM by the OPERATIONAL CONTACT PERSONS, in relation to the individual deadlines provided for by the specific REGULATORY SOURCES OF REFERENCE.
3. In the case of general communications by CBSM to all REPORTING PARTIES, e.g. the issuance of a new REPORTING FORM, these are to be sent to the attention of the SUPERVISORY REPORTING MANAGER who is in charge of their submission to the Board of Directors, the Board of Statutory Auditors and the Head of the Executive Structure, and circulates them to the individual Organisational Units or to the appointed OPERATIONAL CONTACT PERSON/S.
4. If the Supervisory Authority requires clarifications or reporting adjustments from the REPORTING PARTY, these communications are to be sent to the SUPERVISORY REPORTING MANAGER and the CONTACT PERSON/S for the specific REPORT.
5. REPORTING PARTIES prepare the appropriate internal organisational supports (for example through mandates) aimed to ensure that the activities referred to in the previous article are completed also in periods of leave of the SUPERVISORY REPORTING MANAGER.

Article II.I.2 – Operational contact person/s for Statistical Reports

1. In relation to the internal organisation of the REPORTING PARTY, for each REPORT, one or more OPERATIONAL CONTACT PERSONS for the report can be appointed, who shall be responsible for compiling the REPORTING FORM and for its submission to CBSM within the deadlines provided for by the specific REGULATORY SOURCES OF REFERENCE.

2. The OPERATIONAL CONTACT PERSON may be the same SUPERVISORY REPORTING MANAGER, as long as there are supports designed to ensure the regular performance of the activities also during periods of leave of said person.
3. REPORTING PARTIES shall compile REPORTING FORMS indicating the SUPERVISORY REPORTING MANAGER and, for the individual REPORT, the OPERATIONAL CONTACT PERSON/S for the same.

Title II

Reporting forms and Guides for Compilation

Article II.II.1 – Reporting forms

1. In order to help the REPORTING PARTIES to correctly compile the REPORTS, REPORTING FORMS are required to comply with the individual information requirements provided by individual SOURCES OF REFERENCE are available in the reserved area of the website of the CENTRAL BANK (www.bcsm.sm).
2. REPORTING FORMS are divided into PROSPECTUSES, which encompass the ITEMS to be filled out for the compilation of the REPORT and organised into TABLES IF NEED BE.
3. Each PROSPECTUS is identified by a code and a name, also used in the REGULATORY SOURCES OF REFERENCE and in the GUIDES, to identify unambiguously the data to be compiled.
4. Any update to the REPORTING FORMS is adopted with a resolution of the Supervision Committee of the CENTRAL BANK and made available to the REPORTING PARTIES well in advance of their effective date, with reference to their relevance and to the operational impact of the changes made.

Article II.II.2 – Guides for compilation

1. The GUIDES FOR COMPILATION of REPORTS by REPORTING PARTIES are available on the reserved area of the CENTRAL BANK website (www.bcsm.sm) jointly with the related REPORTING FORMS.
2. The GUIDES illustrate the operational rules for compiling and submitting REPORTS to the CENTRAL BANK, in addition to the provisions of the REGULATORY SOURCES OF REFERENCE.
3. The GUIDES FOR COMPILATION may also contain interpretive instructions and clarifications useful to correctly apply the REGULATORY SOURCES OF REFERENCE.
4. The GUIDE FOR COMPILATION and its updates are adopted and communicated according to procedures similar to those described above for the REPORTING FORMS.

Title III

How to compile and transmit reporting forms

Article II.III.1 – Compilation frequency and procedures

1. REPORTS have different frequency and characteristics, as provided for by the REGULATORY SOURCES OF REFERENCE.
2. The REPORTING FORMS must be compiled by the REPORTING PARTIES, in accordance with the data of the corporate accounting system and information-management supports (for information of a non-accounting nature), in relation to the period to which the REPORT is referred, by observing the provisions laid down by the specific REGULATORY SOURCES OF REFERENCE, jointly with the operational instructions reported in the individual GUIDES.
3. Absolute values are to be entered in the ITEMS, and therefore negative amounts are not allowed, unless otherwise specified in the provisions in the related GUIDES.
4. The amounts in Euro must be rounded up to the unit, neglecting, for each of these, fractions that are less than 50 cents, and rounding up to the highest unit those fractions greater than or equal to 50 cents, unless otherwise specified in the GUIDES.
5. Unless otherwise stated in the specific REGULATORY SOURCE OF REFERENCE, the accounting items expressed in currencies other than the Euro are stated in Euro according to the reference spot exchange rates published by the European Central Bank on the REFERENCE DATE or, if not available, those of the previous last available date.
6. Any errors in the compilation of the REPORT, notified by the Supervisory Authority or detected independently by the REPORTING PARTY, involve the obligation for a timely reporting adjustment to be sent to CBSM, entering in the special field 'notes' - provided by the REPORTING FORM - the date of submission of the previous adjusted REPORT, the reason for the error and the indication of the amended data, together with reference of any request by CBSM.
7. If, with reference to a report or to a part thereof, there is no information to be reported to the CENTRAL BANK, the REPORTING PARTY must still fulfil its information requirement by sending the REPORTING FORM indicating the absence of information in the field 'notes'.

Article II.III.2 – Deadlines and procedures for the transmission of reports

1. The REPORTS must be transmitted by the REPORTING PARTIES to the CENTRAL BANK within the deadlines established by the specific REGULATORY SOURCES OF REFERENCE.
2. If the deadline referred to in the previous paragraph coincides with a non-business day, this deadline is not subject to postponement.
3. Reports must be forwarded to the CENTRAL BANK in their electronic version by using the procedure for transmission available in the reserved area of the CENTRAL BANK website (www.bcsm.sm).
4. The user manual on how to use the procedure for electronic transmission is made available in the reserved area of the CBSM website.

5. If the procedure for the electronic transmission of supervisory reports is not functioning properly, i.e. the REPORTING PARTIES cannot, for technical reasons, use this procedure, they must contact the Supervision Department of the CENTRAL BANK to receive instructions regarding possible alternative procedures for the transmission of the REPORTS.
6. In order to ensure that the information transmitted complies with the outcome of the corporate accounts and the information-management supports, the procedures for the preparation of reporting data must be specifically approved by the Board of Directors, jointly with the system of internal audits carried out on these procedures. The approved procedures must ensure, inter alia, the reconciliation of the reporting data with the outcome of the corporate accounts and of information-management supports; it must also ensure that it is possible to reconstruct and document the connections between corporate accounts and the information-management supports used and the data in the SUPERVISORY REPORTS.
7. REPORTING PARTIES, prior to the electronic transmission of the REPORTS, must:
 - sign and send to the CENTRAL BANK the form provided for in Annex 1 of this Regulation, which must show the approval referred to in the preceding paragraph, to be updated, each year following the first submission, at the time of the approval by the Board of Directors of the Financial Statements;
 - request the credentials (username and password) through which it is possible to access the reserved area of the website and use the electronic transmission procedure. The related form (Annex 2 of this Regulation) is signed by the Head of the executive structure (see Art. I.I.2 of Regulation no. 2007/07) of the REPORTING PARTY.
8. The return flows processed by the CENTRAL BANK containing the aggregate information on flows and main banking system variables are available in the reserved area of the CBSM website.
9. Questions concerning the REPORTS may be submitted to the CENTRAL BANK according to the procedures provided for in Art. VIII.II.5 of Regulation no. 2007-07. Questions of general interest for all the REPORTING PARTIES can be answered by an update of the specific LEGISLATIVE SOURCES OF REFERENCE, of the GUIDES and of the FORMS in relation to the topic of the question.

Article II.III.3 – Exemptions from periodic supervisory information requirements

1. REPORTING PARTIES subjected to extraordinary administration proceedings are required to compile REPORTS throughout the duration of the disciplinary measure.
2. The exemption from the compilation of REPORTS for companies cancelled from the register pursuant to Article 8, paragraph 1 of CBSM Regulation no. 2006-01 shall be valid from the date they are cancelled and concern all the REPORTS with REFERENCE DATE following the CBSM measure.
3. Due to the Supervisory Authority's need to maintain adequate information monitoring over the progress of the measure, in accordance with the provisions of paragraph 4 of Art. 99 of LISF, REPORTING PARTIES under voluntary liquidation must nevertheless transmit to CBSM:
 - a) by the month following the month of filing with the Single Court Registry a copy of the reports referred to in Article 111, paragraphs 1, 3 and 4 of Law no. 47 of 23 February 2006 as subsequently amended;

- b) by 31 January of each year, a statement of accounts referred to 31 December of each year, compiled according to the 'balance sheet' and 'profit and loss account' prospectuses for the reporting form concerning the monthly statement of accounts; such prospectuses must be compiled only with the accounting data, without reclassifications by residence or business sector.

Article II.III.4 – Reporting data: business sector and residence

1. If required to comply with the information requirements under the REGULATORY SOURCE OF REFERENCE, the indication of the main economic activity carried out by customers (SECTORISATION) and the geographical area of relevance of the party (see Art. I.I.2 of Regulation 2008-02 for the definition of "residents") in the individual REPORTS must be performed according to the procedures described in subsequent paragraphs.
2. With reference to SECTORISATION, the categories in the REPORTS are:
 - a) Government and public sector;
 - b) Banks;
 - c) Non-banking financial companies;
 - d) Non-financial companies;
 - e) Households;
 - f) Other.
3. For the purposes of the correct use of the above-mentioned categories, it should be noted that, regardless of residence and unless otherwise indicated in the specific REGULATORY SOURCES OF REFERENCE:
 - Government and public sector cover central and local governments, as well as entities of the public sector;
 - non-banking financial undertakings means the parties who perform in their capacity as businesses and for the general public, activities included in the list referred to in annex 1 (letter B and subsequent letters) of LISF, or activities equivalent to these;
 - postal administrations providing financial services are included in letter b) contained in paragraph 2;
 - households include both consumer and producer households as well as not-for-profit institutions servicing households;
 - the residual category "Other sources" is to be used for parties not covered by the previous categories;
 - the recognition of undertakings under the categories of authorised parties ("banks" or "non-banking financial undertakings") should be carried out only during the phase of actual registration of such undertakings in the Register of Authorised Parties referred to in Regulation no. 2006-01, thus the undertakings not yet entered in the register or already cancelled must be conventionally classified under the category "Non-financial companies", only for the purpose of this paragraph.

Further information details may be requested in the REGULATORY SOURCES OF REFERENCE if it is deemed necessary for supervisory purposes.

4. With reference to residence, the possible categories in the REPORTS are:
 - a) Residents – San Marino;
 - b) Non-residents – Italy;
 - c) Non-residents – Euro Area;
 - d) Non-residents – EU Area;
 - e) Non-residents – Rest of the World.
5. In relation to this, for the purpose of the correct use of the categories listed above, the following should be noted:
 - each category is mutually exclusive of other categories in the same REPORT;
 - if the ongoing customer account held by the REPORTING PARTY is in the name of a number of parties (co-ownership), the classification by sector of economic activity and by residence is to be made by considering the party whose economic importance can be considered "prevailing" over the others (e.g., for the type of business carried out, turnover, etc.).

Title IV

Semi-annual statement of compliance

Article II.IV.1 – Contents and procedures for preparation and approval

1. REPORTING PARTIES must compile and transmit to the CENTRAL BANK, signed by the Chairman of the Board of Directors, a semi-annual statement of compliance for the information transmitted to the corporate accounting data and management information.
2. The statement must contain the list of REPORTS sent during the six-month period, the reference period of the REPORT, the date and time of transmission to CBSM, the transmission number, evidence of any multiple submissions or invalidations and the control code.
3. The statement with the required pre-compiled data is available in the reserved area of the CENTRAL BANK website (www.bcsm.sm); its correctness and completeness must be checked against the corporate evidence concerning the REPORTS sent by THE REPORTING PARTY in the six-month period of reference.

Article II.IV.2 – Time-scales and procedures for compilation

1. REPORTING PARTIES shall transmit to the CENTRAL BANK, by regular mail, the semi-annual statement of compliance within 30 days from the end of the six-month period to which it refers.
2. In relation to the above provisions, however, the obligation remains for REPORTING PARTIES to print out and file, jointly with the REPORTS to which they refer, the statements of compliance individually produced by the procedure for the electronic transmission of REPORTS following each individual submission of compiled FORMS.

PART III

CONTROLS ON STATISTICAL REPORTS

Title I

Auditing company

Article III.I.1 – Sources of law

1. In implementing the provisions of Art. 33 of LISF and also taking into account the provisions of Article 68 of Law no. 47 of 23 February 2006 as subsequently amended and supplemented, and of Article VI.II.3 of Regulation no. 2007-07, auditing companies shall carry out the activities referred to in this Title with reference to the SUPERVISORY REPORTS.

Article III.I.2 – Control procedures and time-scales

1. REPORTING PARTIES must transmit to the CENTRAL BANK the reports of the auditing company certifying that the controls described below have been completed:

- a) verification that the data indicated in the REPORTS match the corporate accounting outcome;
- b) correct application of criteria for the classification and evaluation of the various accounting entries and their compliance with those set by the Supervisory Authority.

2. The checks referred to in the preceding paragraph shall be carried out by the auditing company also through sample checks of the REPORT data, analysis of trends in the identification data in order to identify any abnormal changes that require documentary review and discussion of the elements that have emerged at the time of audits with the operational structures and with the management of the REPORTING PARTIES.

3. The obligations of the auditing company for the checks described above relate to the following REPORTS:

- a) Monthly statement of accounts of banks, PROSPECTUSES referred to the end of each calendar quarter for the Balance Sheet and Profit and Loss Account (see paragraph 4, letter c., first point of Circular 2015-01), only for accounting data, without reclassifications by residence or business sector;
- b) Regulatory Capital and Risk Weighted Assets, checks on all REPORTS on a quarterly basis (Circular no. 2012-03);
- c) First-half financial statements data.

4. In particular, the minimal auditing procedures to be carried out by the auditing company only in relation to the REPORT referred to under letter a) of the preceding paragraph are:

- verification of the consistency of the REPORT data with the accounting and (if necessary) non-accounting entries of the REPORTING PARTIES;
 - discussion and updating of the main variations that have taken place in the accounting procedures and in the internal auditing system;
 - analysis by means of discussions and limited documentary checks of the correct classification of loans expired for more than 180 days;
 - analysis by means of discussions of the consistency of value adjustments on doubtful loans.
5. The minimal auditing procedures to be carried out by the auditing company only in relation to the REPORT referred to under letter b) of paragraph 3 are:
- verification, by means of discussions of the compliance of the criteria used for weighing risks, as indicated in PROSPECTUSES 3, 4 and 5, with the provisions of Regulation no. 2007-07 and the implementing circular concerning prudential supervision;
 - verification on a significant and rotational sample of transactions, indicated in PROSPECTUSES 3, 4 and 5, of the consistency with the corporate accounts and management information available;
 - sample checks of the mathematical accuracy of the weighed values indicated in PROSPECTUSES 3, 4 and 5.
6. The minimal auditing procedures to be carried out by the auditing company only in relation to the REPORT referred to under letter c) of paragraph 3 are:
- verification of the consistency of the REPORT data with the accounting and non-accounting entries of the REPORTING PARTY;
 - analysis by means of discussions of the uniform application of the accounting principles compared to those applied on the previous December 31;
 - discussion and updating of the main variations that have taken place in the accounting procedures and in the internal auditing system;
 - verification of the completeness and correctness of accruals and deferrals relating to interest income and interest paid (loans, funding, securities, correspondent banks) by obtaining details of all the accruals and deferrals and:
 - assessment that the lists of accruals and deferrals are complete by verifying, on a sample, the correlation between the data on which accruals and deferrals are calculated with the relevant financial statement items;
 - recalculation for a limited sample, of accruals and referrals;
 - verification by limited documentary checks of the correct determination of valuation capital losses/capital gains and the result of trading in securities and in derivative financial instruments;
 - analysis by means of discussions and limited documentary checks of the consistency of the value adjustments on doubtful loans and provisions for risks on loans and taxes, as well as for the proper accounting of the related uses;

- obtaining the list of holdings held by the bank with an indication for each of the percentage held. Verification of the compliance of the evaluation with the criteria provided by the legislation currently in force, and a sample check of the variations in the holdings account;
- analysis by means of discussions of the items of the REPORT, in order to identify unusual trends that require documentary review;
- comparison of the assets and liabilities statements as of 31 December and 30 June and analysis by means of discussions of the most significant deviations;
- review of corporate books and analysis of subsequent events (up to the date of the report).

7. If the half-yearly financial statements prepared for the supervisory purposes provides for profit for the financial year, the auditing company must attach to the report, the reconciliation statement between net profit as of 30 June and profit that can be capitalised of the same period for the purposes of the regulatory capital (Annex 3).

8. The auditing activities of the external auditors, recorded in the auditors' accounting book provided for in Art. 72 Law no. 47/2006, are described in a specific report to be sent in electronic format to the CENTRAL BANK by the REPORTING PARTY, using the same procedure for the transmission of REPORTS, within fifteen business days following the deadline of the REPORT to which the activities under consideration refer.

9. The above-mentioned reports shall indicate, for each REPORT to which the auditing company's statements and audits refer, references to the information flows transmitted electronically. In particular, the auditing company's report must mention, for each REPORT being audited, the number, date and control code of the transmission.

10. In the case of a new submission of the REPORTS on the part of REPORTING PARTIES, for example, as a result of reporting adjustments required by CBSM or autonomously decided by the BANK, the auditing company must check the PROSPECTUSES subjected to amendments for the parts under its responsibility and notify, in the submission to CBSM, the auditing reports relating to the same REPORT, if not yet submitted, or that concerning the subsequent REFERENCE DATE.

11. Auditing companies shall exchange with the Board of Statutory Auditors – also pursuant to Art. VII.IX.9, paragraph 1, letter e) of CBSM Regulation 2007-07, – information relevant for completing the activities under their individual responsibility including the analyses carried out on the procedures for the classification and evaluation of credits implemented by the REPORTING PARTY. Any findings emerged during the audit are promptly brought to the attention of the Board of Statutory Auditors.

12. There is no prejudice to the duties and responsibilities of audit companies in relation to the certification of financial statements, pursuant to the provisions of Art. 68 of law 47 of 23 February 2006 as subsequently amended and supplemented.

Title II **Board of Directors**

Article III.II.1 – Reporting responsibilities

1. The Board of Directors, prior to submission to CBSM, must review and approve, subject to the verification of compliance of the data with corporate accounts and management information by the SUPERVISORY REPORTING MANAGER, the REPORTS issued on a quarterly, semi-annual and annual basis. Prior examination by the board may be delegated, if the Statutes provide for that, to the Executive Committee by means of a special resolution that qualifies its delegated powers, with the required ratification by the Board of Directors issued at its next meeting. The meetings of the board and of the Executive Committee, referred to in this paragraph, also see the participation of the Board of Statutory Auditors for the completion of the audits under their responsibility on the compliance of the provisions of the Central Bank, pursuant to Art. III.III.1, paragraph 2 letter f) of CBSM Regulation no. 2007-07.
2. In the case of the monthly statement of accounts and of the periodic recording of the use of payment instruments, the provision referred to in the previous paragraph shall apply to the REPORTS referred to the end of the calendar quarters (March, June, September and December).
3. The remaining REPORTS must be brought to the attention of the directors and statutory auditors in the next Board of Directors, as well as new submissions of REPORTS that require amendments to be submitted to the auditing company.

PART IV TRANSITIONAL AND FINAL PROVISIONS

Title I Entry into force and consolidated texts

Article IV.I.1 – Entry into force

1. This Regulation shall enter into force on the date of issue, even if the provisions of Part II, Title I (Parties in charge of compiling, auditing and transmitting statistical reports) and the provisions of Part III (audits on statistical reports) are applied as from 31 March 2015, for all the SUPERVISORY REPORTS of the same REFERENCE DATE or of a subsequent date.
2. REPORTING PARTIES shall comply with provisions of Art. II.III.2, paragraphs 6 and the 7., by 31 March 2015.
3. Any provisions that are inconsistent with this Regulation and are contained in the individual REGULATORY SOURCES OF REFERENCE and in the GUIDES FOR COMPILATION shall continue to be applied until the entry into force of their updates.

Article IV.I.2 – Abrogations

1. As a result of the provisions in paragraph 1 of the previous article, as from 31 March 2015, the provisions given under the following CBSM regulatory letters:

- CBSM letter prot. no. 7627-MAF of 6 April 2005;
- CBSM letter prot. no. 7807-MAF of 10 June 2005;
- CBSM letter prot. 09/5167 of 30 July 2009;

must be understood as no longer applicable as they cover matters now governed by this Regulation.

Article IV.I.3 – Consolidated texts

1. The texts consolidated to include the amendments introduced by this Regulation, shall be made available on the website of the CENTRAL BANK of the Republic of San Marino (www.bcsm.sm).

Title II Amendments to other sources of law

Article IV.II.1 – Amendments to Regulation no. 2014-02

1. Paragraph 3 of Art. 6 is replaced as follows:

“3. If the deadline referred to in the previous paragraph coincides with a non-business day, this deadline is not subject to postponement”

2. Paragraph 1 of Art. 4 is replaced as follows:

“1. The recipients of this Regulation are the REPORTING PARTIES that on the report reference date are entered in the Register of Authorised Parties provided for in Article 11 of LISF and implementing Regulation no. 2006-01 and its subsequent amendments. REPORTING PARTIES under (compulsory or voluntary) liquidation are therefore not required to issue the reports referred to under Articles 6 and 7 hereunder, as from the date they are cancelled from the aforementioned Register; the same is true for the REPORTING PARTIES that, within the date of sending the report, have already formalised the transfer of all the funding positions subject to reporting obligations. The described exemption thus concerns only reports for which the reference date has not yet expired.”

Article IV.II.2 – Amendments to Regulations no. 2007-07 and no. 2011-03

1. In Article I.I.2, paragraph 1, of Regulations no. 2007-07 and no. 2011-03, the definition of "bad loans" is replaced as follows:

“24. "bad loans": the entire exposure of cash loans and off-balance sheet loans towards insolvent parties, even if the insolvency has not been ascertained in court, or who are in substantially comparable situations, regardless of the expected losses and any restructuring of such loans. The existence of any guarantees (collateral or personal) to protect the exposure is disregarded. Exposures to public entities in financial distress are included, as well as those resulting from lease agreements terminated due to breach of the lessee, until the new finance lease of such assets to another lessee or the sale of such assets to third parties, with the subsequent recovery of the credit within the limits of the sum collected from the sale or calculated in a new leasing agreement, regardless of the repurchase of the full possession of the asset. The entire exposure includes the interest recognised and any costs incurred for the collection activities;”

2. In Article I.I.2, paragraph 1, of Regulations no. 2007-07 and no. 2011-03, the definition of "periodic supervisory reports" is replaced by the following:

74. "supervisory reports": periodic and non-periodic collection of information prepared in compliance with the corporate accounting data and/or data in the information-management supports that, within the scope of the information supervision powers referred to in Art. 41, paragraph 1 of LISF, are transmitted to the Supervision Department.

3. Article VIII.II.3 of Regulation no. 2007-07 is replaced as follows:

“1. The general provisions concerning the fulfilment of the information requirements are qualified in Regulation 2015-01 as subsequently amended and supplemented to which they refer.

2. The content, format, compilation criteria, form, transmission procedures and deadlines for the filing of all documents to be transmitted to the CENTRAL BANK are subject to specific provisions to which reference should be made.”

4. The title of Article VIII.II.4 of Regulation no. 2007-07 is replaced as follows:

“Article VIII.II.4 – Reporting forms and guides for compilation”

5. Paragraph 1 of article VIII.II.4 of Regulation no. 2007-07 is replaced as follows:

“1. For the proper compilation and submission to CBSM of supervisory reports, the reporting forms and related guides for compilation containing the instructions on how to compile and submit statistical data, are made available, according to the procedures provided for by Regulation 2015-01, referred to in the previous article.”.

6. Paragraph 8 of article VII.IX.11 of Regulations no. 2007-07 and no. 2011-03 is replaced as follows:

“8. [Banks/ FINANCIAL COMPANIES] must at all times be in possession of a clear and precise recording of their exposure towards each CLIENT or GROUP OF CONNECTED CLIENTS, also for the purpose of promptly reviewing the credit facilities, if required. To this end, it is necessary to continuously update the information base according to the information from time to time available on the creditworthiness of debtors, which shows, in particular, the identification data of the customers, the legal and economic connections with other customers, the total exposure of the individual borrower and of the GROUP OF CONNECTED CLIENTS, the technical forms from which the exposure derives, and the updated value of the guarantees.”.

7. The following paragraphs are added to Article VII.IX.11 of Regulations no. 2007-07 and no. 2011-03:

“9. Using the information available, the [banks/FINANCIAL COMPANIES] shall constantly update the evaluation of existing loans with the consequent reallocation of exposures in the relevant loan category (NON PERFORMING LOANS or performing) in accordance with the provisions of this Regulation. [Banks/ FINANCIAL COMPANIES] must adopt all necessary organisational controls in such a way as to ensure the effective implementation of the above provisions, also through appropriate internal mandates whose application is subject to verification by the administrative body and that are capable of ensuring a timely reclassification and credit assessment as compared to the time when updates on the creditworthiness of clients become available.

10. The timely updating of the expected realisation value of loans must also be reflected in the corporate accounts and in the SUPERVISORY REPORTS to the CENTRAL BANK. Changes in loan trends and the assessments carried out are brought to the attention of the administrative body according to the procedures laid down in the previous paragraph 7.”

Article IV.II.3 – Amendments to Regulation no. 2008-02

1. Article III.II.4 is replaced as follows:

“1. Loans are evaluated at the expected realisation value. For this purpose, banks adopt metrics for assessment commensurate with the loan quality, and carry out:

- a) analytical devaluations for NON PERFORMING loans that take into account the deterioration in creditworthiness of individual debtors;*
- b) lump-sum devaluations for performing loans that take into account the qualitative deterioration of uniform groups of debtors (e.g., by economic sector to which the debtor belongs) or risk historically latent in the credit portfolio. Unsecured loans towards countries at risk for which classification among doubtful loans depends exclusively on the difficulties experienced in the debt servicing by the countries of residence of such debtors*

(country risk), are also subject to lump-sum devaluation. The amount of the lump-sum devaluations is indicated in the Explanatory Note.

2. The lump-sum devaluation method may also be used for NON PERFORMING LOANS if these are of a contained amount, as determined according to the criteria laid down in Art. III.II.5, paragraph 3.

3. The valuation criteria referred to in the previous paragraphs are applicable also to guarantees issued and to commitments that entail the assumption of credit risks.

4. The creation of reserve funds in the balance sheet liabilities is allowed provided that these funds are intended to cover for possible credit risks only. The devaluation of assets is carried out only by means of a direct adjustment lowering the value of the items to which they refer. Therefore, the registration of adjustment provisions under liabilities is not allowed.

5. The FINANCIAL INSTRUMENTS, other than FINANCIAL FIXED ASSETS, LISTED or not listed on organised markets, are valued at market value. The market value is determined, for the FINANCIAL INSTRUMENTS not listed on organised markets, on the basis of the value of similar instruments listed or not listed or, where this is not possible, on the basis of reasonable estimates.

6. The valuation criterion referred to in paragraph 5 of this article applies to FINANCIAL INSTRUMENTS, LISTED and not listed on organised markets, representing OFF-BALANCE SHEET TRANSACTIONS, provided that such assets are not FINANCIAL FIXED ASSETS.

7. As regards to the assets other than those mentioned in the previous paragraphs and that are not fixed assets, the provisions contained in this articles are applicable based on their compatibility.

8. The devaluations carried out under this article may no longer be maintained if the circumstances giving rise to them cease to exist."

2. Article III.II.5 is renamed "Analytical and lump-sum devaluations" and replaced as follows:

"1. The analytical devaluations referred to in Art. III.II.4 paragraph 1 of this Regulation are made by considering the ability of individual debtors to perform debt servicing and regularly fulfil the obligations taken. For this purpose, it is necessary for the bank to be able to detect early signs of weakness in the economic and financial position of the borrowing parties, in order to determine a new expected realisation value, identified also by taking into account the degree of coverage provided by any (personal and/or collateral) guarantees that secure the loan.

2. Banks shall constantly update the information available on the creditworthiness of their customers (taking account of any legal or non-legal actions undertaken by the bank to recover the credit), carrying out the consequent reclassifications of credit lines, if the conditions provided for by the regulation have been met, in the portfolios concerning the relevant doubtful loans. Any value adjustments (writedowns) are determined, based on the prudent assessment of the administrative bodies, also by virtue of the "effectiveness" and "regularity" of the guarantees acquired and the current value of the assets pledged as guarantees.

3. Banks can make lump-sum adjustments also on NON PERFORMING LOANS, as an alternative to analytical devaluation, provided that these are made on positions of a contained amount. The amount to be considered "contained" must be referred both to the individual loan and to the amount of doubtful loans subject to lump-sum devaluation. For this purpose, the NON PERFORMING LOANS for which the following thresholds of significance are met, shall be considered of a "contained amount":

- value of the individual gross exposure not exceeding 0.5% of the regulatory capital;
- total value of the gross exposures subject to lump-sum devaluation not exceeding 5% of the regulatory capital.

The value of NON PERFORMING LOANS to be considered for the calculation of the above-mentioned incidence rates is gross of any analytical and lump-sum devaluation made to loans.

4. For performing loans, lump-sum devaluations are carried out by determining their adjustments based on the uniform category of loans (e.g. same economic sector, geographical location, size class, etc.).

5. For (cash and off balance sheet) loans not guaranteed towards debtors residing in zone B countries, lump-sum devaluations are made by country risk. Exposures are not subject to lump-sum devaluation if they are secured by collateral or personal guarantees by parties who are resident in ZONE A COUNTRIES and these guarantees are directed explicitly to neutralise the country risk.

6. Unsecured loans to borrowers residing in ZONE B COUNTRIES may be subject to lump-sum devaluations if economic, financial or political factors cause problems in the repayment of loans, regardless of the solvency status of individual debtors. The rating of the country risk takes into account the performance on sovereign debt-servicing (moratoria, debt restructuring agreements, etc.), the increase in spreads paid on national debt certificates, and the deterioration in credit ratings assigned under the "investment grade" level.

7. Lump-sum value adjustments are made on the basis of all the information evidence available to rate the risk level of the uniform category of loans considered, and its foreseeable development. In determining these adjustments, San Marino banks shall take into account possible analytical devaluations already made in relation to the individual positions.

8. To determine the lump-sum adjustments, statistical indicators can be used to rate the degree of unrecoverability considered statistically "normal" associated with classes in the credit portfolio classes considered uniform in terms of quality, debtor type (business sector, size-class, etc.) or transaction type (duration, guarantee, rates, etc.). In the absence of adequate time series data capable of ensuring statistical robustness, the lump-sum devaluation is entrusted to the prudent assessment of the administrative bodies.

9. Consistently with Art. VII.IX.11, paragraph 7, of Regulation 2007-07, the methodologies used for lump-sum evaluations must be adequately formalised and approved by the Board of Directors of the reporting banks. Any changes made over time to the above-mentioned methodologies must be previously documented, justified and subjected to evaluations of the board.

10. When reducing the value, due to the lump-sum devaluations related to loans acquired at a value lower than the nominal value, San Marino banks take into account the discount obtained in the purchase of such loans.

11. *Any commercial credit whose capital and/or interest remain unpaid for at least 3 months contribute to the determination of the aggregate of unsecured loans for their full nominal value."*

3. In Article IV.I.3, the following paragraph 3 was added:

"3. The item "loans to banks on demand" –covers the credit accounting balances recorded on inter-banks accounts opened for services rendered."

4. Paragraph 2 of article IV.I.5 was amended as follows:

"2. In accordance with the principle of prevalence of substance over form, the possible purchase of own bonds cannot find allocation in the bank's own portfolio and the related value must be directly decreased by the bonds entered under balance sheet liabilities, with consequent changes also in the related entries in the explanatory note's table."

5. Paragraph 3 of article IV.I.8 was amended as follows:

"3. The item intangible fixed assets also include the cost for the intangible assets under financial leasing agreements. For the latter, no specific consent from the Board of Statutory Auditors is required. The leasing agreement category also includes assets pending first leasing (purchased by the bank against a leasing agreement already signed with the customers) and the assets held against terminated contracts, whose amount is detailed in a special sub-item to distinguish the component attributable to instances of termination for breach of the lessee."

6. Paragraph 3 of article IV.I.9 was amended as follows:

"3. The item tangible fixed assets also include the cost for the assets under financial leasing agreements. The category of leasing agreements also includes assets pending leasing (purchased by the bank with a leasing agreement already signed with the client) and the assets held with terminated contracts, whose amount is detailed in a specific sub-item to distinguish the component attributable to instances of termination for breach of the lessee."

7. Amendments to Articles IV.I.3 - Inter-bank loans (item no. 20) And IV.I.4 - Customer loans (item no. 30)

In the Articles IV.I.3 and IV.I.4, the definition "Bonds and other fixed income securities" is replaced with the definition of "Bonds and other debt financial instruments".

8. Article IV.I.13 is replaced as follows:

“1. Accrued revenues and deferred expenses are posted separately in the balance sheet, in specific sub-items amongst the asset accounts. The banks shall adjust directly, by either increasing or decreasing, the asset and liability accounts to which accrued revenues and deferred expenses refer, in the following cases:

- a) within the asset accounts, with reference to the interest accrued on loans and securities;*
- b) within the liability accounts, with reference to interest accrued on debits, whether represented by securities or not, which include "advanced" interest, including any issue discount on bonds and certificates of deposit.*

2. In any case, significant adjustments are detailed in the explanatory notes.

3. Accrued revenues and deferred expenses concerning the spreads or margins deriving from DERIVATIVE CONTRACTS covering the interest rate risk of interest-bearing assets and liabilities are calculated as an increase or decrease in the aforementioned assets and liabilities.”.

9. In Article IV.II.1, the following paragraph 3 was added:

“3. The item "Loans to banks on demand" –covers the debit accounting balances recorded on inter-banks accounts opened for services rendered.”.

10. In Article IV.II.3, the following paragraph 3 was added:

“3. Debts represented by securities are exposed net of debt securities issued by the Bank itself, and repurchased”.

11. In Article IV.IV.9, paragraph 1 is amended as follows:

“1. This item is comprised of VALUE ADJUSTMENTS made on credits with reference to recognised losses on credits following some analytical valuations carried out during the reference period and to the losses on credits calculated on a lump sum basis during the reference period for both non-performing loans and performing loans. This item also includes the value adjustments made on (explicit and implicit) loans for financial leasing.”.

12. In Article IV.V.5, the following paragraphs 4 and 5 were added:

“4. The sub-items "Financial leasing" and "Assets pending financial leasing" of items 80 and 90 of the balance sheets include respectively the amount of residual capital credit towards the lessees and the residual capital credit referred to both the assets pending first leasing and those resulting from terminated agreements, whose amount, expressed net of value adjustments due to deterioration of creditworthiness, is further detailed to distinguish the component attributable to instances of termination due to breach of the lessee.

Rents due (not yet collected) are entered under item 30 "Customer loans" and then reclassified in the Explanatory note table, jointly with the related residual credit values, depending on the nature (performing or non-performing) of the exposure.

5. If advances are received from the customer (lessee) during the construction phase of the asset under the financial leasing agreement, the value of the exposure to the lessor is entered net of the afore-mentioned sums of money provided that they are intended for and secured by the fulfilment of contractual obligations, without therefore any repayment obligation on the part of the bank."

13. Amendments to the annexes of Regulation no. 2008-02 are listed in annex 4 of this Regulation.

Annex 1
Template of statement of approval of data
processing procedures and related internal auditing procedures

To:
The Central Bank of the Republic of San Marino
Supervision Department
Via del Voltone, n. 120
47890 San Marino (RSM)
(name of the reporting entity)

San Marino,

RE: Approval of the procedures for processing the data transmitted to the Central Bank of the Republic of San Marino and related internal control procedures

This communication certifies that the reports that this bank transmits to this Supervisory Authority, pursuant to current legislation, are based on corporate accounting data and on management information.

Notice is hereby given that the above-mentioned reports ensue from the implementation of data-processing procedures specifically approved by the competent corporate bodies.

It is also noted that, in order to ensure the necessary compliance of the supplied information with the corporate accounting outcome and information-management supports of the reporting entity, appropriate internal auditing instruments approved by the Board of Directors were arranged, such as to ensure also the reconciliation of the identification data with the corporate accounting data and information-management supports, so that the connections between corporate accounts and information-management supports and the data of the supervisory report can be traced and documented.

Please note that the contents of this communication were brought to the attention of the Board of Directors.

(date)
(stamp of the reporting entity)

The Chairman of the Board of Directors

The Chairman of the Board of Statutory Auditors

The Head of the Executive Structure

Annex 2

Form to request access to the reserved area of the website of the Central Bank of the Republic of San Marino

To:
The Central Bank of the Republic of San Marino
Via del Voltone, n. 120
47890 San Marino (RSM)

San Marino,

RE: Request for access to the reserved area of the website and to obtain authorisation to the electronic transmission of periodic supervisory reports

This is to hereby request:

- a new username and password for access to the reserved area of the website of the Central Bank of the Republic of San Marino. The user will be authorised to the electronic transmission of supervisory reports.
- disabling access to the reserved area of the website of the Central Bank of the Republic of San Marino to the user whose code is (username)
- generating a new keyword (password) for the user whose code is code (username)
reason¹

The Head of the Executive Structure

¹ Specify the reason why it is necessary to generate a new keyword (e.g., due to loss).

Annex 3
Reconciliation between the semi-annual net profit as of 30 June
and the profit for the same period
for the purposes of the regulatory capital

Half-yearly net profit as of 30 June as from the assets and liabilities statements and the economic statements on the same date approved by the Board of Directors of ...	Euro/thousands _____
(minus) estimate of dividends	Euro/thousands _____
Semi-annual net profit as of 30 June For the purposes of calculating the regulatory capital for the month of June	Euro/thousands _____

Annex 4 - Amendments to annexes A and B of Regulation no. 2008-02 (amended parts)

The template of the Balance Sheet Assets of annex A is amended as follows:

Assets items		t	t-1
10.	Cash and cash equivalents		
20.	Loans to banks		
	a) on demand		
	b) other loans		
30.	Loans to customer		
	a) on demand		
	b) other loans		
40.	Bonds and other debt financial instruments		
	a) of public issuers		
	b) of banks		
	- of which: own financial instruments		
	c) issued by financial institutions (companies)		
	d) issued by others		
50.	Shares, units and other capital financial instruments		
60.	Holdings		
	a) Financial companies		
	b) Non-financial companies		
70.	Shareholdings in banking group companies		
	a) Financial companies		
	b) Non-financial companies		
80.	Intangible fixed assets*		
	a) Financial leasing		
	b) Assets pending leasing		
	- of which resulting from terminated leasing agreements		
	- of which for breach of the lessee		
	c) Goodwill		
	d) Other intangible fixed assets		
90.	Tangible fixed assets*		
	a) Financial leasing		
	b) Assets pending financial leasing		
	- of which assets resulting from terminated leasing agreements		
	- of which for breach of the lessee		
	c) Real estate property		
	d) Other tangible fixed assets		
100.	Subscribed capital not paid in		
110.	Own shares or units		
120.	Other assets		
130.	Accrued revenues and deferred expenses		
	a) accrued revenues		
	b) deferred expenses		
140.	Total assets		

* The recording of the amounts concerning the residual credit of the leasing agreements is net of the depreciations and the value adjustments in relation to creditworthiness.

The template of the Balance Sheet Liabilities of annex A is amended as follows:

Liabilities items		t	t-1
10.	Due to banks a) on demand b) term or notice debts		
20.	Due to customer customers a) on demand b) term or notice debts		
30.	Debts represented by financial instruments a) bonds b) certificates of deposit c) other financial instruments		
40.	Other liabilities <i>of which cheques in circulation and other securities</i>		
50.	Accrued expenses and deferred revenues a) accrued expenses b) deferred revenues		
60.	Staff retirement allowance		
70.	Financial risks and costs funds a) retirement and similar costs funds b) tax fund c) other funds		
80.	Credit risk funds		
90.	Fund for general banking risks		
100.	Subordinated Liabilities		
110.	Share Capital		
120.	Share issue premiums		
130.	Reserves a) ordinary reserve b) reserve for own shares c) extraordinary reserves d) other reserves		
140.	Revaluation reserves		
150.	Profit (loss) carried forward		
160.	Profit (loss) for the financial year		
170.	Total liabilities		

The template of the Profit and Loss Account of annex A is amended as follows:

Items of the Profit and Loss Account		t	t-1
10.	Interest received and other proceeds a) on inter-bank loans b) on loans to customer c) on debt securities		
20.	Interest paid and other costs a) on due to banks b) on due to customers c) on debts represented by securities – of which on subordinated liabilities		
30.	Dividends and other proceeds a) on shares, units and other capital securities b) on shareholdings c) on shareholdings in group companies		
40.	Commissions received		
50.	Commissions paid		
60.	Profits (losses) on financial transactions		
70.	Other operating proceeds		
80.	Other operating charges		
90.	Administrative costs: a) Labour costs - wages and salaries - social security costs - staff retirement allowances - retirement and similar liabilities - directors and statutory auditors - other labour costs b) Other administrative expenses		
100.	Value adjustments on intangible fixed assets		
110.	Value adjustments on tangible fixed assets		
120.	Provisions for financial risks and costs		
130.	Provisions to credit risk funds		
140.	Value adjustments on credits and provisions for guarantees and commitments		
150.	Value recoveries on loans and provisions for guarantees and commitments		
160.	Value adjustments on financial fixed assets		
170.	Value recoveries on financial fixed assets		
180	Profit (loss) on ordinary activities		
190.	Extraordinary proceeds		
200.	Extraordinary costs		
210.	Extraordinary profit (loss)		
220.	Income tax for the financial year		
230.	Variation to the Fund for general banking risks		
240.	Profit (loss) for the financial year		

1. Section 2, part A of annex B is amended as follows:

"Section 2 – Adjustments and provisions

This section must contain any clarification about the reasons for any VALUE ADJUSTMENT and provisions made only in application of tax regulations, and the relevant amounts must be specified. Indications are also provided on the influence that the above-mentioned adjustments and provisions have on the representation of the assets and liabilities statements and economic outcome, as well as, if these are of a significant amount, on future tax charges."

2. Template 2.1, of part B of annex B is amended as follows:

	31.12.t		31.12.t-1		Variation	
	In Euro	In foreign currency	In Euro	In foreign currency	amount	%
Inter-bank loans:						
A) On demand loans						
A1. Mutual accounts opened for services rendered						
A2. C/accounts in credit						
A3. Others						
B) Other credits						
B1. Term deposits						
B2. C/accounts in credit						
B3. Repurchase agr. and repos						
B4. Others						
Total						

3. The directions for the compilation of template 3.2 of part A of Annex B are amended as follows:

"DIRECTIONS FOR THE COMPILATION OF TABLE 3.2:

Specify the amount of "Loans to Customer " secured, in whole or in part, by collateral or personal guarantees. For partially secured loans only the secured amount must be specified.

Item "B) From liens on:"

- "cash deposits": include the loans secured by liens on current accounts, savings accounts and, conventionally, even those issued by the reporting entity and deposited with the same;

- "securities": include all the loans secured by liens on financial instruments

- "other assets": includes all loans secured by liens that cannot be included in the previous items."

4. The instructions for the compilation of Table 3.3 of part B of annex B are amended as follows:

"Table 3.3: Situation of cash loans to customers.

DIRECTIONS FOR THE COMPILATION OF TABLE 3.3:

Specify the situation of cash loans, including any credit resulting from financial leasing transactions outstanding as of the balance sheet reference date.

▪ **Total VALUE ADJUSTMENTS:** *represent, for each category of credits specified in the table, the aggregate amount of the devaluations carried out at an accounting level in the past on such credits, both at an analytical level (that is to say on the individual credit positions) and on a lump sum basis on uniform groups of credits and by country risk. As regards loans for contracts resulting from leasing transactions, the value adjustments, in the presence of a deterioration in the ability to repay one's debts and in the economic and capital situation of the lessee and any of the guarantors, shall affect both explicit credits, entered among customer loans, and implicit credits (residual credit).*

▪ **Net exposure:** *corresponds, for each category, to the amount of credits specified under assets in the balance sheet.*

- *Gross exposure*: is equal to the sum of the net exposure and the total VALUE ADJUSTMENTS.
- *Performing loans*: are represented by the exposures to persons that at the moment do not show any specific insolvency risk.
The sub-item "of which from leasing transactions": corresponds for each category to the amount of financial leasing and assets pending leasing and includes both the residual credit (implicit credit) and the rents due and not yet collected (explicit credit).
In the case of contracts terminated due to a breach of the lessee, the overall exposure (values relating to rents due and residual credit) is entered under the item 'non-performing loans'.
The totals of the following table do not necessarily coincide with the data reported in the financial statements forms under customer loans, taking into account the inclusion of credits generated by financial leasing activities. In fact, such credits are recognised in the financial statements under fixed assets (see also tables 7.1, 8.1, 26.1 and 26.2)."

5. The directions for the compilation of Table 3.6, of part B, of Annex B of the Balance Sheet Assets are amended as follows:

Table 3.6: composition of "Customer loans" (net values) based on the residual life.

DIRECTIONS FOR THE COMPILATION OF TABLE 3.6:

The residual life corresponds to the period of time between the reference date of the balance sheet and the contractual maturity of each transaction. For transactions subject to a depreciation plan, reference must be made to the residual duration of individual instalments and the amount, including capital and interest, of individual instalments expiring in specific time brackets must be reported. As regards non-performing loans, since it is not possible to refer to the credit's original residual life as established contractually, they must be entered under the item "Without maturity".

6. In part B, of Annex B of the Balance Sheet Assets, the following template was added:

Table 3.7: composition of "Customer loans" (net values) by business sector.

DIRECTIONS FOR THE COMPILATION OF TABLE 3.7:

In this table, loans to consumer and producer households are to be entered under the item "Households".
Loans for leasing (financial leasing and assets pending leasing) are included.

	31/12/t	31/12/t-1
a) Government and public sector		
b) Financial companies		
c) Non-financial companies		
- Industry		
- Construction		
- Services		
- Other		
d) Households		
e) Other sources		

7. Template 4.1 of the balance sheet Assets, of part B of annex B is amended as follows:

Bonds and other debt financial instruments and shares, units and other capital financial instruments (items: 40 – 50 of assets)

As at 31.12.t		
Items/Amounts	Held for investment	Held for trading
Bonds and other debt financial instruments:		
a) issued by public issuers		

b) issued by banks: <i>of which own securities</i>		
c) issued by financial institutions (Companies)		
d) issued by other institutions		
Shares, units and other capital financial instruments		
...		
...		
...		
Total		

8. The directions for the compilation of Table 6.1, of part B, of Annex B of the Balance Sheet Assets are amended as follows:

"Table 6.1: shareholdings.

DIRECTIONS FOR THE COMPILATION OF TABLE 6.1:

This table provides information related to each company in which the bank has a SHAREHOLDING, regardless of the percentage of interest held.

For each one of the subsidiaries, this table must report the name, registered office, amount of net equity, activity carried out (Business activity), amount of profits or losses registered in the last financial year closed, the percentage of capital held and the value of the shareholding as registered in the financial statements. The provisions of art. V.I.1, sub. 7 do not apply to the compilation of this table. The net equity of the controlled company is calculated including also any profit allocated to reserves, i.e. deducting any losses."

Company name	Registered Office	Net equity	Business activity	Profit/loss	Unit %	Balance Sheet Value
A. Companies of relevant banking group						
1. ..						
2. ..						
3. ..						
...						
B. Other subsidiaries						
1. ..						
2. ..						
3. ..						
....						
C. Other controlled companies						
1. ..						
2. ..						
3. ..						
...						

9. The name of table 6.2, of part B of Annex B of the Balance Sheet Assets is amended as follows:

Table 6.2: comparison between the valuation at net equity and the valuation at cost (items 60 and 70)."

10. The name of table 6.6, of part B of Annex B of the Balance Sheet Assets is amended as follows:

"Table 6.6: Assets and liabilities involving controlled companies (item 60)."

11. The name of table 6.7, of part B of Annex B of the Balance Sheet Assets is amended as follows:

"Table 6.7: Assets and liabilities involving controlled companies of the banking group (item 70)."

12. The name and directions for the compilation of template 7.1, of the Balance Sheet Assets, of part B of Annex B are amended as follows:

"Table 7.1: movements in item 80 "intangible fixed assets".

DIRECTIONS FOR THE COMPILATION OF TABLE 7.1:

- *Opening balances:* correspond to the value registered in the financial statements related to the previous financial year.
- *VALUE RECOVERIES:* contain the restoration of the value of fixed assets that had been previously depreciated;
- *Other increases:* include also any advances paid for fixed assets being realised during the year;
- *VALUE ADJUSTMENTS:* correspond to lasting depreciations and devaluations carried out during the year;
- *Closing balances:* represent the difference between "opening balances" and the "increases" for the financial year, on one side, and the "decreases" for the financial year, on the other side, and correspond to the value registered in the financial statements.
- *This table includes the assets leased (and those pending leasing) for their residual credit, possibly to be adjusted by using the specific item "for creditworthiness" to take into account possible adjustments/value recoveries on the credit exposure in relation to the development of the ability to repay one's debts and of the economic and capital situation of the lessee and of any guarantors.*
- *Under the column "of which deriving from terminated agreements due to breach of the lessee", the values entered are a detail of the column "assets pending leasing" and represent the implicit credit of the relevant leasing agreement."*

Annual changes	31.12.t	Financial leasing	Assets pending leasing	of which assets resulting from terminated agreements due to breach of the lessee	Start-up costs	Other multi-year costs
A. Opening balances						
B. Increases						
B1. Purchases						
B2. Value recoveries: - for creditworthiness						
B3. Revaluations						
B4. Other increases						
C. Decreases						
C1. Sales						
C2. Value adjustments: - depreciations - lasting devaluations - for creditworthiness						
C3. Other decreases						
D. Closing balances						

13. The name of template 8.1 of the Balance Sheet Assets, of part B of annex B is amended as follows:

"Table 8.1: description and movements of item 90: "Tangible fixed assets".

DIRECTIONS FOR THE COMPILATION OF TABLE 8.1:

Reference should be made to the directions provided for under table 7.1."

Annual changes	31.12.t	Financial leasing	Assets pending leasing	of which assets resulting from terminated agreements due to breach of the lessee	Real estate property	Other fixed assets
A. Opening balances						
B. Increases						

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B1. Purchases						
B2. Value recoveries: - for creditworthiness						
B3. Revaluations						
B4. Other changes						
C. Decreases						
C1. Sales						
C2. Value adjustments: - depreciations - lasting devaluations - for creditworthiness						
C3. Other changes						
D. Closing balances						

14. Template 10.1 of balance sheet Liabilities, of part B of annex B is amended as follows:

	31.12.t			31.12.t-1		
	In Euro	In foreign currency	Total	In Euro	In foreign currency	total
A) Sight debts:						
A1. Mutual accounts opened for services rendered						
A2. Demand deposits						
A3. Others						
B) Term or notice debts:						
B1. Overdrawn c/accounts						
B2. Term deposits						
B3. Repurchase agr. and reverse repos						
B4. Other financing						
Total						

15. Template 18.3 "Distribution of customer loans by main categories of borrowers" is removed, given that the same information is included in table 3.7

16. Template 18.4 of the Balance Sheet Liabilities, of part B of annex B is amended as follows:

Items/remaining duration	Total	sight loans/debts	from more than 1 day to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 18 months		from 18 months to 2 years		From 2 years to 5 years		more than 5 years	without maturity
						F	V	F	V	F	V		
1. Assets													
1.1 Inter-bank loans													
1.2 Customer loans													
1.3 Bonds and other debt financial instruments													
1.4 Off-balance-sheet transactions													
2. Liabilities													
2.1 Debts with banks													
2.2 Debts with customers													

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2.3	Debts represented by financial instruments:																		
	- bonds																		
	- certificates of deposit																		
	- other financial instruments																		
2.4	Subordinated liabilities																		
2.5	Off-balance-sheet transactions																		

17. Template 19.1 of the Balance Sheet Liabilities, of part B of annex B and the related instructions for compilation, are amended as follows:

"Table 19.1: Suspense Accounts.

DIRECTIONS FOR THE COMPILATION OF TABLE 19.1:

This table must be completed according to the directions referred to in art. V.I.2. The information on asset under management in the portfolio of the bank refers to the component comprised of FINANCIAL INSTRUMENTS as well as to that represented by cash.

Sub-item b) "third party financial instruments deposited with third parties" represents an "of which" of sub-item a) "third party financial instruments held in deposit".

Item C) of the table must be compiled with the amount of the assets held by the bank in carrying out the functions referred to in Art. 71 of LISF, i.e. of a party with which the values (financial instruments, liquidity and assets) of collective investment undertakings (CIS) of San Marino and those under foreign law are deposited, and such activities must be provided for in the administrative regulations or in the equivalent legal assets of the same CIS.

The above values do not coincide with what is entered under item B)a) "Deposited third party financial instruments" as the securities referred to custodian bank activities must not include securities under management and custody."

Items	t	t-1
A) Asset management		
a) Asset management for customers;		
- of which liquidity		
- of which liquidity deposited with the reporting entity		
- of which debt securities		
- of which debt securities issued by the reporting entity		
- of which capital securities and CIS units		
- of which capital securities issued by the reporting entity		
b) Own portfolios managed by third parties;		
B) Custody and administration of financial instruments		
a) Third party financial instruments held in deposit		
- of which debt securities issued by the reporting entity		
- of which capital securities and other assets issued by the reporting entity		
- of which third-party financial instruments deposited with third parties		
b) Own financial instruments deposited with third parties		
C) Financial instruments and other assets linked to the activities as custodian bank		
a) Liquidity		
- of which liquidity deposited with the reporting entity		
b) Debt securities		
- of which debt securities issued by the reporting entity		
c) Capital securities, CIS units, other financial instruments		
- of which capital securities issued by the reporting entity		
d) Other assets other than financial instruments and liquidity		

