

**REGULATION FOR PAYMENT SERVICES AND
ELECTRONIC MONEY ISSUING SERVICES
(PAYMENT INSTITUTIONS AND ELECTRONIC
MONEY INSTITUTIONS)**

Year 2014 / Number 04

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

PART I INTRODUCTION

Title I Introduction

Article I.I.1 Legislative basis

1. These Regulations are part of the implementing regulations for Law No. 165 of 17 November 2005 (LISF), as provided under its Article 39.
2. The regulatory powers of the Central Bank of the Republic of San Marino over lending, over parties authorized to conduct such activity, and over their corporate officers and shareholders, whether direct or indirect, actual or potential, also have a legislative basis in Law No. 96 of 29 June 2005, particularly its Articles 33 and 37.

Article I.I.2 Definitions

For the purposes of these Regulations, the terms employed shall be understood as having the following meanings:

1. **“Direct debit”**: a payment service for debiting a payer’s payment account, where a payment transaction is initiated by the payee on the basis of the payer’s consent in favour of the payee, the Payment Service Provider of the payee, or the Payment Service provider of the payer himself;
- 1.bis **“agent”**: a natural or legal person which acts on behalf of a institution in providing payment services;
2. **“Managing Director”**: member of the Board of Directors, howsoever appointed, vested with the delegated powers under Article 49, fourth paragraph, of the Corporations Act;
3. **“Lending”**: disbursement of loans in any form;
4. **“Internal audit function”**: a third-tier supervisory activity conducted on an ongoing basis, periodically scheduled based on the nature and entity of the risks, by miscellaneous organizational structures independent from those engaged in production, including through on-site inspections, to assess the completeness, functionality, and adequacy of the system of internal controls (including the computer network (EDP audit) and to draw the attention of the Board of Directors and the head of the executive structure to possible improvements that can be made in risk management policies, measure instruments and procedures;
- 4.bis **“authentication”**: a procedure which allows the payment service provider to verify the use of a specific payment instrument, including its personalised security features;
5. **“Firm”**: set of assets organized to run a business;
6. **“Central Bank”**: the Central Bank of the Republic of San Marino;
7. **“Postal institution”**: the sole public stock company authorized by law to provide postal financial services;
8. **“Payee”**: a person or legal entity who are the intended recipients of funds which have been the subject of a payment transaction;

9. **“Head of the executive structure”**: General Manager or, in his absence, director delegated to perform the General Manager’s functions;
10. **“Parent Company”**: payment institution or electronic money institutions or holding company meeting the requirements set forth in Article 54 of the LISF and placed inside the group architecture in such a way as to ensure that the sum of the its own balance-sheet assets and of the firms and entities which it controls meets the requirements for the existence of a financial group;
11. **“Customer” or “customers” or “user”**: any subject, whether a person or legal entity, who benefits of a payment service as payer or payee or as both, or any person or legal entity who detains electronic money;
12. **“Members”**: firms or entities, apart from the parent company, that belong to the group;
13. **“Payment account”**: an account held at a payment service provider in the name of one or more payment service users which is used for the execution of payment transactions;
14. **“Long-term contracts”**: contracts whose direct legal effects are extended over time, with or without fixed maturities;
15. **“Framework Contract”**: a payment service contract which governs the future execution of single and recurring payment transactions and which may contain the obligations and conditions for setting up and managing a payment account;
16. **“Risk controls”**: second-tier controls intended to facilitate efforts to define risk measurement methodologies, verify compliance with the limits assigned to the various operational structures, manage the compatibility of the operations of the various line units with the risk/return goals assigned to them;
17. **“Compliance controls”**: second-tier controls intended to verify the compatibility of activities with each applicable provision, including with respect to laws, the charter, supervisory regulations, and internal regulations, including with reference to the prosecution of the financial crime of money laundering, usury, terrorist financing, and other financial offences;
18. **“First tier or line controls”**: verification procedures meant to ensure the proper conduction of transactions tied with the provision of payment or electronic money issuing services. These are carried out by the same line organizational structures (e.g. hierarchic, systematic or spot checks) incorporated into procedures (including automated ones), or executed in the context of back-office activities;
19. **“Second-tier controls”**: controls whose purpose is to contribute to the definition of methods for measuring corporate risks, verifying compliance with the limits assigned by the various operating functions and check that the single operations of productive areas are consistent with the established risk-performance targets, as well as internal regulations. They are entrusted to organizational structures other than productive structures and are defined either as “risk management controls” or “compliance controls”;
20. **“Accounting control”**: function described by Article 68 of the Corporations Act and governed by Article 34 of the LISF;
21. **“Qualified counterparts”**: persons belonging to one of the following categories:
 1. authorized parties;
 2. foreign parties which, under rules and regulations currently in force in their own parent country, engage in activities performed by the parties referred to in item 1;

3. issuers of financial instruments listed on regulated markets;
 4. firms meeting at least two of the following requirements:
 - I) total balance-sheet assets exceeding Euros 5 million;
 - II) annual billings exceeding Euros 10 million;
 - III) net worth exceeding Euros 500,000;
 5. States, central banks, international and supranational institutions.
22. **“Non performing loans (NPL)”**: all bad loans, problem loans, restructured loans, past due and/or overdue loans, and unsecured loans to country at risk, as defined by the current supervisory regulation on lending;
- 22.bis **“value date”**: a reference time used by a payment service provider for the calculation of interest on the funds debited from or credited to a payment account;
23. **“Sanctions Decree”**: Decree 76 of 30 May 2006 as amended;
24. **“Authorized depositaries”**: the Central, Sammarinese and foreign banks, Sammarinese and foreign investment enterprises that may detain financial instruments and customer funds, and other subjects authorized to manage financial instruments on behalf of third parties;
25. **“Identity document”**: document, containing the photograph and particulars of an individual and issued by a domestic or foreign public authority;
26. **“Financial year”**: calendar year;
27. **“Corporate officers”**: individuals serving as directors, statutory auditors or general managers;
28. **“Particulars”**:
- a) full name, place and date of birth, home address, and nationality of an individual;
 - b) name, including legal form, address and registered and administrative offices, ID code assigned by the legal system of the country where the entity is located, for parties other than individuals;
- 28.bis **“business day”** or **“working day”**: a day on which the relevant payment service provider of the payer or the payment service provider of the payee involved in the execution of a payment transaction is open for business as required for the execution of a payment transaction;
- 28.ter **“group”**: a group of undertaking , which consists of a parent undertaking, its subsidiaries and the entities in which the parent undertaking or its subsidiaries have a holding as well as undertakings linked to each other by a relationships referred to in Article 2 of LISF;
29. **“Financial group”**: group or conglomerate, within the meaning of Articles 53 and 60 of the LISF, which cannot be classified as a bank group under Reg. 2007-07 as amended, whose capital assets are represented – in an amount not less than 50 percent – by balance-sheet assets of financial enterprises;
30. **“IAS”**: International Accounting Principles adopted by the IASB, headquartered in London;
31. **“Unique identifier”**: a combination of letters, numbers or symbols to the payment service user by the payment service provider and to be provided by the payment service user to identify unambiguously the other payment service user and/or his/her payment account for a payment transaction;

32. **“Financial enterprises”**: Sammarinese or foreign parties which, on an entrepreneurial basis, engage in activities included in the list referred to in Annex 1 of the LISF, or comparable activities, and are subject to Supervision;
33. **“Non-financial enterprises”**: Sammarinese or foreign enterprise not meeting the definition of financial enterprises;
34. **“Independent intermediary”**: authorized person, whether as a financial promoting party, or as an insurance or reinsurance intermediary under the LISF, and operating in the Republic of San Marino on behalf of foreign financial enterprises authorized to provide services without permanent branches, provided that this is done on an independent basis; the intermediary shall instead be characterized as a branch in cases where the following criteria are met with no exceptions;
 - a. it operates on an exclusive basis for one single lead financial enterprise;
 - b. it has authority to negotiate transactions with third parties;
 - c. it has the power to obligate the lead financial enterprise;
 - d. it operates on an ongoing basis;
35. **“Invitation to enter into contracts”**: proposal that is capable of unconditional acceptance inasmuch as it contains all the terms and conditions of the contract, as an expression of an unequivocal will, which reflects a decision and not a mere preparedness or inclination;
36. **“Electronic money institutions or ELM”**: companies other than banks authorized to provide the electronic money issuing services under letter J of Annex 1 of the LISF;
37. **“payment institution”**: companies other than banks and electronic money institutions that are authorized to provide the payment services referred to under letter I of Annex 1 of the LISF;
38. **“Institution or institutions”**: the electronic money institution and payment institution as defined above;
39. **“Corporations Act”**: Law 47 of 23 February 2006 as amended;
40. **“LISF”**: Law 165 of 17 November 2005 as amended;
41. **“electronic money”**: monetary value stored electronically, including through magnetic storage, represented by a credit vis-a-vis the issuer, which is issued for payment transactions and which is accepted by individuals and legal entities other than the issuer, except for the monetary value:
 - 1) stored on instruments that can be used to acquire goods or services only in the premises used by the issuer or under a commercial agreement with the issuer, within a limited network of service providers or for a limited range of goods or services;
 - 2) used for payment transactions initiated by means of any digital or computerised telecommunication device, when the goods or services purchased are delivered or must be used by that device, provided that the digital or computerised telecom operator does not act solely as an intermediary between the payment service user and the supplier of the goods or services;
42. **“average outstanding electronic money or AOELM”**: average of the total amount of financial liabilities in respect of electronic money issued at the end of each day during the previous six months calculated from the first day of the month following the end of the semester and applied to that month (for example, if during the six months from February to July the average outstanding electronic money,

-
- calculated as the average daily electronic money issued at each day-end of the semester, amounts to eur 2,000,000, that amount will be the AOELM for the entire month of August, while, for the month of September, the AOELM will be equal to the daily average of electronic money issued at the end of every day of the semester running from March 1 to August 31);
43. **“Payment transaction”**: an act, initiated by the payer or by the payee, for crediting, transferring or withdrawing funds to, between and from payment accounts, irrespective of any underlying obligations between the payer or the payee;
 44. **“Payment Order”**: an instruction by a payer or payee to his/her Payment Service Provider requesting the execution of a payment transaction;
 45. **“Vendor”**: individuals or legal persons to whom the institution outsources corporate functions or physical activities integrated into typical lending production processes;
 46. **“Payer”**: a person or legal entity who holds a payment account and makes a payment order from that payment account or, where there is no payer’s payment account, the person or legal entity who makes a payment order;
 47. **“Equity stakeholders”**: persons who, whether directly or indirectly, or as parent companies of legal persons, hold substantial interest in corporate capital;
 48. **“Controlling interest”**: a stake conferring control within the meaning of Article 2 of the LISF;
 49. **“Substantial interest”**: a stake, conferring voting rights, that exceeds 10 percent of the corporate capital;
 50. **“Senior management staff”**: executives, officials, or employees placed in charge of key organizational units and entrusted with significant powers of decision-making and representation;
 51. **“Provision of services without permanent establishment”**: exercise of reserved activities by a foreign institution in San Marino, or by a Sammarinese institution abroad, through a temporary organization, or through the use of distance communication technologies, or through intermediaries or independent agents;
 52. **“Payment Service Provider” or “PSP”**: banks, payment institutions, electronic money institutions, Postal institution, Member States or their regional or local authorities when not acting in their capacity as public authorities, the European Central Bank and other national central banks when not acting in their capacity as monetary authorities;
 53. **“Branch of business”**: Branches or, in general, any cohesive set of operational activities, that are the focus of contractual relationships and employer-employee relationships within the context of a specific organizational structure;
 54. **“Relationships having potential financial impact”**: employer-employee relationships or ongoing or periodic relationships of a professional nature, or else other relationships “intuitu personae”, that are capable of influencing a person’s independence as a corporate officer of the institution;
 55. **“Legal relationships identifiable as a block”**: loans, debts, and contracts that present common distinguishing features that may be found in the technical form, in the recipient economic sectors, in the nature of the counterpart, in the geographic area, or in any other shared feature that makes it possible to precisely identify a homogeneous set of legal relationships;

-
56. **“Substantial crimes”**: all crimes against property and against the public economy, with the exception of misdemeanours and special crimes specified by the LISF and the current laws in force on the prevention and combating money laundering and terrorist financing, as well as on the matter of cross-border money transfers and equivalent instruments;
 57. **“SEPA Regulation”**: Regulation no. 2013-05 issued by the Central Bank on 28 August 2013 as amended;
 58. **“Branch managers”**: two main representatives of the first branch of a foreign institution on Sammarinese territory;
 59. **“Auditors”**: persons entrusted with the auditing of accounts on behalf of an audit firm;
 60. **“Operational risks”**: risks of losses resulting from inadequate internal procedures, human errors, defects in operating systems or else from events of external origin. This includes legal risk and reputational risk. The reputational risk can arise directly from certain events or behaviours (e.g. trade policies perceived by customers as not considerate of their interests) or indirectly from other types of risk (credit, operational, liquidity), compared to which the reputational effects may amplify the economic impact. The reputation risk can, therefore, be both the consequence of irregular conduct and wrong perceptions of customers or the market;
 61. **“supervisory reports”**: periodic and non-periodic reports of information drawn up in compliance with company accounting data and/or management reporting media which, under the supervisory powers under the meaning of Article 41, paragraph 1 of the LISF, are transmitted to the Supervision Department;
 62. **“Payment services”**: the services referred to under letter I of Annex 1 of the LISF;
 63. **“Electronic money issuing services”**: the services referred to under letter J of Annex 1 of the LISF;
 64. **“Currency exchange services”**: the services referred to under letter K of Annex 1 of the LISF;
 65. **“Payment system”**: a funds transfer system with formal and standardized arrangements and common rules for the processing, clearing and/or settling of payment transactions;
 66. **“System of internal controls”**: set of rules, procedures, and organizational structures designed to ensure compliance with corporate strategies and safeguard efficiency and effectiveness in corporate procedures, preserve the value of assets and ensure protection from losses, while ensuring the reliability and integrity of accounting and management systems and the conformity of the institution’s operations with the law, its charter, supervision regulations, and the institution’s own internal procedures;
 67. **“Audit firm”**: Sammarinese firm enrolled in the Register pursuant to Article 7 of Law 146 of 27 October 2004, or authorized foreign company under Article 33, paragraph 3, of the LISF.
 68. **“Company in default”**: Companies subject to bankruptcy protection or to extraordinary proceedings or foreign procedures equivalent to those regulated respectively by:
 - i. Law 17 of 15 November 1917, and Article 115 of the Corporations Act;;
 - ii. Part II, Title II, Chapters I and II of the LISF.
 69. **“Controlling persons”**: individuals or, in the absence thereof, persons of other legal nature who, ultimately, including in conjunction with other persons, exercise control over legal entities, including through direct or indirect subsidiaries, interposed fiduciary companies or another interposed party, under the LISF;

70. **“Authorized sub-providers”**: persons or legal entities that distribute or refund electronic money on behalf of the electronic money institution;
71. **“Promoting parties”**: individuals or legal entities intending to acquire for themselves corporate capital of a institution that is in the process of being established;
72. **“Applicants”**: individuals or legal entities filing an application with the Central Bank intended to secure authorization to acquire substantial interests in the capital of previously established institutions on their own behalf;
- 72.bis **“Member state”**: a state member of the European union;
73. **“BCSM Statutes”**: Law 96 of 29 June 2005 as amended;
74. **“Payment Instrument”**: any personalized device, including electronic money, and/or set of procedures agreed between the payment service user and the payment service provider and used by the payment service user in order to initiate a payment order;
75. **“Branch”**: a place of business other than the head office which is a part of an institution, which has no legal personality and which carries out directly some or all of the transactions inherent in the business of an institution; all the places of business set up in the same state by a foreign institution shall be regarded as a single branch;
- 75.bis **“durable medium”**: any instrument which enables the payment service user to store information addressed personally to him in a way accessible for future reference for a period of time adequate to the purposes of the information and which allows the unchanged reproduction of the information stored;
- 75.ter **“reference exchange rate”**: the exchange rate which is used as the basis to calculated any currency exchange and which is made available by the payment service provider or comes from a public available source;
- 75.querter **“reference interest rate”**: the interest rate which is used as the basis for calculating any interest to be applied and which comes from a publicly available source which can be verified by both parties to a payment service contract;
76. **“Distance communication technologies”**: techniques for making contact with customers in ways that do not involve advertising, that may be used for the conclusion of a payment services or electronic money issuing contract and that do not entail the simultaneous physical presence of the customer and the institution or representative of the institution;
77. **“Beneficial owners”**: individuals falling within the definition pursuant to Article 1, paragraph 1, letter r) of Law no. 92 of 17 June 2008 as amended;
78. **“Qualified debt securities”**: a debt balance of no more than 20%, as a result of the combined provisions of articles VII.III. 4 and VII.III.5 of Regulation no. 2007-07, as amended;
79. **“Representative office”**: structure which the institution uses for the sole purpose of engaging in promotional or market research activities;
80. **“Payment volumes or P.V.”**: one twelfth of the total amount of the payment transactions executed by the institution in the previous year.

2. In the course of the text, the use of the above-listed definitions is shown with SMALL CAPS font.

3. For all terms not covered by the definitions in paragraph 1 above, the reader is invited to consult the definitions and notions contained in the articles of the LISF and of the SEPA REGULATION.

Title II

Objectives and structure of the Regulations

Article I.II.1 Purpose

1. The primary purpose of these Regulations is to combine as a single comprehensive set of regulations governing the conduct of payment services and electronic money issuing services in the Republic of San Marino (RSM), as well as INSTITUTIONS as suppliers of such services.

2. This Regulation aims essentially at completing the introduction and application of European laws on the purchase of electronic money and payment services, already achieved in part with the introduction of the SEPA REGULATION, as refers in particular to the following Directives of the European Union:

- no. 2007/64/CE of 13 November 2007 (so-called PSD)
 - no. 2009/110/CE of 16 September 2009 (so-called ELM Directive)
- as well as (CE) Regulation no. 924/2009, it too dated 16 September 2009.

Article I.II.2 Completeness

1. For some of its parts, the Regulations refer to rules established later by the CENTRAL BANK, inasmuch as the matters to be governed suggest the need to adopt separate provisions because of their scope and complexity.

Article I.II.3 Preparation

1. In compliance with the terms of Article 38 Para. 5 of the LISF and the associated implementing Regulations No. 2006-02, these Regulations have undergone prior public consultation.

Article I.II.4 Structure

1. The Regulations are divided into 11 Parts, each of which is divided into Titles. Each Title is divided into Articles, which are sometimes grouped into Chapters.

2. An Article, which represents the basic unit, is numbered with a compound number formed of three sub-numbering units, separated by a period: the first number indicates the Part, the second number indicates the Title, and the third indicates the Article.

PART II

ACTIVITIES OF INSTITUTIONS

Title I

Introduction

Article II.I.1 Legislative basis

1. The provisions of this Part have their legislative basis in Article 4 of the LISF.

Article II.I.2 Administrative sanctions

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Articles 4 and 18.

Title II

Activities of institutions

Article II.II.1 – Reserved activities

1. The exercise in entrepreneurial form of PAYMENT SERVICES is reserved to banks, to PAYMENT INSTITUTION and ELECTRONIC MONEY INSTITUTIONS; the CENTRAL BANK and POSTAL CURRENT ACCOUNTS also can provide PAYMENT SERVICES, in accordance with the provisions applicable to them.

2. The issuing of ELECTRONIC MONEY shall be restricted to banks and ELECTRONIC MONEY INSTITUTIONS; THE CENTRAL BANK, POSTAL INSTITUTION and the State also may issue ELECTRONIC MONEY, in accordance with the provisions applicable to them.

3. As a result of the provisions in the previous two paragraphs:

a) PAYMENT INSTITUTION may provide one or more of the PAYMENT SERVICES, to the extent in which they are so authorised. They may engage in other activities as specified in this Title. PAYMENT INSTITUTION are not entitled to issue electronic money. PAYMENT INSTITUTION may hold only payment accounts used exclusively for payment transactions;

b) ELECTRONIC MONEY INSTITUTIONS may issue ELECTRONIC MONEY and provide PAYMENT SERVICES not related to the issuing of ELECTRONIC MONEY detailed in the business plan. ELECTRONIC MONEY INSTITUTIONS may engage in other activities as specified in this Title. LENDING is permitted, in compliance with the conditions referred to in article II.II.3, exclusively in relation to the provision of PAYMENT SERVICES that are not connected with the issuing of ELECTRONIC MONEY.

Article II.II.2 - Abuse

1. The provision of PAYMENT SERVICES or ELECTRONIC MONEY ISSUING SERVICES by subjects other than those identified in the preceding article shall be punished under the terms of Article 134 of the LISF.

Article II.II.3 - Lending

1. In accordance with article 4 para. 4 of the LISF, INSTITUTIONS can, provided the activity is ancillary to the PAYMENT SERVICES referred to in points d), e) and g) of letter I of Annex 1 to the LISF, engage in LENDING, as defined under letter B in Annex 1 of the LISF, provided that:

- a) the funding is both accessory and granted exclusively in connection with the execution of a payment transaction;
- b) the funding term does not exceed twelve months. Funding can have a longer term than 12 months only if granted on payments made by credit card;
- c) funding is not granted using funds received or held for the purpose of executing a payment transaction;
- d) against the credit risk arising from the funding, the INSTITUTION maintains the minimum capital endowment set forth in Part VII.

2. The relationship of accessoriness with respect to the payment transaction referred to in the preceding point a) entails the impossibility for the INSTITUTION, in accordance with article 4 paragraph 2 of the LISF, to exercise the branch of activity constituted by the "release of guarantees and commitments by signature".

3. Except for PAYMENT SERVICES, ELECTRONIC MONEY ISSUING, LENDING within the limits described above and ancillary EXCHANGE SERVICES, THEREFORE, ALL OTHER RESERVED ACTIVITIES are not exercisable by INSTITUTION, in accordance with article 4 of the LISF.

Article II.II.4 - Other permitted activities

1. In the provision of PAYMENT SERVICES, INSTITUTION may engage in the following additional activities:

- a) provision of operational services and services closely linked to payment services provided, such as:
 - ensuring the execution of PAYMENT TRANSACTIONS;
 - EXCHANGE SERVICES;
 - the storage, recording and processing of data;
- b) management of PAYMENT SYSTEMS.

2. ELECTRONIC MONEY INSTITUTIONS may also provide operational services and services closely connected with the issuing of ELECTRONIC MONEY, such as:

- e) planning and development of procedures, devices, and media related to the activity of issuing ELECTRONIC MONEY;
- f) provision, on behalf of third issuers of ELECTRONIC MONEY, of services associated with the issuing of ELECTRONIC MONEY.

Article II.II.5 – Instruments for collection of savings

1. INSTITUTION may collect savings from the public only through the issue of convertible bonds, in compliance with the general rules set forth in the CORPORATIONS ACT, as well as those subject to limitations, provided both fall within the category of subjects authorized within the meaning of the LISF.

Title III

Requirements regarding protection of customer funds

Article II.III. 1 - Common forms of protection and allocated assets

1. For each client, the INSTITUTIONS record the sums of money of CUSTOMERS under items of the liabilities in payment accounts used exclusively for the provision of PAYMENT SERVICES, or rather, received from CUSTOMERS for the issuing of electronic money.

2. In accordance with article 72 of the LISF, the sums of money referred to in paragraph 1 are invested in assets, which are in all respects separate from those of the INSTITUTION. Transactions involving these separate assets by creditors of the INSTITUTION or in their interest are not permitted, nor those of creditors of any subject with whom the sums are deposited. Creditors of the individual CUSTOMERS of the INSTITUTION are authorized to conduct transactions within the limits of the sums recorded under paragraph 1. If the sums of money received for the issuing of ELECTRONIC MONEY or recorded in the payment accounts are deposited with third parties, the legal and judicial compensations do not apply and conventional compensation of credits claimed by the depositary from the INSTITUTION cannot be agreed.

3. For the purposes of applying the discipline of administrative compulsory liquidation to the INSTITUTION, the holders of electronic money, as well as the payment account holders, are treated as CUSTOMERS entitled to the restitution of financial instruments.

4. Furthermore, in relation to the provisions of the previous paragraphs, the INSTITUTION indicate in the documents and correspondence the number of entry in the Register referred to in article 11 of the LISF.

Article II.III. 2 - Accounting records of customer funds

1. For the purposes of the provisions of the preceding article, the INSTITUTION are required to establish and maintain appropriate accounting records:

- separately for each client, of the sums of money received, to be recorded in the payment accounts; and
- the assets in which the sums received were invested.

2. Such evidence must indicate, inter alia:

- the depositary banks of sums of money received from CUSTOMERS;

- the depositaries of financial instruments in which the sums of money received from CUSTOMERS may have been invested, according to the following article II.III. 3.

3. The evidence must be updated on a continuous basis and in a timely fashion, in such a way to enable to reconstruct at any time with certainty the position of each CUSTOMER. They should be regularly reconciled with periodic reporting produced by the depositaries.

4. ELECTRONIC MONEY INSTITUTIONS apply the provisions of the two preceding paragraphs to the sums of money received against ELECTRONIC MONEY issued. The accounting books related to ELECTRONIC MONEY issued are kept separate from those relating to sums of money held for the provision of PAYMENT SERVICES.

Article II.III.3 - Method for the detention of sums of money of customers registered in payment accounts or receipts in the face of electronic money issued

1. The sums of money received from CUSTOMERS and recorded in the payment accounts by the INSTITUTION — those received by the ELECTRONIC MONEY INSTITUTION in the face of ELECTRONIC MONEY issued are:

- deposited at a bank authorized to operate in the Republic of San Marino in accounts in the name of the depositing INSTITUTION, indicating that they are third party assets, and kept separate from those of the INSTITUTION;
- invested in QUALIFIED DEBT SECURITIES, deposited with AUTHORISED DEPOSITORIES;
- invested in shares of harmonised investment funds whose management regulation provides exclusively for investments in QUALIFIED DEBT SECURITIES or monetary market funds.

2. The INSTITUTION applies the protection requirements referred to in this article to the sums received from CUSTOMERS and registered in the payment accounts that are not delivered to the payee or transferred to another payment service provider by the first business day after the day on which the funds were received.

3. THE ELECTRONIC MONEY INSTITUTION shall apply the measures provided for in this paragraph to sums received from customers in face of ELECTRONIC MONEY issued by means of payment instruments from the day in which those sums become available and in any event, within five days from the issuing of the ELECTRONIC MONEY.

4. The provisions in this article shall apply to the sums of money of CUSTOMERS of PAYMENT SERVICES that, in relation to individual CUSTOMERS, exceed the limit of eur 100.00.

PART III

AUTHORIZATION

Title I

Introduction

Article III.I.1 Legislative basis

1. The provisions under this Part have their legislative basis in Articles 6, 7, 8, 9, 10, 13, 14 and 75 of the LISF.

Article III.I.2 Administrative penalties

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Articles 4, and 18.

Title II

Authorization to form a company

Article III.II.1 Applicants

1. An application for authorization to provide PAYMENT SERVICES must be presented by the PROMOTING PARTIES of the economic initiative.

Article III.II.2 Form of application

1. The application under the preceding Article must be in writing and bear the signature of all PROMOTING PARTIES, irrespective of the share of corporate capital they intend to acquire via direct subscription or through fiduciary companies or another person acting as an agent on their behalf.

Article III.II.3 Content of application

1. The application must contain all useful information for purposes of presenting the project, and must be accompanied by the following documents:

- a) draft of the instrument of incorporation, including the charter;
- b) an accounting receipt issued at the time of the establishment of the escrow deposit by a Sammarinese bank signed by the HEAD OF THE EXECUTIVE STRUCTURE;
- c) a true copy of an IDENTIFICATION DOCUMENT that is currently valid:
 - of all PROMOTING PARTIES who are individuals;
 - of the CORPORATE OFFICERS of all PROMOTING PARTIES which are legal entities;
 - of the initial CORPORATE OFFICERS;

- d) Originals of the certifications required for purposes of verification of the requirements under Articles 17 and 18 of the LISF relating to all PROMOTING PARTIES;
- e) originals of the certifications required for purposes of verification of the requirements of good repute, professional qualifications and independence for the initial CORPORATE OFFICERS;
- f) program of activities in Italian or in English.

2. The certifications indicated under letters d) and e) must furthermore have been issued not more than 6 months prior to the date on which the application is submitted.

Article III.II.4 Declaration of controlling parties

1. In the event that the PROMOTING PARTY is not a individual, the legal representative of the PROMOTING PARTY must provide, if applicable separately from the application under Article III.II.1, a written declaration authenticated by a Sammarinese notary or signed directly before an official of the CENTRAL BANK, indicating all Identifying PARTICULARS for the CONTROLLING PARTIES, where existing, or, indicating the inexistence of such parties.

2. The following must be annexed to the declaration under the previous paragraph for each individual indicated therein, either as CONTROLLING PARTIES or directors of any CONTROLLING PARTIES which are not individuals:

- a) a copy of the IDENTIFICATION DOCUMENT that is currently valid;
- b) the certifications under Article III.II.3, paragraph 1, letter d).

Article III.II.5 Beneficial Owners

1. Taking into account the provisions of Article 17, paragraph 5 of the CORPORATIONS ACT for other purposes, in the cases pursuant to the previous paragraph where, under the current anti-money laundering provisions in force, there are additional BENEFICIAL OWNERS other than the CONTROLLING PARTIES, as defined by these Regulations, the PROMOTING PARTY must also indicate these beneficiaries in the above declaration, attaching, for each beneficial owner, a copy of an IDENTIFICATION DOCUMENT that is currently valid and the originals of the certifications required for the purposes of verification of the requirements under Article 18 of the LISF.

Article III.II.6 Methods for submission of application

1. The methods for submitting the application indicated under Article III.II.1 and the supplemental declaration, if any, under Article III.II.4 shall be:

- a) mailing by registered mail with return receipt;
- b) hand delivery. In this case, the CENTRAL BANK shall issue an attestation bearing the filing date.

2. The application shall be addressed to the Supervision Department of the CENTRAL BANK of the Republic of San Marino.

Article III.II.7 Time limit for decision

1. The CENTRAL BANK shall give written notice, sent to the address indicated in the application, of its acceptance or denial of authorization within 60 days from the date of receipt of the application.

Article III.II.8 Suspension of time limit

1. The time limit under the preceding Article may be suspended by the CENTRAL BANK in the following cases:
 - a) any of the PROMOTING PARTIES, or their CONTROLLING PARTIES, reside or have their own registered offices or principal place of business in a foreign country;
 - b) the documents and certifications indicated under letters c), d), and e) of Article III.II.3 or the declaration indicated under Article III.II.4 or its annexes are not written in the Italian or English language.
2. The PROMOTING PARTIES shall be notified in writing, sent to the address indicated in the application, regarding the suspension and reinstatement of the time limits.
3. The suspension of the time limit shall in no case extend the times for issuing a decision beyond the maximum limit of three months from the date of receipt of the application.

Article III.II.9 Interruption of time limit

1. In cases where the CENTRAL BANK requests information and/or documents from the PROMOTING PARTIES to supplement the application, the time limit indicated under Article III.II.7 shall be interrupted within the meaning of Article 7 Para. 3 of the LISF.
2. The interruption must be expressly indicated in the written communication requesting supplementation of the application; absent such an indication, the request shall not produce the effect of interrupting the time limits for issuing a decision.

Article III.II.10 Efficacy of the authorization decision

1. The authorization decision issued by the CENTRAL BANK is immediately effective, as both PAYMENT SERVICES and ELECTRONIC MONEY ISSUING SERVICES and the other reserved activities exercised secondarily, such as LENDING and CURRENCY EXCHANGE SERVICES, respectively marked by the letters I, J, B and K in Annex 1 of the LISF, are excluded from the list set forth in Article 12, paragraph 1 of the LISF.

Title III

Minimum requirements

Article III.III.1 Criteria for drafting the instrument of incorporation

1. Pursuant to Article 13 letter a) of the LISF, the draft of the instrument of incorporation of the company to be formed shall indicate:
 - a) the PARTICULARS of the shareholders;
 - b) the total nominal value of the share for which each of the shareholders has subscribed, including in terms of percentage of the total corporate capital;
 - c) the PARTICULARS for members of the managing and supervisory bodies;
 - d) the AUDIT FIRM engaged to AUDIT the accounts and certify the financial statements.

2. The charter, as an integral part of the instrument of incorporation, must comply with the following criteria:
 - a) the corporate name must be such as to not generate any risks of confusion:
 - with other Sammarinese FINANCIAL ENTERPRISES;
 - with activities not falling within the corporate purpose;
 - with the geographical limits set for the exercise of the activities;
 - b) the shares representing the corporate capital may only be registered shares, and must have a face value per share equal to one Euro or multiples thereof;
 - c) the registered office must be precisely identified with reference to the primary municipality (“Castello”) and sub-locality (“Località”) where it is situated;
 - d) the company must be managed by a Board of Directors comprising at least three directors, one of whom shall serve as President and shall be empowered as the legal representative of the company;
 - e) oversight over the operations of the company and its boards shall be entrusted to a Board of Auditors comprising three or five auditors, one of whom shall serve as President, with no alternate auditors;
 - f) the duties of the Board of Auditors must expressly include the duty of overseeing compliance with the Regulations of the CENTRAL BANK of the Republic of San Marino;
 - g) the duty of AUDITING accounts and certifying the annual financial statements must be entrusted to an AUDIT FIRM;
 - h) the methods of appointment and dismissal of members of any management bodies with more limited powers (Executive Committees) and directors performing delegated functions, the matters which may be delegated, the determination of their powers and scope of representation, shall be dealt with in appropriate regulations in the Charter;
 - i) provision must be made for the corporate body (Meeting of Shareholders or Board of Directors) that is to be responsible for appointing the HEAD OF THE EXECUTIVE STRUCTURE;
 - j) the minimum amount of the allocation of profits to ordinary reserves shall not be less than the minimum established by the applicable laws and regulations for prudential supervision in matters pertaining to capital adequacy;

- k) amounts set aside for the ordinary reserve shall be usable only to cover losses and for future increases in corporate capital;
- l) in the event of changes in the charter, the President must have the duty of presenting to the Shareholders' Meeting the authorization issued by the CENTRAL BANK, in conformity with the laws and regulations for prudential supervision in matters of changes in the charter;
- m) in the event that CORPORATE OFFICERS cease to meet the requirements of good repute or independence, then they shall be required to notify the Board of Directors and the Board of Auditors immediately;
- n) in cases of conflict of interest by members of the Board of Directors or members of the Board of Auditors, notwithstanding the provisions of Article 54 of the CORPORATIONS ACT, provision shall be made for this matter to be discussed and deliberated upon in the absence of the member concerned;
- o) in the event of clauses pertaining to the acceptance of new shareholders referred to the board for decision, the Charter shall prescribe the objective criteria pursuant to which the application should be assessed;
- p) provision shall be made for the requirement to transmit to the CENTRAL BANK a true and complete copy of the minutes of each Meeting of Shareholders;
- q) for all matters not covered in the charter, reference must be made to the LISF and the implementing Regulations issued by the CENTRAL BANK, as well as the CORPORATIONS ACT by way of supplement.

3. Aspects not covered by the specific provisions under the preceding letters may be decided at will, subject to compliance with the applicable laws.

Article III.III.2 Legal form

1. Pursuant to Article 13 letter b) of the LISF, INSTITUTION must take the form of a stock corporation.

Article III.III.3 Registered office

1. Pursuant to Article 13 letter c) of the LISF, INSTITUTION must have their registered office and, if not identical, their principal place of business, within the territory of the Republic.

Article III.III.4 Corporate capital

1. Pursuant to Article 13 letter d) of the LISF, INSTITUTION must have a corporate capital, fully subscribed and paid in, of not less than:

- Euros 125,000.00 (one-hundred twenty-five thousand) for PAYMENT INSTITUTION;
- Euros 350,000.00 (three-hundred fifty thousand) for ELECTRONIC MONEY INSTITUTIONS.

2. Contributions to the initial share capital other than contributions in cash are not allowed. On the contrary, contributions in kind are allowed for the subsequent increases or reconstructions of the share capital, in compliance with the provisions of the CORPORATIONS ACT, and subject to the prior verification, by the CENTRAL BANK, of

the instrumentality of the assets to be contributed compared to the economic activity resulting from the corporate purpose of the receiving company.

Article III.III.5 Escrow deposit

1. The PROMOTING PARTIES must pay the escrow deposit within the meaning of Article 13 letter e) of the LISF into an appropriate account at a Sammarinese bank, which is not a PROMOTING PARTY.
2. The amount of the escrow deposit shall not be less than the larger of the two amounts indicated below:
 - a) one-half the corporate capital of the INSTITUTION to be formed, as reported in the draft of the instrument of incorporation appended to the application for authorization;
 - b) at least equal to the minimum amount of corporate capital for INSTITUTION as established in the preceding Article.
3. The escrow deposit shall be released by the CENTRAL BANK in favour of the newly formed INSTITUTION within fifteen days after receipt of the instrument of incorporation under the terms of Article 14 of the LISF, subject to notification by the newly established INSTITUTION of the identifying details for a relationship established in its own name on the books of a Sammarinese bank, into which, via a bank transfer and by way of a paying in of corporate capital, is to be credited with the amounts previously deposited by the PROMOTING PARTIES.
4. In accordance with the procedures indicated above, the CENTRAL BANK shall provide appropriate written notification that the escrow account has been released and that the funds have been transferred to the depository bank.

Article III.III.6 Requirements for promoters

1. Pursuant to Article 13, letters f) and g) of the LISF, the PROMOTING PARTIES and their CONTROLLING PARTIES must meet the requirements under Part V, Title II of these Regulations.
2. In the case of corporate PROMOTING PARTIES, proof shall be provided that requirements as to good repute (Chapter I) have been met in regards to their CONTROLLING PARTIES under the previous paragraph, their directors or persons in substantially equivalent positions, as well as the BENEFICIAL OWNERS under Article III.II.5 above.
3. In the case of corporate CONTROLLING PARTIES, proof shall be provided that requirements as to good repute (Chapter I) have been met in regards to their directors or persons in substantially equivalent positions.

Article III.III.7 Requirements for Corporate Officers

1. Pursuant to Article 13 letters g) and h) of the LISF, anyone indicated in the authorization application as a

CORPORATE OFFICER of the INSTITUTION to be formed must meet the requirements of good repute, professional qualifications and independence specified in Part IV, Title II of these Regulations.

Article III.III.8 Program of activities

1. The program of activities specified under letter i) of Article 13 of the LISF must be in writing in the Italian or English language, signed by all PROMOTING PARTIES, and must provide clear and detailed information regarding the following minimum points:

- a) the PAYMENT SERVICES that the INSTITUTION will provide and the terms for their provision; in the case of ELECTRONIC MONEY INSTITUTIONS, the issuing of electronic money and the PAYMENT SERVICES not related to the issuing of ELECTRONIC MONEY that it will provide and the terms for their provision;
- b) the plan for development of the activity;
- c) the main investments that the INSTITUTION intends to make;
- d) the objectives and business strategies that the company will pursue and apply to make them.
- e) the organisational structure of the INSTITUTION, established in accordance with the scheme set out in Annex 1;
- f) a description:
 - of the specific PAYMENT SERVICES that the INSTITUTION intends to provide, their characteristics, the method of operation and regulation of the payment transactions, and the payment system to which the INSTITUTION will participate, as set forth in Annex 2, sections A and B;
 - only for ELECTRONIC MONEY INSTITUTIONS, the ISSUING ELECTRONIC MONEY and its circuit management, as set forth in Annex 2, sections B and C;
- g) the forward-looking statements of the first three fiscal years, which shall indicate, inter alia: the amount of investments that the INSTITUTION intends to make to establish the technical-organizational structure and its financial coverage; the operational dimensions that the INSTITUTION intends to achieve; the expected profits; compliance with prudential requirements;
- h) the measures that will be taken to protect customer funds, as provided for in Part II, Title III.

Title IV

Interim obligations

Article III.IV.1 Forming companies

1. PROMOTING PARTIES, having received the authorization decision under Article III.II.7, shall form the INSTITUTION in compliance with the provisions of the CORPORATIONS ACT and in conformity with the indications of the CENTRAL BANK for the purposes of said authorization.

Article III.IV.2 Transmission of the instrument of incorporation

1. Pursuant to and in accordance with Article 14 of the LISF, within 5 days from the execution of stipulation of the instrument of incorporation (registration, filing, etc.), the legal representative of the newly-established INSTITUTION shall send a true copy thereof to the CENTRAL BANK, with the methods prescribed under Article III.II.6, attaching the certificate of registration and good standing as proof of his/her position

Title V

Approval to begin operations

Article III.V.1 Introduction

1. The INSTITUTION may begin its own activities only after receiving from the CENTRAL BANK the required approval as indicated under Article 9 of the LISF.

Article III.V.2 Terms of the application

1. The application for approval to begin operations must be presented by the INSTITUTION within 12 months of enrolment in the Register of Corporations.

Article III.V.3 Form of the application

1. The application under the preceding Article must bear the signature of the President of the Board of Directors and the President of the Board of Auditors.

Article III.V.4 Content of the application

1. The application must contain all useful information for purposes of acceptance, and must be accompanied by the following documents:

- a) true copy of the instrument of incorporation, including the charter, where amended as compared to that under Article III.IV.2;
- b) the original of the certificate of registration and good standing (“certificato di vigenza”);
- c) a copy of an attestation of license, with an attached declaration for purposes of Article III.V.9 letter e);
- d) the original of a signed attestation from the members of the Board of Auditors that the corporate capital has been fully paid in, with an attached copy of the formal accounting receipts issued by the depository bank;
- e) a copy of the agreement regarding employment commitments, entered into with the Secretary of State for Labour;
- f) a copy of any outsourcing contracts, complete with the minimum service levels and the controls for monitoring the VENDOR’S activities;
- g) a copy of the contract with the AUDIT FIRM engaged to AUDIT the accounts and certify the financial statements;

- h) a copy of the contract for acquisition of the registered office and principal place of business that was sent for purposes of obtaining the business license;
- i) a copy of the license for purchase or use of the software and for information technology support.

2. Copies of the above-indicated contracts must include registration details.

Article III.V.5 Changes and additions to the program of activities

1. Any changes or additions to the program of activities indicated under Article III.III.8 must be reported in the approval application, which must furthermore contain a report on the status of implementation of the program with reference to the date on which the application is presented.
2. The CENTRAL BANK may require modifications to the business plan when the lines of development in it are in conflict with sound and prudent management — with the smooth functioning of the payment system.

Article III.V.6 Methods for submission of the application

1. The methods for submitting the authorization application shall be:
 - a) mailing by registered mail with return receipt;
 - b) hand delivery. In this case, the CENTRAL BANK shall issue an attestation bearing the filing date.
2. The application shall be addressed to the Supervision Department of the CENTRAL BANK of the Republic of San Marino.

Article III.V.7 Time limit for decision

1. Within sixty days from the date of receipt of the application, or the subsequent date of completion of the application if the application is defective or incomplete, the CENTRAL BANK shall notify the requesting INSTITUTION in writing as to whether approval has been granted or denied. The CENTRAL BANK, in granting its approval, may instruct the INSTITUTION to bring the business plan in line with prudential rules, with the informational needs of the Supervisory Authority and with the needs of proper functioning of the payment system.
2. As a consequence of the granting of the approval, the CENTRAL BANK shall forward to the INSTITUTION the necessary information on its effective ownership structures, drawn from the application under Article III.II.1 as well as any supplementary declarations under Article III.II.4.

Article III.V.8 Resubmission of application

1. In the event that an application is denied, the INSTITUTION may resubmit an application for approval, documenting the elimination of the reasons impeding approval.

2. In the event of a further denial, the CENTRAL BANK shall commence investigative proceedings intended to verify, for purposes of a possible revocation of authorization, the existence of any of the conditions indicated under Article 10 of the LISF.

Article III.V.9 Minimum requirements

1. The minimum requirements for obtaining approval shall be as follows:

- a) to have, in stable form, human resources in sufficient number and with suitable professional qualifications to ensure sound and prudent management during the start-up phase of the PAYMENT SERVICES and/or of the ELECTRONIC MONEY ISSUING SERVICES, as well as the other reserved activities exercised secondarily;
- b) to have, in stable and exclusive form, meaning not shared with other parties other than subsidiary FINANCIAL ENTERPRISES, even if gratuitous bailees or sub-lessees, a principal place of business suitable for the provision of PAYMENT SERVICES and/or ELECTRONIC MONEY ISSUING SERVICES, with particular regard to accesses, installations and systems for protection against the risks of fire and theft;
- c) to have suitable structures and strong facilities for keeping custody of valuables, documents with confidential content;
- d) to have adequate technological resources to process and store data, with particular regard to disaster recovery plans;
- e) to have obtained a license without making use of the simplified procedure under Article 59 of Law 165 of 18 December 2003, or, in the contrary case, to have already met the requirements for the display of a license.

2. For purposes of verifying the requirements under letter e), the applicant INSTITUTION must attach to the license attestation an appropriate declaration issued for this purpose by the competent government office.

Article III.V.10 Inspections

1. The CENTRAL BANK may also verify the existence of the requirements under the preceding Article by accessing the applicant INSTITUTION.

Article III.V.11 Notification that the enterprise has commenced operations

1. An INSTITUTION which, having obtained the authorization pursuant to Article III.V.1, has commenced operations, shall be required to provide the CENTRAL BANK with immediate written notification of this development.

Title VI

Activities of foreign entities

Chapter I

Branches of foreign institutions

Article III.VI.1 Requirements for authorization

1. Issuance of authorization is subject to verification of the following conditions:

- a) the existence in the foreign INSTITUTION's parent country of appropriate regulations with respect to supervision, including supervision on a consolidated basis, including activities conducted abroad;
- b) the existence of agreements for the exchange of information with the Supervisory Authorities of the parent country of the applicant foreign INSTITUTION;
- c) authorization and actual conduct, within the parent country, of the activities that the BRANCHES intend to conduct in the Republic of San Marino;
- d) compliance with conditions of reciprocity in the parent country;
- e) prior consent from the Supervisory Authority of the parent country for opening the BRANCH in San Marino and conducting the activities previously selected by the INSTITUTION overseen by that Authority;
- f) the existence of a capital endowment of not less than the minimum corporate capital established for Sammarinese INSTITUTION;
- g) the presentation of a three-year program for the activities of the BRANCH;
- h) possession of the requirements of professional qualifications, good repute and independence on the part of the BRANCH OFFICERS.
- i) possession of the authorization to provide PAYMENT SERVICES or ELECTRONIC MONEY ISSUING SERVICES, even through the BRANCHES or through the PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT, granted in one or more of the Equivalent Countries for the purpose of combating financial crime (money laundering, usury, terrorist financing, etc.) according to the list drawn up and updated by resolution of the Congress of State.

Article III.VI.2 Application for authorization

1. The application must contain all information considered useful for purposes of presenting the project, and must include the following documents as attachments:

- a) a program of activities containing the information indicated in the following Article;
- b) a copy of the charter and the instrument of incorporation of the parent company;
- c) a copy of the single-entity financial statements and, where available, consolidated financial statements, for the past three financial years, accompanied by a note summarizing the organization into BRANCHES and FINANCIAL ENTERPRISES, as well as the operations, of the parent company or group to which the enterprise belongs;

- d) certificates pursuant to Article III.II.3 under letters d) and e) and a copy of the decisions by the management body that verified their validity, pursuant to Part IV of these Regulations;
- e) a declaration by the Supervisory Authority of the parent country indicating its consent to the opening of the BRANCH in San Marino and to the INSTITUTION's conducting its chosen activities, as well as an attestation that these activities are indeed also conducted by the parent company;
- f) an attestation from the Supervisory Authority of the parent country regarding the soundness of assets and the adequacy of the organizational, management and accounting structures of the parent company or FINANCIAL GROUP to which it belongs;
- g) a copy of the formal accounting receipt issued by the CENTRAL BANK of the Republic of San Marino or a Sammarinese bank in favour of the BRANCH at the time when the capital endowment was paid in.

2. The originals or true copies of the documentation listed above under letters b) c) d) e) and f), unless indicated otherwise, must be produced and the certifications indicated under letter d) must have been issued not more than 6 months prior to the date on which the application is submitted.

Article III.VI.3 Program of activities

1. The program of activities must be in writing in Italian or English, and must provide clear and detailed information regarding the following minimum points for the first three years of activity:

- a) intended investments in order to start up operations, with particular regard to the acquisition of the registered office and principal place of business, the associated equipment and furnishings, and electronic apparatus;
- b) a time schedule for the aforesaid investments;
- c) any additional financial resources, above and beyond the capital endowment that the BRANCH may have available for conducting its activities in San Marino;
- d) the size of operations that the BRANCH proposes to achieve;
- e) the expected economic results (profit and loss) for the three-year period;
- f) the products and services it intends to offer, specifying their times of activation, type of customers and the markets to which they will primarily be addressed, as well as distribution channels;
- g) an organization chart and function flow chart of the BRANCH;
- h) the SYSTEM OF INTERNAL CONTROLS, identifying, in particular, those who will perform the functions of internal auditing, compliance officer and risk manager;
- i) any functions that will be outsourced, and identification of those to whom they will be outsourced;
- j) architecture of the information and accounting systems, principal IT procedures intended for use, and software vendors;
- k) professional qualifications of SENIOR MANAGEMENT STAFF;
- l) data and document storage procedures, both on paper and electronic, and protection systems to be adopted to ensure their preservation and confidentiality.

Article III.VI.4 Requirements for Branch Officers

1. BRANCH OFFICERS must meet the following requirements in a form equal or substantially equivalent to the requirements under Part IV of these Regulations for Sammarinese INSTITUTION:

- a) the requirements of good repute established for CORPORATE OFFICERS;
- b) the requirements of professional qualifications established for HEAD OF EXECUTIVE STRUCTURE;
- c) the requirements for independence established for General Manager.

Article III.VI.5 Authorization procedure

1. The foreign INSTITUTION must present the application for authorization to open the BRANCH to the Supervision Department of the CENTRAL BANK of the Republic of San Marino by the methods indicated in Article III.II.6, or by courier.

2. Within the time periods indicated under Article III.II.7, the CENTRAL BANK shall notify the foreign INSTITUTION in writing of whether authorization has been granted or denied.

3. The period of time indicated above may be:

- a) suspended if an examination of the information reveals issues that make it necessary to investigate further or to request further information from the Supervisory Authority of the parent country;
- b) interrupted, in the event that the documentation submitted proves incomplete or inadequate.

4. Cases of suspension or interruption of the period of time shall be governed by the provisions set forth in Articles III.II.8 and III.II.9.

5. Within ten days of receiving a copy of the agreement with the Secretary of State for Labour with respect to employment obligations, unless inconsistent with the program of activities presented for purposes of obtaining the authorization, the CENTRAL BANK shall submit a copy of the authorization decision to the Congress of State, by way of the Committee for Credit and Savings.

6. The permission resolution issued by the Congress of State pursuant to Article 75 Paragraph 2 of the LISF shall give effect to the authorization decision issued by the CENTRAL BANK.

7. For the beginning of operations, the approval by the CENTRAL BANK under article 9 of the LISF is not required.

8. The BRANCH of a foreign INSTITUTION that, after being granted the permission resolution under paragraph 6, has begun operations, must immediately give written notice to the CENTRAL BANK.

Article III.VI.6 Applicable provisions

1. The provisions in these Regulations that shall be applicable to BRANCHES of foreign INSTITUTION in San Marino, shall be those contained:

- a) under Part II, with reference to the activity conducted by the BRANCH;
- b) under Part IV, with reference to the BRANCH OFFICERS;
- c) under Part VII, with reference to regulations for prudential supervision, with the sole exception of those provisions pertaining to changes in the charter;
- d) under Part VIII, with reference to regulations for off-site supervision and on-site supervision;
- e) under Part X, with reference to relationships attributable to the BRANCH.

2. The opening of further BRANCHES after the first one shall be subject to the same provisions of Part VII, Title V of these Regulations as apply to the opening of new offices in the territory by Sammarinese INSTITUTION.

3. BRANCHES of foreign INSTITUTION are required to send the following to the CENTRAL BANK, within sixty days of their approval by the competent corporate bodies:

- the annual financial statements of their parent company;
- any consolidated financial statements of the group they are part of;
- any changes to the parent company's charter;

prepared as required by the legislation of the foreign country and, if not drawn up in Italian or English, shall be translated into Italian in a certified translation.

4. The BRANCHES must furthermore submit to the CENTRAL BANK, by 30 June of each year, the year-end Balance Sheet pertaining to their own activities and prepared, by 31 May, in conformity with the provisions applicable to Sammarinese INSTITUTION.

Chapter II

Provision of Services without Permanent Establishment

Article III.VI.7 – Scope of application of the regulation

1. PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT exists in any case where PAYMENT SERVICES or ELECTRONIC MONEY ISSUING SERVICES are provided within the territory of San Marino without established BRANCHES, through a temporary organization, or also through the actual presence in Sammarinese territory of persons engaged by the service provider, even if only occasionally, or through the use of DISTANCE COMMUNICATION TECHNOLOGIES, within the limits of the provisions specified hereunder, or through an INDEPENDENT INTERMEDIARY.

2. Services provided by mail or other means of communication (telephone, fax, computer networks, etc) shall be covered by the rules governing PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT, provided that both of the following conditions are met:

- a) the service is provided as part of a commercial initiative by the service provider on Sammarinese territory, and is not merely limited to promotion but includes an INVITATION TO ENTER INTO CONTRACTS;
- b) the offering of services precedes the physical presence of the service provider for the execution of the legal instruments, or else the contract for the provision of service can be entered into at a distance, i.e., without the simultaneous presence of the service provider and the addressee.

3. PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT also includes INVITATIONS TO ENTER INTO CONTRACTS which foreign INSTITUTION execute in any event in Sammarinese territory through Sammarinese commercial operators or other authorized parties which, due to their category, do not fall within the definition of INDEPENDENT INTERMEDIARIES.

4. The rules governing PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT shall not apply to miscellaneous services provided without the presence of the service provider on Sammarinese territory for which the conditions indicated under letters a) and b) above are not met, and these services may therefore be provided freely.

5. The rules governing PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT also shall not apply to services provided over the Internet, which may therefore be provided freely, provided that this is done pursuant to contracts entered into in San Marino through BRANCHES or INDEPENDENT INTERMEDIARIES.

6. The rules governing PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT shall not apply to services provided through non-independent intermediaries, as defined under Article I.I.2.

Article III.VI.8 Requirements for authorization

1. Issuance of authorization is subject to verification of the following conditions:

- a) the existence in the foreign INSTITUTION'S parent country of appropriate regulations with respect to supervision, including supervision on a consolidated basis, including activities conducted abroad;
- b) the existence of specific agreements for the exchange of information with the relevant Authorities of the country of origin;
- c) authorization and actual performance, within the parent country, of the services that the enterprise intends to provide in the Republic of San Marino;
- d) compliance with conditions of reciprocity in the parent country;

- e) prior consent from the Supervisory Authority of the parent country for the application to provide services without a permanent establishment in San Marino by the INSTITUTION overseen by that Authority;
- f) compliance of the methods of providing service with the regulations applicable to Sammarinese INSTITUTION for the provision of the same or equivalent services;
- g) compatibility of the applied-for authorization with the structure and economic requirements of the domestic market;
- h) possession of the authorization to provide PAYMENT SERVICES or ELECTRONIC MONEY ISSUING SERVICES, even through the BRANCHES or through the PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT, in one or more of the Equivalent Countries for the purpose of combating financial crime (money laundering, usury, terrorist financing, etc.) drawn up and updated by resolution of the Congress of State.

Article III.VI.9 Application for authorization

1. The application must enclose the attestation from the Supervisory Authority of the parent country regarding capital adequacy, appropriateness of organizational, administrative, and accounting structures of the foreign INSTITUTION and any FINANCIAL GROUP to which the entity belongs, and must also contain all information considered useful for purposes of accepting the application, with particular regard to the following:

- a) the description of the services and products to be provided;
- b) the methods by which the service is to be performed.

Article III.VI.10 Authorization procedure

1. In regard to the authorization procedure, referral is made to the provisions under Article III.VI.5 with reference to the application by a foreign INSTITUTION to open a BRANCH, with the exception of paragraphs 5 and 6.

Article III.VI.11 - Applicable provisions

1. The provisions applicable to foreign INSTITUTION operating in San Marino under the rules for the PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT, compliance with which will be verified by the CENTRAL BANK, are all the provisions included in Part X, with reference to relations with CUSTOMERS.

Chapter III

Representative offices

Article III.VI.12 – Prohibition on conducting reserved activities

1. PAYMENT SERVICES or ELECTRONIC MONEY ISSUING SERVICES and any other reserved activity indicated in Annex 1 to the LISF and any form of intermediation in the offer of products and services covered by said activities are not to be conducted at Representative Offices.

Article III.VI.13 Requirements

1. Foreign INSTITUTION may open a REPRESENTATIVE OFFICE in the Republic of San Marino, subject to the following conditions:

- a) the Supervisory Authority of the parent country must have issued an appropriate authorization to the foreign INSTITUTION;
- b) the parent country guarantees respect for reciprocity requirements;
- c) there must be appropriate understandings regarding the exchange of information between the Sammarinese Supervisory Authority and the foreign Supervisory Authority, including for purposes of verifying actual compliance with the prohibition under the preceding Article.

Article III.VI.14 Procedure

1. Foreign INSTITUTION that intend to open a REPRESENTATIVE OFFICE in the Republic of San Marino must submit a communication to the Supervision Department of the CENTRAL BANK of the Republic of San Marino, by the methods indicated in Article III.II.6 or by courier, at least sixty days prior to opening.

2. The communication must show:

- a) the business address;
- b) the planned opening date;
- c) the identifying PARTICULARS of the managers of the office;
- d) the activity to be conducted.

3. The following must be appended to the communication:

- a) a copy of the attestation from the competent authorities of the parent country, showing that the reporting INSTITUTION has complied with any formalities required under the governing regulations of the parent country;
- b) curricula vitae of the managers of the REPRESENTATIVE OFFICE, signed by said managers.

4. The REPRESENTATIVE OFFICE may begin to operate after 60 days since the receipt of the notice by the CENTRAL BANK and shall give prompt written notice to the CENTRAL BANK of any changes to the information as per paragraph 2.

5. The CENTRAL BANK may conduct inspections of the REPRESENTATIVE OFFICE, in particular for the purpose of verifying that the office complies with the prohibition under Article III.VI.12.

Title VII

Changes, waivers, and revocations of authorization

Article III.VII.1 Application for changes

1. INSTITUTION under Article 8 of the LISF may apply to the CENTRAL BANK to change the scope of their own authorization in order to add or remove a reserved activity or branch thereof.
2. The application shall be submitted in accordance with the procedures specified in Article III.II.6, shall clearly illustrate the rationale for the application and the results anticipated therefrom, and shall enclose a true copy of the pertinent decision of the Board of Directors, or, in cases where this leads to a change in the corporate purposes envisaged in the charter, of the decision of the Meeting of Shareholders.
3. Within sixty days of receiving the application or within any longer period of time that may be specified by the regulations in connection with the reserved activities whose inclusion (within the scope of the authorization) is requested, the CENTRAL BANK shall provide the INSTITUTION with written notification that the application for authorization has been accepted or denied, in accordance with the provisions of Part II, Title II, above.
4. The period of time indicated above may be:
 - a) suspended, in the event that a review of the information indicates issues which necessitate further clarifications, or in the case of BRANCHES of foreign INSTITUTION, points to the need to request additional information from the Supervisory Authority of the parent country;
 - b) interrupted, in the event that the documentation submitted proves incomplete or inadequate.
5. Cases of suspension or interruption of the period of time shall be governed by the provisions set forth in Articles III.II.8 and III.II.9.

Article III.VII.2 Waiver of authorization

1. Authorization may be waived by the interested party.
2. In such cases the party that has waived the authorization shall immediately notify the CENTRAL BANK in accordance with the methods set forth in Article III.II.6, indicating the reasons for its decision as well as a plan for winding down any activities that are currently being performed.
3. Waivers shall take effect from the date on which the authorization is deleted from the Register of Interested Parties referred to in Article 11 of the LISF. Said deletion shall be ordered by the CENTRAL BANK in accordance with an appropriate decision, written notice of which shall be delivered to the interested party.

Article III.VII.3 Revocation of authorization

1. Under Article 10 of the LISF, the CENTRAL BANK may revoke authorization to provide PAYMENT SERVICES and/or ELECTRONIC MONEY ISSUING SERVICES in cases in which the authorized party:

a) no longer meets the requirements referred to in:

1) Part III, Title III and/or in Article III.V.9, in the case of Sammarinese INSTITUTION;

2) Article III.VI.1, in the cases of the Sammarinese BRANCHES of foreign INSTITUTION;

3) Articles III.VI.8 or III.VI.13, in the case of foreign INSTITUTION lacking a permanent establishment or using representative offices;

b) has failed to engage in any of the activities contained in the authorization/approval for over 12 months;

c) has ceased, for more than six months, to engage in all activities for which it obtained the authorization;

d) obtained its authorization/approval by making misrepresentations or submitting false documents, or by having recourse to any other irregularities;

e) has an instrument of incorporation that is not in conformity with the version submitted for purposes of obtaining the authorization.

2. Pursuant to letter c) of the previous paragraph, no contracts were outstanding during the period indicated therein, entered into under the exercise of reserved activity.

PART IV

CORPORATE OFFICERS

Title I

Introduction

Article IV.I.1 Legislative basis

1. The provisions of this Part have their legislative basis in Articles 15 and 46 of the LISF.

Article IV.I.2 Administrative penalties

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Articles 6, and 18.

Title II

Requirements

Chapter I

Requirements of good repute

Article IV.II.1 Requirements

1. The CORPORATE OFFICERS of INSTITUTION must meet the following requirements of good repute, without prejudice to the provisions of Article IV.IV.4 and without prejudice to their meeting the suitability requirements under Article 1, paragraph 1, point 9, of the CORPORATIONS ACT:

- a) not having been definitively convicted, without prejudice to the effects of rehabilitation, and imprisoned for SUBSTANTIAL CRIMES;
- b) not having been definitively convicted, without prejudice to the effects of rehabilitation, of misdeeds included under crimes against public order, against the public or private trust or against the public administration, for which a non-suspended sentence of imprisonment was ordered for a time period of no less than one year;
- c) not having been definitively convicted, without prejudice to the effects of rehabilitation, of other types of misdeeds, for which a non-suspended sentence of imprisonment was ordered for a time period of no less than two years;
- d) not having held positions as CORPORATE OFFICERS in the last five years, in FINANCIAL ENTERPRISES subject to extraordinary measures under Part II, Title II, Chapters I and II of the LISF;

2. The requirements of good repute pursuant to the previous paragraph must also be met with regard to the absence of equivalent definitive convictions (letters a, b and c) or to the absence of situations of impediment (letter d) applied in jurisdictions other than that of San Marino.

3. The requirement under paragraph 1, letter d) shall be understood as not being met when the position of CORPORATE OFFICER was covered for at least 18 months in the last 24 months prior to the adoption of the measure and the CORPORATE OFFICER has been subject to administrative penalties in relation to the same conditions as the measure.

Article IV.II.2 Methods of certification

1. Possession of the requirements indicated under the preceding Article shall be proved by:

- a) producing the general certificate of a clear criminal record, the certificate of absence of pending charges, and the civil certificate or certificate of no history of bankruptcy, issued by the competent public offices in the place of the person's address of record for the longest period in the last five years, in compliance with the criteria of "substantial equivalence" under Article 1, paragraph 2 of the CORPORATIONS ACT;
- b) producing, relating to all remaining jurisdictions, a personal certification rendered by the interested party vis-à-vis a Sammarinese notary public, using the form annexed to these Regulations as Annex A.

2. The certificates under the first paragraph shall be accompanied by an IDENTITY DOCUMENT that is currently valid, also in order to verify that the issuing public authority has territorial jurisdiction.

3. The certificates under the first paragraph, letter a), may also be presented as a single cumulative document.

Chapter II

Requirements of professional qualifications

Article IV.II.3 Members of the Board of Directors

1. The members of the Board of Directors of an INSTITUTION must have gained in the last ten years experience totalling not less than three years in one of the activities described below:

- a) management, senior management or supervision at enterprises, not meeting the definition of COMPANIES IN DEFAULT;
- b) freelance professional or university-level teaching activities in affairs pertaining to the sectors of credit, finance, securities, or at all events bearing a functional relationship to the activity of the INSTITUTION;
- c) administrative or executive functions at public financial companies or administrations that have to do with the banking, financial and currency sector, or public financial companies or administrations that have no relevance to these sectors, provided they involve the management of financial resources.

2. For the purposes of letter a), bankruptcy proceedings or extraordinary measures or equivalent foreign measures shall be meaningful only if initiated during the period in which the party in question had been performing, for at least one year, management, senior management or supervisory posts in said company or in the year following the termination of such functions

3. The Chairman of the Board of Directors shall be chosen from among members referred to in previous paragraph 1 who have a total experience of at least 5 years.

4. The professional requirements for the Managing Directors are described in the following article.

Article IV.II.4 Head of the Executive Structure

1. The HEAD OF THE EXECUTIVE STRUCTURE must have specific skills and experience gained over the most recent decade with at least five years of professional activity as SENIOR MANAGEMENT STAFF of FINANCIAL ENTERPRISES, which do not meet the definition of COMPANIES IN DEFAULT, without prejudice to the provisions of Article IV.II.3, paragraph 2.

Article IV.II.5 Board of Auditors

1. Without prejudice to the provisions of Article 61(4) of the CORPORATIONS ACT, members of the Board of Auditors must meet the following requirements:

- a) at least one of the auditors must be a registered under Section A of the professional register of chartered accountants and auditors (Dottori Commercialisti e degli Esperti Contabili) of the Republic of San Marino;
- b) at least one of the auditors must be a member of the professional registers of attorneys and notaries of the Republic of San Marino;
- c) the remaining auditors may be chosen from among persons belonging to one of the following categories:
 - 1) persons meeting the requirements set forth in Article IV.II.3;
 - 2) persons enrolled in the register of auditors referred to under Law 146 of 27 October 2004;
 - 3) foreign persons duly authorized in their country of residence to engage in the self-employed professions mentioned in this article.

2. Except in the cases where the controlling shareholder is a foreign party, the President of the Board of Auditors shall be one of the auditors pursuant to letters a) and b) of the above paragraph. In any event, in assigning the presidency of the supervisory body, an efficient and prompt execution of the prerogatives and functions reserved to the President must be ensured.

Article IV.II.6 Methods of certification

1. Possession of the required professional qualifications under the preceding Articles must be certified by presenting the following documents:
 - a) curriculum vitae, dated, signed and filled out with the management, senior management and supervisory positions held as at the date of compilation and in at least the five years preceding, even if these are positions which are not meaningful under Article IV.II.3, paragraph 1, letter a), as held in NON-FINANCIAL ENTERPRISES or in COMPANIES IN DEFAULT;

b) a personal certification rendered by the interested party vis-à-vis a Sammarinese notary public, using the template attached to these Regulations under letter B or, solely for statutory auditors and without prejudice to the situation referred to in the first paragraph of letter c) of Article IV.II.5, a certificate of professional membership or license.

Chapter III

Requirements of independence

Article IV.II.7 Members of the Board of Directors

1. Members of the INSTITUTION's Board of Directors shall not:

- a) be a member of the Board of Auditors or other AUDITOR of companies in which the INSTITUTION directly or indirectly holds an interest, or which directly or indirectly hold an interest in the company's own corporate capital;
- b) be the spouse, close relative or relation up to and including the fourth degree of anyone fitting any of the descriptions under Items a) above;
- c) be an employee of the Public Administration, or of Public Entities or Enterprises [Aziende Autonome].

Article IV.II.8 Board of Auditors

1. The members of a INSTITUTION's Board of Auditors, without prejudice to the provisions of Article 60 of the CORPORATIONS ACT, may not:

- a) hold the office of a director in companies in which the INSTITUTION directly or indirectly holds an interest, or in EQUITY STAKEHOLDERS of the INSTITUTION;
- b) directly or indirectly hold SUBSTANTIAL INTERESTS in the INSTITUTION or in the companies indicated under letter a);
- c) be tied in any way to the INSTITUTION or the companies under letter a) by an ECONOMIC RELATIONSHIP;
- d) be the spouse, close relative or relation up to and including the fourth degree of anyone fitting any of the descriptions under letters a), b), and c) above;
- e) be an employee of the Public Administration, or of Public Entities or Enterprises [Aziende Autonome]

Article IV.II.9 Method of certification

1. Possession of the requirements of independence as indicated in the preceding Articles must be certified by the individuals themselves by an authentic declaration rendered before a Sammarinese notary public by the party concerned, using the forms appended to these Regulations as Items C1, C2, and C3.

Title III

Substantive and procedural issues

Article IV.III.1 Requirements for validity of certificates

1. The certificates as indicated in the preceding Title must meet the following requirements:
 - a) be an original or a true copy certified by a Sammarinese notary public;
 - b) be dated no earlier than 6 months before the date of submission;
 - c) be written in Italian, or if written in a foreign language, include as an attachment a certified translation into the Italian language.

Article IV.III.2 Presentation to the Board of Directors

1. The documentation required for purposes of verifying compliance with the requirements of good repute, professional qualifications and independence, as well as the continuation of the requirements of good repute and independence, of CORPORATE OFFICERS, shall be presented by the individuals concerned to the INSTITUTION's Board of Directors within ten days after their acceptance of the appointment, even in the event of renewal of office.
2. The verification of continuation of the requirements of good repute and independence of the General Manager must be carried out by the INSTITUTION's Board of Directors concurrent with the same verification procedures envisaged for its members on renewal of the term of the management body.

Article IV.III.3 Verification by Board of Directors

1. At its first working meeting, with the interested parties absent, the Board of Directors shall examine the produced documentation with particular regard to:
 - a) The objectivity of the information presented in the curriculum vitae
 - b) The validity of the documents under the terms of Article IV.III.1.

Article IV.III.4 Decision of the Board of Directors

1. After completing the verification activities as indicated in the preceding Article, the Board of Directors, with interested parties absent, shall make a separate decision on each of the nominated CORPORATE OFFICERS, fully recording the activities performed for verification, the certifications examined and expressing their own evaluation of the probative completeness of the documentation.
2. For individuals whose documentation is found to be deficient, the Board shall decide whether or not to postpone a decision for a later meeting, recording in the decision the additions to be made, in conformity with the terms for declaration of expiration under Article 15 Item 2 of the LISF.

Article IV.III.5 Communication to the Central Bank

1. A true copy of the decisions adopted by the Board of Directors, in final form, for each of the CORPORATE OFFICERS, together with the updated certificate of registration and good standing and a copy of the curricula vitae, must be sent within 30 days after the date of the recording of the nominations in the Register of Companies, to the CENTRAL BANK, by the means indicated in Article III.II.6.

2. In case a General Manager is appointed, the deadline for submission to the CENTRAL BANK referred to in the preceding paragraph shall begin from the date on which the decision of the Board of Directors was taken in final form.

Article IV.III.6 – Central Bank’s controls

1. If, while controlling the documents as provided for in the preceding article, inability to meet certain requirements or procedural faults should arise, the CENTRAL BANK may require the Board of Directors to take the measures envisaged in the following Title.

Article IV.III.7 Recording of Corporate Officers in the Register of Companies

1. The provisions referred to above shall not supersede the obligations to file certifications under the CORPORATIONS ACT with the Office of the Clerk of the Court for the purpose of having the Corporate Officers recorded in the Register of Companies.

Title IV

Removal from office and suspension

Chapter I

Removal from office

Article IV.IV.1 Reasons for removal

1. Without prejudice to the provisions of the CORPORATIONS ACT regarding removal from office of directors and members of the Board of Auditors, failure to meet one or more requirements of good repute or independence under this Part shall result in the INSTITUTION’s OFFICER’s being removed from the position or from office pursuant to Article 15 Para. 2 of the LISF.

Article IV.IV.2 Ordinary procedure

1. A copy of the decision of the Board of Directors declaring removal from office must be sent to the CENTRAL BANK by the methods indicated under Article III.II.6 within ten days after the meeting date. The decision must include sufficiently detailed information about the reasons that resulted in the removal of the CORPORATE OFFICER from office. Furthermore, in cases where the HEAD OF THE EXECUTIVE STRUCTURE is being

removed from office, details must be provided specifying the person who will perform those functions on an acting basis.

2. In the case of the removal of a director, member of the Board of Auditors, or General Manager, the Board of Directors must provide immediately for the subsequent appointment of a replacement in accordance with the Charter.

3. The procedure described in the preceding Title shall apply for individuals appointed as replacements by the Shareholders' Meeting or the Board of Directors.

Article IV.IV.3 - Extraordinary procedure

1. In the event of failure to act on the part of the Board of Directors, without prejudice to the powers assigned to the Board of Auditors under Article 63 of the CORPORATIONS ACT, if the CENTRAL BANK learns of the occurrence of a reason for removing a CORPORATE OFFICER from office, it may declare that removal by its own order stating reasons, to be communicated in writing within ten days after the issue of the order to both the INSTITUTION and the officer concerned and, concurrently, call the meetings of the corporate decision-making bodies, under Art. 46 of the LISF.

Chapter II

Suspension

Article IV.IV.4 - Possible reasons for suspension

1. Without prejudice to the provisions of the CORPORATIONS ACT regarding suspension of directors, members of the Board of Auditors and the suitability requirements, the following shall be possible cause for suspension from the position of director, member of the Board of Auditors, or General Manager of the INSTITUTION:

- a) a non-final conviction with a custodial sentence in line with the provisions under Article IV.II.1, due to the duration and type of crime;
- b) imposition of a precautionary measure against the individual's person.

Article IV.IV.5 Ordinary Procedure

1. In the cases referred to in the preceding article, the Board of Directors — within 30 days of the time when it learns of the existence of a possible reason for suspension involving a CORPORATE OFFICER—shall deliberate on the matter, assessing the appropriateness of suspending that CORPORATE OFFICER from the performance of executive, directorial, or supervisory functions and explaining the resulting decision.

2. Within 10 days of the date of the meeting, a copy of the decision referred to in the preceding paragraph shall be forwarded to the CENTRAL BANK in accordance with the methods referred to in Article III.II.6.

3. In the event that the Board of Directors makes a suspension decision, for a period which may not exceed 90 days, then before the period in question has elapsed, the Meeting of Shareholders, after having consulted the Board of Auditors as recorded in the meeting's report, shall decide whether to remove the CORPORATE OFFICER from office or reinstate the CORPORATE OFFICER who has been suspended from the exercise of his or her assigned functions.

Article IV.IV.6 – Extraordinary Procedure

1. In the event of failure to act on the part of the Board of Directors, without prejudice to the powers assigned to the Board of Auditors under Article 63 of the CORPORATIONS ACT, if the CENTRAL BANK learns of the occurrence of a reason for suspending a CORPORATE OFFICER from office, it may declare that suspension by its own order stating reasons, to be communicated in writing within ten days after the issue of the order to both the INSTITUTION and the officer concerned and, concurrently, call the meetings of the corporate decision-making bodies, under Art. 46 of the LISF.

Article IV.IV.7- Special procedure

1. In the cases where the causes for suspension under Article IV.IV.4 do not apply, but, however, prejudicial elements have arisen, objectively documented during the investigation under the combined provisions of Articles 42 and 104 of the LISF, against a CORPORATE OFFICER such as to give rise, in the CENTRAL BANK'S opinion, to a well-founded danger of serious prejudice to the reputation and/or the stability of the INSTITUTION, the CENTRAL BANK, under Article 46, paragraph 1, letter b) of the LISF, may order that the Board of Directors' meeting be immediately called, placing the suspension of the CORPORATE OFFICER on the agenda. Once 30 days have passed from the order of call, in the event that the Board of Directors fails to suspend said Officer, the suspension is declared by the CENTRAL BANK by its own order stating reasons, as a precautionary measure under Article 44 of the LISF.

2. The special temporary suspension under this paragraph may be ordered for a period not exceeding 6 months.

PART V

OWNERSHIP STRUCTURES

Title I

Introduction

Article V.I.1 Legislative basis

1. The provisions under this Part have their legislative basis in Articles 16 through 23 of the LISF.

Article V.I.2 Administrative Sanctions

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Articles 5, and 18.

Title II

Requirements

Chapter I

Good repute

Article V.II.1 Requirements

1. Within the meaning of Article 18 of the LISF, APPLICANTS and their CONTROLLING PARTIES must meet the same requirements of good repute set forth in Article IV.II.1 for purposes of holding SUBSTANTIAL INTERESTS in the corporate capital of the INSTITUTION.

2. In the case of corporate APPLICANTS, proof shall be provided that requirements as to good repute have been met in regards to their CONTROLLING PARTIES under the first paragraph, their directors or persons in substantially equivalent positions, as well as the BENEFICIAL OWNERS under Article III.II.5 above.

3. In the case of corporate CONTROLLING PARTIES, proof shall be provided that requirements as to good repute have been met in regards to their directors or persons in substantially equivalent positions.

4. In case the APPLICANTS intend to hold SUBSTANTIAL INTERESTS through an intermediary fiduciary company, proof shall be provided that requirements as to good repute have been met, without prejudice to that set forth in Article V.II.5, also in regards to the directors or persons in substantially equivalent positions in the fiduciary company.

Article V.II.2 Methods of certification

1. Possession of the requirements indicated under the preceding Article shall be proved by:

- a) producing the general certificate of a clear criminal record, the certificate of absence of pending charges, and the civil certificate or certificate of no history of bankruptcy, issued by the competent public offices in the place of the person's address of record for the longest period in the last five years, in compliance with the criteria of "substantial equivalence" under Article 1, paragraph 2 of the CORPORATIONS ACT;
- b) producing, relating to all remaining jurisdictions, a personal certification rendered by the interested party vis-à-vis a Sammarinese notary public, using the form annexed to these Regulations as Annex A.

2. The certificates under the first paragraph shall be accompanied by an IDENTITY DOCUMENT that is currently valid, also in order to verify that the issuing public authority has territorial jurisdiction:

3. The certificates under the first paragraph, letter a), may also be presented as a single cumulative document.

Article V.II.3 Foreign certificates

1. In the event of certificates under the previous article, paragraph 1, letter a), issued outside of San Marino, the CENTRAL BANK, has the sole right, for the supervisory purposes under these Regulations, not to recognize certifications produced as useful or sufficient when the attached translations under the following article do not fully meet the above criteria for verification.

Article V.II.4 Requirements for validity of certificates

1. The certificates as indicated in Article V.II.2, paragraph 1, letter, a) must meet the following requirements:

- a) be an original or a true copy certified by a Sammarinese notary public;
- b) be dated no earlier than 6 months before the date of submission;
- c) be written in Italian, or if written in a foreign language, include as an attachment a certified translation into the Italian language.

Article V.II.5 Exempt parties

1. The following APPLICANTS are exempt from the responsibility of certifying that they meet the requirements of good repute:

- a) authorized entities indicated under Article 1 of the LISF;
- b) the Sammarinese Public Administration;
- c) the entities referred to in Article V.II.6 Paragraph 3.

2. The exemption under the previous paragraph also applies to the CONTROLLING PARTIES and any additional BENEFICIAL OWNERS of the parties listed herein.

Chapter II

Sound and prudent management

Article V.II.6 Requirements

1. For purposes of the APPLICANTS' (and, if not identical with the Applicants, their CONTROLLING PARTIES) meeting the requirements for capability of ensuring sound and prudent management of the authorized entity, the CENTRAL BANK shall evaluate the following conditions:

- a) scope of past business experience, especially if acquired in reserved activities;
- b) financial soundness and ability to contribute further resources, both to develop the authorized entity and to make up any losses;
- c) absence of any information giving rise to a presumption that the authorized entity may be subject to the financing needs of the controlling persons or entities;
- d) absence of ties of any nature, including through family or by association, that could compromise the level of independence from EQUITY STAKEHOLDERS;
- e) transparency of the source of the invested capital;
- f) protection from risks of contagion from activities performed by other entities within the same corporate group;
- g) autonomy within the corporate group, such as to ensure attentive and full compliance with instructions from the CENTRAL BANK;
- h) residence within the territory of San Marino or in foreign countries whose supervisory institutions are evaluated favourably by the international community;
- i) suitability, with reference to Article 16 paragraph 5 of the LISF, to ensure that the CENTRAL BANK will constantly be aware of and be able to verify the effective ownership structures of the INSTITUTION and, as a result, the effective exercise of the supervision function on the existence and continuation of said structures meeting the prescribed requirements of good repute and capability of ensuring sound and prudent management.

2. For the purpose of the ability to provide sound and prudent management, in the event of taking control of the INSTITUTION, the APPLICANTS and their CONTROLLING PARTIES must also meet reputational requirements, which are considered met if in the past five years said parties:

- a) have not undergone several disciplinary and/or penalty proceedings imposed by public authorities and/or supervisory and regulatory entities in the financial sector, including foreign authorities or bodies;
- b) have not been subject to investigative procedures with a view to the adoption of the proceedings referred to above, and still in progress;
- c) have not been subject to negative references documented by the public authorities, including foreign authorities;
- d) have not been subject to bankruptcy protection proceedings, extraordinary proceedings, or foreign procedures equivalent to those being regulated in each case by the following Laws respectively:

- 1) Law 17 of 15 November 1917, and Article 115 of the CORPORATIONS ACT;

2) Part II, Title II, Chapters I and II of the LISF;

Or have been controlling shareholders or CORPORATE OFFICERS.

3. In those cases where one or more of the APPLICANTS is a foreign FINANCIAL ENTERPRISE, the CENTRAL BANK shall evaluate the following conditions in addition to those listed above:

- a) that there is adequate regulation in the parent country from the viewpoint of supervisory review, including on a consolidated basis;
- b) that arrangements exist for the exchange of information pursuant to Article 103 of the LISF with the supervisory authorities of the parent country;
- c) that the latter supervisory authorities have stated their prior consent for a INSTITUTION to be established within the Republic of San Marino under the control of the foreign FINANCIAL ENTERPRISE;
- d) that the supervisory authorities of the parent country have furnished an attestation to the financial soundness and the adequacy of the organizational, management and accounting structures of the parent company or applicable corporate group (a so-called “letter of good standing”);
- e) that the foreign FINANCIAL ENTERPRISE possesses the authorization to operate, even through BRANCHES or through the PROVISION OF SERVICES WITHOUT PERMANENT ESTABLISHMENT, in one or more of the Equivalent Countries for the purpose of combating financial crime (money laundering, usury, terrorist financing, etc.) drawn up and updated by resolution of the Congress of State.

4. Where the APPLICANT is also an authorised person, the exemption regime provided for by article V.II.5 applies also as regards to the documentation envisaged for the purpose of proving one’s aptitude to ensure sound and prudent management, if such documentation has already been filed with the CENTRAL BANK for other supervisory purposes

Article V.II.7 Informational note

1. For purposes of the evaluations indicated under the preceding Article, the APPLICANT, and any CONTROLLING PARTIES, must submit, also jointly, an information note clearly stating:

- a) its own economic and financial condition, and that of any other subsidiaries thereof;
- b) the economic relationships existing between the APPLICANT/CONTROLLING PARTIES, its controlled companies, on the one hand, and, on the other, the INSTITUTION and the other EQUITY STAKEHOLDERS of the INSTITUTION;
- c) the sources of financing to be used to purchase the equity interest or in any event the source of capital to be invested.

Article V.II.8 Attached documentation

1. In addition to the information note referred to in article V. II. 7, the following documents must be submitted to the CENTRAL BANK, if not already acquired by other supervisory purposes, the following documents:

a) For individuals:

- 1) Curriculum vitae;
- 2) Certificate of civil capacity;
- 3) Income tax return of the last 3 years;

b) For legal entities:

- 1) the separate financial statements, and if any, the consolidated financial statements, for the past three fiscal years, including the accompanying reports;
- 2) Certification from the AUDIT FIRM, if any;
- 3) the curricula vitae of persons who are directors or persons in substantially equivalent positions;
- 4) Letters of good standing or other equivalent attestations from the Supervisory Authorities of the origin country (for foreign FINANCIAL ENTERPRISES subject to supervision).

2. The certificates and / or documents referred to in the previous paragraph, if issued abroad, are subject to the same principle of “substantial equivalence” referred to in articles V.II.2 and V.II.3.

Title III

Authorization to acquire substantial equity interests

Article V.III.1 Applicability

1. A request for authorization must be submitted to the CENTRAL BANK by individuals or legal entities who intend:

- a) to acquire, in any form, EQUITY INTERESTS in an INSTITUTION’s capital which, including any shares already held, will cause the holding to exceed the thresholds of 10 percent, 20 percent, 30 percent, 50 percent and 66 percent of the capital;
- b) to acquire control of the INSTITUTION, irrespective of the size of the equity interest;
- c) to subscribe for or exercise options deriving from convertible bonds or other securities, for the acquisition of shares with voting right in INSTITUTION’s capital, if the equity interest intended to be acquired exceeds the relevant thresholds under Item a);

2. In calculating the equity interest assumed, the following must be included in the numerator:

- a) Voting shares already owned, and those to be acquired;
- b) Capital shares possibly held otherwise for which the subject has the right to vote.

3. The denominator shall include all voting shares representing the INSTITUTION’s capital.

Article V.III.2 Parties for whom compliance is required

1. In case of separation of ownership of shares and the exercise of the right to vote, both the party owning the shares and the party holding the voting rights are required to apply for authorisation.

2. The application for authorization must also be submitted by management companies with regard to the voting rights they hold on behalf of the managed funds, as well as fiduciary companies holding shares on behalf of third parties. If the fiduciary company is one of the exempt parties under Article V.II.5, the verification of the requirements under Articles V.II.1 and V.II.6 shall be carried out only with reference to the mandators and, if corporations, their CONTROLLING PERSONS and any additional BENEFICIAL OWNERS. In the case of fiduciary companies which are not exempt parties under Article V.II.5, the verification of the requirements under Article V.II.1 will be extended also to their directors or persons in substantially equivalent positions.

3. The application for authorization must be submitted both in cases a mandator holds SUBSTANTIAL EQUITY INTEREST exceeding the thresholds referred to in the preceding article, totalling all interests directly and indirectly held, and in cases in which the total number of shares held by fiduciary company exceeds the thresholds indicated in the preceding Article, even if they refer to several mandators which, individually, do not exceed the thresholds.

4. Without prejudice to the provisions of the above paragraphs, for transactions entailing a modification in the chain of ownership, a prior application for authorization must be presented only if these modifications cause the relevant thresholds to be exceeded by the parties holding the shares directly and/or for those parties who are mandators and/or CONTROLLING PERSONS, i.e. for those parties positioned respectively at the beginning and at the end of the chain.

Article V.III.3 Application for authorization

1. The application for authorization must be presented to the CENTRAL BANK by the methods indicated in Article III.II.6, and must contain the following information and documents:
 - a) A full indication of the purposes of the transaction;
 - b) The IDENTIFYING PARTICULARS for the APPLICANTS and the other parties to the transaction;
 - c) An indication of the INSTITUTION that is the object of the transaction, specifying the number and categories of any shares already held and the shares to be acquired;
 - d) The certificates under Article V.II.2;
 - e) The documents required under Articles V.II.7 and V.II.8.

2. In the case of transactions that result in taking control of the INSTITUTION , the CENTRAL BANK must also be sent a detailed business plan relating to the management of the INSTITUTION or the FINANCIAL GROUP to be created.

Article V.III.4 Declaration of controlling parties

1. In the event that the APPLICANT is not an individual, the legal representative of the APPLICANT must provide, even separately from the application referred to in article V.III.3, a written declaration authenticated by Sammarinese notary or signed directly before an official of the CENTRAL BANK, indicating all IDENTIFYING PARTICULARS for the CONTROLLING PERSONS, where existing, or, indicating the inexistence of such parties.
2. The declaration referred to in the previous subparagraph must be accompanied by the documents indicated in article V.III.3 (d and e), reported to the CONTROLLING PERSONS designated.
3. As a result of the carrying-out of this initiative, reported to the CENTRAL BANK in accordance with Article V.IV.1, the CENTRAL BANK shall forward to the INSTITUTION a copy of the declaration referred to in paragraph 1.

Article V.III.5 Time limits for the decision

1. The CENTRAL BANK may prohibit the transaction within ninety days after receipt of the request for authorization, after which time the application shall be deemed accepted according to the procedure of silence indicating consent, as provided under Article 17, Para. 2 of the LISF, without prejudice to the APPLICANT's right to request that the authorization measure be expressed.

Article V.III.6 Evaluation criteria

1. The CENTRAL BANK may prohibit the transaction only if one or more of the following reasons exist:
 - a) the APPLICANT does not meet the requirements of good repute under Article V.II.1, or its CONTROLLING PERSONS or directors of the intermediary fiduciary company do not meet said requirements;
 - b) The APPLICANT and/or its CONTROLLING PERSONS are not capable of ensuring sound and prudent management of the INSTITUTION, within the meaning of Article V.II.6, or permitting the exercise of oversight, also in relation to the compatibility of any intermediary mandators with the condition set forth in letter i) of the above-mentioned article;
 - c) The proposed transaction is in conflict with the achievement of the aims of oversight, and/or is not consistent with the structure and economic needs of the domestic market.

Title IV

Reporting requirements

Article V.IV.1 Ownership structures

1. The shareholders of INSTITUTION, whether acting for themselves or for any CONTROLLING PERSONS, must notify the CENTRAL BANK of the following, within ten days after completion of the transaction, enclosing a copy of the contract:
 - a) The carrying out of initiatives subject to authorization under Article V.III.1;

b) Reductions below the thresholds indicated in Article V.III.1, and full withdrawal from the ownership structure.

2. With reference to the case under letter a), the CENTRAL BANK must also be informed without delay of a failure of execution of the initiatives subject to authorization under Article V.III.1.

3. With reference to the cases under letter b), the denominator shall include voting shares representing the capital of the INSTITUTION.

4. With reference to the case under letter b) above, the CENTRAL BANK shall also be sent prior notification concerning the date of execution of the transfer of the equity interest, at least 15 days in advance.

5. This notice, intended to permit verification of compliance with the authorization obligations indicated under Article V.III.1, must include a description of the equity interest to be disposed of, and the identification of the party intending to acquire it

Article V.IV.2 Notification of voting agreements

1. The voting agreements and other quasi-corporate agreements howsoever focusing on voting shares, shall also be copied to the CENTRAL BANK, within the meaning and on the terms specified in Article 19 of the LISF.

Title V

Powers of intervention

Article V.V.1 Revocation of authorization

1. The authorization indicated under Article V.III.5 may be revoked by the CENTRAL BANK, under the terms of Article 17 Para. 3 of the LISF, in the event that a non-compliance with the established requirements arises.

2. In such cases the CENTRAL BANK shall notify the APPLICANTS in writing, with a copy to the INSTITUTION and the Office of the Clerk of the Court.

Article V.V.2 Nullification of resolutions of the Shareholders' Meeting

1. The CENTRAL BANK shall examine the minutes of the Shareholders' Meetings of INSTITUTION, as submitted under Article VIII.II.2, and shall note any cases of the exercise of voting rights in violation of the obligations to provide notice or obtain authorization above, pursuant to Article 21 of the LISF.

2. In these cases, under the terms of the third paragraph of the aforesaid Article of the law, the CENTRAL BANK may request nullification of the resolutions adopted, pursuant to Article 45 of the CORPORATIONS ACT.

Article V.V.3 Order to dispose of equity interests

1. Pursuant to article 22 of the LISF, the CENTRAL BANK, in case of:

- a) absence of authorization pursuant to Article V.III.6;
- b) authorization revoked pursuant to Article V.V.1;
- c) failure to meet honourability requirements;

may order the disposal of the ownership interests held in violation of statutory and supervisory obligations, and give the shareholder a term of no more than one hundred and eighty days to carry out the transaction; this term is suspended as from the date of presentation, by the potential buyer, of the application for the authorisation referred to in Title III above, provided such application is complete under articles V.III.3 and V.III.4.

Article V.V.4 Verification of continuation of the requirements

1 For the purposes of the verification referred to in article V.V.1 above, the SHAREHOLDER's of the INSTITUTIONS must, every three years, retransmit to the CENTRAL BANK the certificates referred to in the following articles:

- V.II.2 sub. 1 and 2;
- V.II.7, sub. 1 letters a) and b);
- V.II.8, sub. 1.

2. Without prejudice to the provisions of the paragraph above, EQUITY STAKEHOLDERS are also required to notify the CENTRAL BANK without delay of any event which may imperil the continuation of the requirements under Articles V.II.1 and V.II.6.

3. Also for the purposes of monitoring the above fulfilments, under Article 23 of the LISF, INSTITUTIONS shall be required to notify the CENTRAL BANK, annually, even via email, of the list of shareholders with voting rights based on the Book of Shareholders at the date mentioned, within 60 days of the approval of the financial statements. The notification of the ownership structure shall indicate, with reference to each shareholder, the number of shares held, their total nominal value and the percentage of the corporate capital that the aforesaid shares represent.

PART VI FINANCIAL STATEMENTS

Title I Introduction

Article VI.I.1 Legislative basis

1. The provisions of this Part have their legislative basis in Articles 29, 30, 31, 32, 33, and 34 of the LISF.

Article VI.I.2 Administrative sanctions

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Articles 8, and 18.

Title II

General provisions

Article VI.II.1 General obligations

1. INSTITUTIONS must prepare their own financial statements in full compliance with the time periods and general principles stated in the LISF.

Article VI.II.2 Composition of the financial statements

1. The financial statements of the INSTITUTION must comprise the following documents:

- a) The balance sheet: this reflects the qualitative and quantitative composition of the company's assets and liabilities as of the reporting date;
- b) The income statement: this demonstrates the economic profit or loss produced in the period as a result of management, by comparing the positive and negative components that resulted in that profit or loss;
- c) Explanatory notes: these supplement the information provided in the summary tables of the balance sheet and income statement, indicating the adopted criteria for valuation and preparation and an analytical description of certain items in the financial statements;

The financial statements must also be accompanied by a report of the directors, which shall describe and evaluate the performance of business in the various sectors where the INSTITUTION operated, and the company's position as a whole, through a historical and forward analysis of investments, costs and prices.

Article VI.II.3 Auditing obligations for Sammarinese institutions and branches of foreign financial institution

1. Pursuant to Article 33 of the LISF, Sammarinese INSTITUTION must:

- a) Engage an AUDIT FIRM to perform the AUDITING FUNCTION;
- b) Submit their own annual financial statements for certification by the AUDIT FIRM engaged to perform the ACCOUNTING CONTROL.

2. BRANCHES of foreign INSTITUTION must submit for certification by an AUDIT FIRM their balance sheet and income statement to be forwarded to the CENTRAL BANK under the terms of Article III.VI.6, and engage the same AUDIT FIRM to perform the AUDITING FUNCTION, limited to the operations of the BRANCH.

Article VI.II.4 Certification of auditing firms and auditors

1. With reference to the AUDIT FIRMS mentioned in the preceding article, Sammarinese INSTITUTIONS and BRANCHES of foreign INSTITUTIONS shall be required to send to the CENTRAL BANK the certificate of enrolment in

the pertinent register of auditors within 30 days of the date on which the appointment in question is formalized and/or renewed.

2. Without prejudice to the provisions of paragraph 2 of the following article, the AUDITORS must meet the requirements of independence set forth in Article IV.II.8 and personally certify that they do so using the template attached to these Regulations under letter C2; the personal certifications filed by AUDITORS shall be forwarded to the CENTRAL BANK together with the certification referred to in the preceding paragraph.

Article VI.II.5 Completeness

1. With reference to the content of the explanatory notes, the templates for the balance sheet and income statement, and the valuation and preparation criteria of corporate and consolidated financial statements, reference is made to the Regulation no. 2016-02, which should be regarded as a special rule, and thus prevailing, compared to the general provisions referred to in this Part.

2. Pursuant to an appropriate decision, the CENTRAL BANK may further regulate the issues referred to in Article 33, Paragraph 2 of the LISF.

PART VII

PRUDENTIAL SUPERVISION

Title I

Introduction

Article VII.I.1 Legislative basis

1. The provisions contained in the following articles of this Part have their legislative basis in Articles 45, 47, 48, 49, 52, and 74 of the LISF Law.

Article VII.I.2 Administrative sanctions

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Articles 7, 8, 15 and 18.

Title II

Total Regulatory Capital (*Patrimonio di Vigilanza*)

Article VII.II.1 Structure of total regulatory capital

1. Total regulatory capital is calculated as the algebraic sum of a series of positive and negative components whose eligibility for inclusion in the basis of computation, whether restricted or unrestricted as the case may be, is determined in relation to the asset quality that each component is deemed to have.

2. The positive components that contribute to the quantification of the capital must be available for use without restrictions or delays to cover corporate losses or risks at the time those risks or losses materialize.

3. Total regulatory capital shall be obtained by adding up Tier 1 capital and tier 2 capital and subtracting any deductions.

Article VII.II.2 Tier 1 capital

1. Paid up capital, reserves, and the fund for general financial risks constitute the components of Tier 1 capital.

2. The total amount of these items—after deduction of own stocks or shares, goodwill, intangible fixed assets as well as losses recorded in previous fiscal years and in the current fiscal year—constitutes Tier 1 capital.

3. The CENTRAL BANK may require individual INSTITUTIONS to deduct additional items.

4. Tier 1 capital is eligible for inclusion in the total regulatory capital without restriction.

Article VII.II.3 Tier 2 capital

1. Tier 2 capital is composed of the following items:
 - a) Revaluation reserves;
 - b) Risk funds in respect of purely prudential credits (serving no corrective function).

2. The total amount of these components constitutes “Tier 2 capital.”

Article VII.II.4 Deductions

1. The shares in other FINANCIAL ENTERPRISES must be deducted from the overall amount of total regulatory capital in the amounts indicated below:
 - a) In respect of their total amount, if such equity interests exceed 10 percent of the corporate capital of the INSTITUTION in which the equity interest is held;
 - b) In respect of the share of their total amount that exceeds 10 percent of the total value of the INSTITUTION’S Tier 1 and Tier 2 capital, if such equity interests are equal to or less than 10 percent of the capital of the INSTITUTION in which the stakes are held.

2. In cases in which the acquisition of equity interests leads to a financial investment and generates no risk of double counting of capital for prudential supervision purposes, the CENTRAL BANK may grant a waiver from the deduction obligations referred to in the preceding paragraphs.

Article VII.II.5 Limits and restrictions

1. In calculating “total regulatory capital,” Total “Tier 2 capital” may not exceed 100 percent of “Tier 1 capital”.

Article VII.II.6 Minimum amount of total regulatory capital

1. Total regulatory capital may not be less than the higher of:
 - a) The initial minimum capital required to issue the authorization referred to in the preceding article III.III.4;
 - b) The total minimum capital coverage under the following Article VII.III.8.

Article VII.II.12 Waivers

1. The CENTRAL BANK may grant INSTITUTIONS a temporary waiver from observance of the provisions in regard to total regulatory capital, allowing them to own a regulatory capital up to 20% lower than the amount which would result from the application of the criteria laid down in the following article VII.III.8.

Title III

Capital adequacy

Article VII.III.1 Required reserves

1. INSTITUTIONS shall be required to set aside at least 20 percent of their net earnings recorded at the end of each fiscal year, in an ordinary reserve fund.

Article VII.III.2 – Requirement for payment services provided

1. There are two methods of calculation to determine the capital adequacy that the INSTITUTION must hold against risks related to the ELECTRONIC MONEY provided THAT ARE not related to the issuing of ELECTRONIC MONEY, either method A or method B.

2. The INSTITUTION normally uses method B. For the first fiscal year only, it is authorised to apply method A, provided it notify CENTRAL BANK.

3. The adoption of method A is subject to authorization of the CENTRAL BANK, which the INSTITUTION must motivate by submitting a request in accordance with the provisions of the previous article III.V.6. The CENTRAL BANK, within 60 days of receipt of the notification, unless the term is interrupted, shall inform the INSTITUTION of the acceptance or rejection of the request and of any impediments.

Article VII.III.3 – Calculation Method A

1. The INSTITUTION 's own funds shall amount to at least 10 % of its fixed overheads of the preceding year

2. The CENTRAL BANK reserves the right to adjust that requirement in the event of substantial changes in a INSTITUTION's business since the preceding year.

3. Where a INSTITUTION has not completed a full year's business at the date of the calculation, the requirement shall be that its own funds amount to at least 10 % of the corresponding fixed overheads as projected in the budget attached to its business plan, the CENTRAL BANK reserving the right to establish a different amount.

Article VII.III.4 – Calculation Method B

1. The INSTITUTION's own funds shall amount to at least the sum of the following elements of the PAYMENT VOLUMES referred to under the following letters a) through e) multiplied by the scaling factor k below:

- a) 4,0 % of the slice of PV up to EUR 5 million;
- b) 2,5 % of the slice of PV above EUR 5 million up to EUR 10 million;
- c) 1 % of the slice of PV above EUR 10 million up to EUR 100 million;
- d) 0,5 % of the slice of PV above EUR 100 million up to EUR 250 million;
- e) 0,25 % of the slice of PV above EUR 250 million.

The scaling factor k is equal to:

- a) 0,5 where the INSTITUTION provides only the PAYMENT SERVICES listed in point f), of letter I of Annex 1 of the LISF;
- b) 0,8 where the INSTITUTION provides only the PAYMENT SERVICES listed in point g), of letter I of Annex 1 of the LISF;
- c) 1 where the INSTITUTION provides one or more of the PAYMENT SERVICES listed in the remaining points a), b), c), d), e) of letter I of Annex 1 of the LISF.

2. In the first year of business, reference is made to budget attached to the business plan in order to determine the requirement.

Article VII.III.5 – Requirement for the issuing of electronic money

1. The capital requirement for the issuing of electronic money shall be equal to 2% of the average outstanding ELECTRONIC MONEY, calculated on a monthly basis as described exhaustively in the definitions referred to in the preceding article I.I.2.

2. Where an ELECTRONIC MONEY INSTITUTION also provides PAYMENT SERVICES or carries out activities other than the issuing of ELECTRONIC MONEY and the amount of ELECTRONIC MONEY in circulation is not known in advance, the ELECTRONIC MONEY INSTITUTION may calculate the capital requirement required for the issuing of ELECTRONIC MONEY on the basis of a representative percentage of the issuing of ELECTRONIC MONEY, provided that the percentage can be reasonably estimated based on historical data in a manner deemed appropriate by the CENTRAL BANK.

3. Where an ELECTRONIC MONEY INSTITUTION has begun business for less than 6 months, the capital requirement shall be calculated on the basis of the estimated ELECTRONIC MONEY in circulation in the budget annexed to the business plan.

Article VII.III.6 - Requirement against credit risk

1. The INSTITUTIONS that grant funding, in accordance with the above article II.II.3, calculate a capital requirement equal to 6% of disbursed loans, except for those related to the execution of payment transactions using credit cards with monthly balance.

Article VII.III.7 - Specific measures

1. The CENTRAL BANK may adopt, pursuant to article 44 of the LISF as special measure of prudential supervision, specific measures against individual INSTITUTIONS to demand that they hold regulatory capital up to 20% higher than the amount which would result from the application of the parameters referred to in the following article.

Article VII.III.8 – Total capital requirement

1. PAYMENT INSTITUTIONS at all times detain a minimum overall asset allocation (regulatory capital) at least equal to the sum of:

- a) of the capital requirement against the PAYMENT SERVICES provided within the meaning of articles VII.III.2 and VII.III.7, and
- b) of the capital requirement against credit risk, pursuant to article VII.III.6.

2. ELECTRONIC MONEY INSTITUTIONS at all times detain a minimum overall asset allocation (regulatory capital) at least equal to the sum of:

- a) of the capital requirement against the PAYMENT SERVICES provided linked to the issuing of ELECTRONIC MONEY, within the meaning of articles VII.III.2 and VII.III.7, and
- b) of the capital requirement against the issuing of ELECTRONIC MONEY provided within the meaning of articles VII.III.5 and VII.III.7, and
- c) of the capital requirement against credit risk, pursuant to article VII.III.6.

Title IV

Organisational requirements

Chapter I

General rules

Article VII.IV.1 - Characteristics of the organisation

1. The sound and prudent management, reliability and efficiency of PAYMENT SERVICES provided and the activity of issuing ELECTRONIC MONEY also depend on an organizational structure appropriate to the size, complexity and operational vocation of the INSTITUTION (proportionality criteria). In this respect, INSTITUTIONS define and apply:

- a) solid devices of corporate governance, including decision-making processes and an organizational structure that clearly specify and document the hierarchical relations and division of functions;
- b) an efficient INTERNAL CONTROL SYSTEM;
- (c) measures which ensure that the SENIOR MANAGEMENT STAFF of the INSTITUTION or the AUTHORIZED SUB-PROVIDERS OF THE ELECTRONIC MONEY INSTITUTION know the procedures to be followed for the proper performance of their duties;
- d) policies and procedures designed to ensure that the SENIOR MANAGEMENT STAFF and AUTHORIZED SUB-PROVIDERS of the ELECTRONIC MONEY INSTITUTION have the qualifications, knowledge and skills necessary to exercise the responsibilities allocated to them;
- e) effective internal flows of information exchange;
- f) systems and procedures designed to maintain adequate and orderly records of facts of the INSTITUTION's management and its internal organization;

- g) policies and procedures designed to ensure that the SENIOR MANAGEMENT STAFF or AUTHORIZED SUB-PROVIDERS OF THE ELECTRONIC MONEY INSTITUTION of multiple functions are not likely to prevent them from performing adequately and professionally any of these functions;
- h) suitable systems and procedures to protect the security, integrity and confidentiality of the information, taking into account the nature of such information;
- i) policies, systems, resources and procedures for continuity and regularity of services, aimed at:
 - ensuring the ability to operate on an ongoing basis;
 - limiting losses in the event of serious disruption of operation;
 - preserving the essential data and functions;
 - ensuring the continuity of services in case of interruption of the systems and procedures. If this is not possible, allow for the prompt recovery of the data and functions and the resumption of services in a timely manner;
- j) accounting policies and procedures to provide promptly to the CENTRAL BANK documents that present a true and fair overview of the financial and economic position and that are in line with all the principles and all applicable accounting standards also.

2. INSTITUTIONS monitor and evaluate regularly the adequacy, effectiveness and implementation of such organizational requirements and shall take the appropriate measures to remedy any shortcomings..

Article VII.IV.2 - Corporate control functions

1. For the purposes of letter b) of the preceding article, the INSTITUTION must have three distinct structures, one of internal auditing, dedicated to the INTERNAL AUDIT ACTIVITY, a compliance officer, dedicated to COMPLIANCE CONTROLS, and one of risk management, dedicated to RISK CONTROL.

2. The three functions of RISK CONTROL, COMPLIANCE CONTROLS and INTERNAL AUDIT FUNCTION shall:

- a) be carried out separately from the operational functions;
- (b) not be hierarchically subordinate to controlled corporate functions and report directly to corporate bodies in charge of their appointment;
- (c) have the authority, resources and skills required for the performance of their tasks, in a way proportionate to the size and complexity of the activity undertaken by the INSTITUTION and to the range of PAYMENT SERVICES provided;
- d) submit to the corporate bodies referred to in the preceding letter b), at least once a year, reports on the activities carried out and provide assistance to them for the profiles that are pertinent with the control tasks carried out.

The method for determining the remuneration of those who attend to corporate functions of control should not be such as to compromise their objectivity.

3. By way of derogation from the provisions in paragraph 1, the CENTRAL BANK, as duly motivated in a request by the INSTITUTION , given its size, complexity and operational risk, may authorise the assignment to a single structure

of multiple control functions. The authorisation will be withdrawn, should the conditions based on which it was granted fall short.

4. In the cases referred to in the preceding paragraph in which the internal auditing structure incorporates one or both of the other internal control structures, the rules under the following article VII.IV.6 shall apply.

Article VII.IV.3 - Role of corporate bodies and interaction in exercising the functions of corporate governance

1. Corporate bodies play an essential role in the definition of an adequate organizational system and the achievement of a reliable SYSTEM OF INTERNAL AUDITS.

2. The line-up of corporate bodies, therefore, in terms of number of members and professional level, must ensure the efficient performance of their tasks. The allocation of competences among corporate bodies must ensure a constant internal dialogue, avoiding overlapping that may affect business operation.

3. For the purposes referred to in the preceding paragraph, the rules under article III.III.1, para. 2 (h) must be such as not to allow a major deprivation of authority of the collegiate bodies formed to carry out administrative duties and be appropriate to ensure healthy interaction between them.

4. The minutes of meetings of each board, including technical or sectoral committees, should allow a clear and sufficiently detailed reconstruction of the internal dialogue that preceded the final phase of deliberation, and not be substantially confined to the latter.

5. The work of corporate bodies must however always be documented in order to ensure control over the management and decisions taken.

Chapter II

Corporate boards and structures

Article VII.IV.4 - Board of Directors

1. The Board of Directors:

- a) identifies the objectives, strategies, profile and risk levels of the INSTITUTION, defining corporate policies and those of the INTERNAL CONTROL SYSTEM and periodically verifies their proper implementation and coherence with the development of the business;
- b) approves risk management policies (credit, operational, liquidity, etc.), as well as the procedures and methods of detection and control;
- c) approves the basis on which financial instruments in which to invest the funds received from CUSTOMERS are chosen.

- d) approves the processes related to the provision of PAYMENT SERVICES and, for ELECTRONIC MONEY INSTITUTIONS, the activity of ISSUING ELECTRONIC MONEY and periodically checks their adequacy;
- e) verifies that the structure of the corporate control functions is defined in accordance with the principle of proportionality and with strategic guidelines, and that these functions are equipped with qualitatively and quantitatively adequate resources;
- f) approves and checks periodically, at least once a year, the organizational structure and the allocation of tasks and responsibilities; in this context, it also ensures that:
 - the tasks and responsibilities, formalised in a special internal regulation, are allocated in a clear and appropriate manner and that operational functions are separated from those of control;
 - the AUTHORIZED SUB-PROVIDERS have adequate internal control mechanisms in order to comply with their obligations to combat money laundering and terrorist financing;
 - ensure the administrative and accounting separation between the provision of PAYMENT SERVICES and possibly, the issuing of ELECTRONIC MONEY, compared to other activities of the INSTITUTION;
- g) verifies that the information flow is adequate, complete and timely.

Article VII.IV.5 - Head of the executive structure

1. The HEAD OF THE EXECUTIVE STRUCTURE, also in collaboration with the STAFF OF ORGANIZATIONAL UNITS:
 - a) applies corporate policies and those of the INTERNAL CONTROL SYSTEM, as defined by the Board of Directors;
 - b) regularly monitors the adequacy of the INTERNAL CONTROL SYSTEM, ensuring its adaptation in light of the trend of operation;
 - c) defines information flows to ensure corporate bodies the knowledge of facts significant to the management;
 - d) clearly defines the duties and responsibilities of corporate structures and functions, in order, inter alia, to prevent potential conflicts of interest and ensure that the structures are conducted by qualified staff in relation to the activities to be carried out;
 - e) ensures that staff used for the provision of PAYMENT SERVICES, as well as the staff and authorized sub-providers used for distribution and refunding of ELECTRONIC MONEY, are properly trained with regard to the products and services provided, obligations for the prevention of money laundering and terrorist financing, and the rules on transparency;
 - f) ensures that the corporate policies and procedures are promptly communicated to all staff concerned;
 - g) adopts the necessary measures promptly in case deficiencies or anomalies arise from the collection of audits carried out on the INTERNAL CONTROL SYSTEM.

Article VII.IV.6 - Internal auditing

1. In carrying out the INTERNAL AUDIT FUNCTION, the internal auditing structure:
 - a) defines and applies an audit plan, approved by the Board of Directors, for the review and assessment of the adequacy and effectiveness of the INTERNAL CONTROL SYSTEM and mechanisms adopted by

AUTHORIZED SUB-PROVIDERS for the distribution of ELECTRONIC MONEY in order to comply with the obligations on money laundering and terrorist financing, which provides for specific controls on the entire network of BRANCHES used for the provision of PAYMENT SERVICES and authorized sub-providers for the distribution of electronic money;

- b) makes recommendations based on the findings of audits carried out in accordance with the audit plan and verifies compliance thereto.

2. The head of internal auditing must:

- a) be appointed and dismissed from office by resolution of the Board of Directors;
- b) regularly inform the Board of Directors, the Board of Auditors and the HEAD OF THE EXECUTIVE STRUCTURE at least every three months of his activity and the underlying results, sending a copy of his periodic reports to the CENTRAL BANK except as provided for in article VII.IV.2, para. 2, letter d);
- c) be authorised to extend his auditing activity to the highest levels of the company, including the HEAD OF THE EXECUTIVE STRUCTURE, answering for his work directly to the Board of Directors.

Article VII.IV.7 - Compliance officer

1. The structure of the compliance officer, in order to assess the adequacy of internal procedures in relation to the objective of preventing the violation of laws, supervisory regulations, rules and standards of self-regulation that apply to the INSTITUTION:

- a) identifies the rules that are applicable to the INSTITUTION and the services it provides and measures/evaluates their impact on corporate processes and procedures;
- b) proposes organizational and procedural changes aimed at ensuring adequate protection of the risks of non-compliance;
- c) provides direct information flows to the corporate bodies and other corporate control functions;
- d) verifies the effectiveness of organizational adjustments recommended for prevention of risk of non-compliance.

Article VII.IV.8 - Risk manager

1. In controlling RISKS, the risk manager structure:

- a) contributes to the definition of risk management policies and the procedures and methods for detection and control;
- b) presides over the functioning of the risk control system and verifies compliance by the INSTITUTION;
- c) verifies the adequacy and effectiveness of the measures taken to remedy deficiencies in the risk control system;

2. The risk manager structure, in common with all other corporate entities at the central and regional levels, shall be subject to INTERNAL AUDITING by the internal auditing structure, except in the cases where it is aggregated within

the same structure.

Article VII.IV.9 Board of Auditors

1. The statutory auditors of INSTITUTIONS — holders of the duties, powers, and responsibilities envisaged in Title II, Chapter III, of the CORPORATIONS ACT — shall, while having due regard for the functions performed by other entities and cooperating with them:

- a) ensure compliance with laws, supervisory, regulatory and statutory provisions on sound administration and the adequacy of the organisational and accounting structures of the INSTITUTION;
- b) ensure the functionality of the overall INTERNAL CONTROL SYSTEM; verifies the effectiveness of the structures and functions involved in the system and the appropriate coordination between them;
- c) assess the degree of suitability and the regular functioning of the main organizational areas;
- d) promote actions to solve the deficiencies and irregularities found;
- e) maintain coordination with the AUDIT FIRM, internal auditing and other structures that carry out internal control functions, in order to maximize the degree of knowledge on the regularity of business management, relying on the findings of investigations carried out by these operational units;
- f) without delay inform the CENTRAL BANK of all acts or facts which it becomes aware of in the exercise of its duties, which constitute, to a significant extent, irregularities in management, breach of the principles of sound and prudent management, or violation of laws, statutes or supervisory regulations governing the reserved activities carried out by the INSTITUTION.

2. The Board of Auditors may, for the performance of its functions, rely on all organizational structures that have control functions and, in particular, of the internal auditing structure. The monitoring activities can lead to the formulation of comments and proposals for amendments aimed at removing any anomalies found. Appropriate evidence must be kept of those comments and proposals, as well as the subsequent verification activities of the Board of Auditors on the implementation of any measures. The interaction between the activities of the Board of Auditors and the supervisory activities contributes to the strengthening of the overall system of supervision on the INSTITUTION.

Article VII.IV.10 Audit Firms

1. EXTERNAL AUDITORS — i.e., the holders of the duties, powers, and responsibilities envisaged in Title II, Chapter IV, of the CORPORATIONS ACT and in Article 34 of the LISF — shall:

- a) coordinate with the Board of Auditors, the internal auditing structure and other units engaging in internal supervision functions with the aim of enhancing the degree of knowledge regarding the procedural compliance of the corporate accounting system, including on the basis of the findings of reviews conducted by those operational units, to the extent useful for purposes of the ACCOUNTING CONTROL function and/or certification of financial statements;
- b) expeditiously notify the CENTRAL BANK of any or all acts or facts which may come to the external auditors' attention in the performance of their own duties, when such acts or facts may constitute a serious violation of

the rules regarding the proper maintenance of corporate accounts and/or governing the proper recording of management data in the accounting records; or imperil the firm's prospects as a going concern; or result in a judgment with adverse repercussions or a declaration of the impossibility of expressing an opinion on the financial statements for the fiscal year.

Chapter III

Information systems

Article VII.IV.11 – Introduction

1. The reliability of information systems is an essential prerequisite for the proper functioning of the INSTITUTION and allows corporate bodies to take informed decisions that are consistent with corporate objectives.

Article VII.IV.12 – Requirements

1. Information and accounting systems must be adapted to the operating environment and the risks to which the INSTITUTION is exposed.

2. They must have a high degree of reliability, accurately keep track and with the utmost timeliness of management facts, allowing to reconstruct the activities of the INSTITUTION at any date, separately for each of the PAYMENT SERVICES provided and, for ELECTRONIC MONEY INSTITUTIONS, also in relation to the activity of issuing ELECTRONIC MONEY.

3. The fact that the INSTITUTION uses different sectorial procedures (accounts, reports, money laundering, etc.) should not affect the quality and integrity of data or lead to the creation of non-coherent databases.

4. Information systems should ensure high levels of security. To this end, adequate safeguards must be identified and documented, designed to ensure the physical and logical security of hardware and software, including procedures for data back-up and disaster recovery; identify qualified entities to access systems and ensure their qualifications; the ability to trace back to the persons who entered or changed the data and reconstruct the historical series of the modified data.

5. A specific section of the business continuity plan that the INSTITUTION should have is dedicated to information and accounting systems.

6. The availability of computer and human resources must be adequate to business operations.

Chapter IV

Internal control system

Article VII.IV.13 – Introduction

1. The INTERNAL CONTROL SYSTEM covers the strategies, policies, processes and mechanisms for the management of risks to which the INSTITUTION is or might be exposed, and to determine and control the level of risk tolerated. In this context, risk management includes the identification, assumption, measurement, monitoring and mitigation of risks.
2. For INSTITUTIONS, in relation to the provision of PAYMENT SERVICES and the issuing of ELECTRONIC MONEY, OPERATIONAL RISKS, including reputational and legal risks that might derive from the relationship with CUSTOMERS, is especially important. To this end, INSTITUTIONS are required, inter alia, to prepare specific organizational safeguards to ensure compliance with regulatory requirements and self-regulation, planning, in this context, specific controls on BRANCHES and authorized sub-providers.
3. The INSTITUTIONS carefully consider the implications of changes in corporate business (access to new markets or new operational sectors, offer of new products, use of new distribution channels, participation to new payment systems), identifying the risks beforehand and defining suitable control procedures, approved by the responsible corporate bodies.
4. In the preparation of organizational safeguards, INSTITUTIONS shall take account of the need to prevent money laundering and terrorist financing.
5. The INTERNAL CONTROL SYSTEM includes both ONLINE CONTROLS and SECOND-TIER CONTROLS , and the INTERNAL AUDIT FUNCTION.

Article VII.IV.14 – Operational risks

1. Given the imperative need to manage all corporate risks, INSTITUTIONS, in view of the nature of their activity, pay particular attention to OPERATIONAL RISKS (including reputation).
2. According to the provisions of the preceding paragraph, INSTITUTIONS:
 - a) pay particular attention to events of greater severity and that are infrequent, and identify the various forms and ways in which OPERATIONAL RISKS can occur, in relation to the specific organizational and operational characteristics;
 - b) assess the OPERATIONAL RISKS associated with the introduction of new products, activities, distribution networks, and relevant systems and processes with the participation, even indirect, to new PAYMENT SYSTEMS;
 - c) adopt emergency plans and business continuity plans to ensure their ability to operate on an ongoing basis and limit operational losses in the event of serious disruption to operations.
3. For ELM only, in case of reliance on AUTHORIZED SUB-PROVIDERS to distribute and refund ELECTRONIC MONEY, INSTITUTIONS shall ensure compliance by those entities with their internal rules, as well as the provisions

applicable to them (e.g. transparency, usury, money laundering, rights and obligations of the parties). INSTITUTIONS also ensure that customers are duly aware of the entities whose services they rely on.

4. The INSTITUTIONS control and manage the risks associated with the investments of funds received from CUSTOMERS to ensure their ready availability for the execution of payment transactions. They devise operating procedures aimed at ensuring compliance with the deadlines set by law for the deposit or investment of funds and for the accommodation of any imbalances between the value of these assets and the funds received.

5. The INSTITUTIONS shall, inter alia, adopt appropriate safeguards to address the risk of disclaimed credit transactions of ELECTRONIC MONEY or PAYMENT ACCOUNTS made online, such as with credit card charges (phishing, etc.).

Article VII.IV.15 – Credit risk

1. In the event that INSTITUTIONS, in the provision of PAYMENT SERVICES, grant loans to CUSTOMERS, they define appropriate operational and decision-making processes associated with the management of credit risk; this obligation is also required with reference to the activity of issuing and administering credit cards with monthly balance.

2. INSTITUTIONS shall have at all times a correct perception of their exposure towards each CUSTOMER, in order to proceed, if appropriate, with a timely review of the credit lines.

3. The process concerning the granting of credit is broken down into the following stages: 1) screening; 2) disbursement; 3) monitoring of positions; 4) interventions in case of anomalies; 5) review of credit lines; the process must be documented through a precise internal regulation and must be periodically subjected to review. The regulation, approved by the Board of Directors, defines, inter alia:

- a) the minimum documentation required to carry out a proper assessment of the creditworthiness of the borrower;
- b) any powers of attorney on credit delivery;
- c) the procedure for the renewal of credit lines;
- d) the procedures and obligations with reference to the monitoring of credit;
- e) the manner and timing of activation in case of the finding of NON PERFORMING LOANS;
- f) the criteria for the classification, management and evaluation of NON PERFORMING LOANS.

4. All credit is granted at the end of a documented screening procedure, even if based on automated procedures.

Chapter V

Obligations in case of outsourcing of strategic operational functions

Article VII.IV.16 – Strategic operational functions

1. An operational function shall be deemed to be strategic for the INSTITUTION when relating to PAYMENT SERVICES or the issuing of ELECTRONIC MONEY, or in any case where an anomaly in its execution or non-execution may:

- a) jeopardise the ability of the INSTITUTION to continue to comply with the requirements relating to its authorization or other obligations applicable to it under these provisions;
- b) severely compromise its financial results or the soundness or the continuity of its PAYMENT SERVICES or activity of issuing ELECTRONIC MONEY;
- c) constitute a prejudice to the smooth functioning of the payment system.

Article VII.IV.17 – Negative requirements of outsourcing

1. The INSTITUTIONS that outsource strategic operational functions shall ensure that:

- a) outsourcing does not determine the delegation of responsibility on the part of corporate bodies;
- b) the relationship and obligations of the INSTITUTION towards its CUSTOMERS in the provision of PAYMENT SERVICES or in the activity of issuing ELECTRONIC MONEY are not compromised;
- c) compliance with the conditions that the INSTITUTION must meet in order to be authorised to provide PAYMENT SERVICES or the activity of issuing ELECTRONIC MONEY and to preserve such authorization is not jeopardised;
- d) none of the other conditions subject to which the INSTITUTION's authorisation was granted shall be removed or modified

2. Outsourcing of strategic operational functions may not be undertaken in such way as to impair materially the quality of the INSTITUTION'S internal control and the ability of CENTRAL BANK to monitor the INSTITUTION'S compliance with all obligations laid down in this Regulation.

Article VII.IV.18 – Positive requirements of outsourcing

1. For the purposes referred to in the preceding article, INSTITUTIONS, when concluding or implementing agreements for the outsourcing of strategic operational functions, ensure that the following conditions are met:

- a) the OUTSOURCER has the expertise, capacity and all authorisation required by law to perform the outsourced functions reliably and professionally;
- b) the OUTSOURCER provides the outsourced services effectively and the INSTITUTION accordingly adopts methods to measure the level of such services;
- c) the OUTSOURCER adequately supervises the provision of the outsourced functions, and appropriately manages the risks associated with outsourcing;
- d) the INSTITUTION retains the competence required to effectively control the outsourced functions and to manage the risks associated with outsourcing, controls such functions and manages their risks;
- e) the OUTSOURCER informs the INSTITUTION of any development that might significantly affect its capacity to perform the outsourced functions effectively and in compliance with the regulations and requirements in force;

- f) there are express termination clauses enabling the INSTITUTION to end the outsourcing agreement in events that could compromise the ability of the OUTSOURCER to provide the service or in the presence of failure to provide the agreed service level;
- g) the OUTSOURCER cooperates with the authorities, including the CENTRAL BANK, regarding outsourced activities;
- h) the INSTITUTION, its auditors and the authorities, including the CENTRAL BANK, have effective access to data on outsourced activities and to the premises of the OUTSOURCER, being able to exercise these rights of access;
- i) the OUTSOURCER guarantees the protection of confidential information about the INSTITUTION and its CUSTOMERS, also in accordance with article 36, paragraph 4, of the LISF.
- j) the INSTITUTION and OUTSOURCER adopt, implement and maintain a contingency plan to restore the operability of the systems in the event of disaster and the periodic verification of back-up devices, when this is necessary in view of the outsourced function;
- k) the respective rights and obligations of the INSTITUTION and OUTSOURCER are clearly defined and specified in a written agreement.

2. In cases where the AUTHORIZED SUB-PROVIDERS that distributes ELECTRONIC MONEY receives directly from the CUSTOMER any monies against the ELECTRONIC MONEY to be issued, and simultaneously delivers the payment instrument (physical or virtual), representative of the same, the outsourcing agreement, in addition to what is listed in the previous paragraph, must also define:

- a) the terms and conditions by which the amounts received are recognized to the ELECTRONIC MONEY INSTITUTION, in order to determine the moment of issuance of the ELECTRONIC MONEY;
- b) the safeguards adopted against the risk associated with behaviours of the subject distributor in breach of the applicable regulations.

3. The distribution service of ELECTRONIC MONEY may include the signing of a contract with the CUSTOMER, subject to the fulfilment of the obligations of CUSTOMERS' due diligence, in compliance with the provisions on prevention and contrast of money laundering and terrorist financing.

Article VII.IV.19 Procedure for preliminary announcing the outsourcing operation

1. In all cases of outsourcing of strategic operational functions, the INSTITUTION shall - at least 60 days in advance to the date on which the outsourcing contract is entered into with the OUTSOURCER - forward to the CENTRAL BANK a copy of the decision by which the INSTITUTION's Board of Directors has specified:

- a) the reasons behind the choice of outsourcing;
- b) the objectives of outsourcing, both in relation to the overall business strategy and to the qualitative and quantitative standards expected from the process;
- c) criteria and procedures to guide the evaluation and selection of potential outsourcers and the ensuing relation with the chosen outsourcer;

- d) the reasons for choosing the outsourcer, particularly with regard to capital adequacy, professionalism and organisational adequacy;
- e) the instruments and procedures to intervene promptly in case of inadequacy of the services provided;
- f) any other relations, including with the GROUP, which bind the INSTITUTION to the OUTSOURCER.

Article VII.IV.20 – Use of affiliated AUTHORIZED SUB-PROVIDERS

1. The provisions of this chapter apply even in cases where the ELECTRONIC MONEY INSTITUTION intends to avail itself of AUTHORIZED SUB-PROVIDERS for the distribution and redemption of ELECTRONIC MONEY in the Republic of San Marino or in those countries for which it previously has been authorized to operate pursuant to the provisions of the following articles VII.V.4 and VII.V.5.

Title V

Distribution networks

Chapter I

Distribution networks in the Republic of San Marino

Article VII.V.1 Procedure for opening new branches

1. An INSTITUTION intending to open new BRANCHES on the Sammarinese territory shall submit a request for authorization to the CENTRAL BANK, in the manner laid down in Article III.II.6.
2. The application shall contain any and all information necessary to present the project, and in particular:
 - a) the exact location of the new BRANCH;
 - b) services provided, including ancillary services;
 - c) rationale for expanding the distribution network;
 - d) business plan, organization chart, and employment plan for the first three years of BRANCH operation;
 - e) lead times for commencing operations;
 - f) main clauses in the lease for the premises: the identifying PARTICULARS on the counterparty, price and form of payment in the event of purchase, due date and rent in the event of a lease, duration, rent and rate in the event of leasing, etc.
3. Within 60 days since the date on which the request is received, the CENTRAL BANK shall provide written notice of whether the request for authorization has been granted, or rejected.
4. In the event that the CENTRAL BANK asks the INSTITUTION to provide supplementary information and/or documents in support of the company's application, then the term shall be interrupted, provided that such interruption is expressly indicated in the notice requesting additional information in support of the application.

Article VII.V.2 Assessment criteria

1. The CENTRAL BANK, pursuant to Article 48, paragraph 3 of the LISF, may deny authorization on the basis of assessments pertaining to the organizational adequacy, financial, and economic, or administrative situation of the applicant INSTITUTION.

Article VII.V.3 Notification of start-up of operations

1. The CENTRAL BANK shall be provided with written notification of the opening to the public of a BRANCH within 10 calendar days after the date of start-up of operations.

Chapter II

Distribution network abroad

Article VII.V.4 Opening branches abroad

1. Companies intending to establish new BRANCHES abroad shall submit a preliminary notification (referred to in Article 74 of the LISF) to the CENTRAL BANK in the manner laid down in Article III.II.6. In addition to the information listed in the preceding article, the notification shall contain any additional information relevant to the presentation of the project, and in particular:

- a) the INSTITUTION's international expansion plan;
- b) particulars and CVs for the managers of the new BRANCH, specifying their assigned decision-making powers;
- c) the mechanisms that will be used to perform the INTERNAL AUDIT FUNCTION as applied to foreign BRANCHES, by the parent company;
- d) the amount of the endowment fund, where requested;
- e) information reporting procedures and accounting procedures adopted by the foreign BRANCH and the extent to which they are consistent or compatible with the central information reporting and accounting system.

Article VII.V.5 Provision of services without permanent establishment abroad

1. The preliminary notification referred to in Article 74 of the LISF for purposes of engaging in operations abroad on a basis of freedom to PROVIDE SERVICES WITHOUT PERMANENT ESTABLISHMENT shall be submitted to the Central Bank in accordance with the methods established in Article III.II.6 and shall contain any and all information relevant to the presentation of the project, and in particular:

- a) the country and the sector in which the activity in question is going to be performed;
- b) type of service to be provided;
- c) technical methods that will be used to carry out the operations.

Article VII.V.6 Establishment of representative offices

1. The prior notification referred to in Article 74 of the LISF for purposes of opening a REPRESENTATIVE OFFICE abroad shall be submitted to the CENTRAL BANK in accordance with the methods prescribed in Article III.II.6 and shall specify the foreign country in which the representative office is to be established, the date on which the representative office is to commence operations, and the resources allocated for this purpose.

Article VII.V.7 Assessment criteria

1. Pursuant to Article 74, paragraph 2 of the LISF, the CENTRAL BANK may refuse to permit foreign operations on the basis of assessments pertaining, in any event, to the capital, financial, or organizational situation of the applicant INSTITUTION, or on the basis of the extent to which the legal system encountered in the host country is capable of ensuring the effective performance of supervisory functions.

Title VI

Amendments to the Charter

Article VII.VI.1 Application for authorization

1. Under Article 47 of the LISF, an INSTITUTION intending to modify its own charter shall submit an application for authorization to the CENTRAL BANK, containing the information required to describe its proposal and in particular:

- a) precise details of the article or articles that are to be amended;
- b) the full text of the charter article or articles in their pre-amendment wording and post-amendment wording, even if the amendment affects just a few paragraphs or parts thereof;
- c) the reasoning behind the proposed amendment to the charter;
- d) the date on which a meeting was called for the Meeting of Shareholders reporting in the agenda the charter amendment in question or, in the absence of a notice calling such a meeting, the date on which a plenary session is scheduled to discuss the matter.

2. Alternatively, the application may enclose a copy of the Board of Directors' decision and a copy of the notice convening the Meeting of Shareholders, provided these clearly and completely spell out all the information listed above.

3. Within 10 days of the date of the Meeting of Shareholders that is to debate the matter of the charter amendments referred to above, the INSTITUTION shall e-mail the CENTRAL BANK the full text of the charter, as amended, in electronic form.

4. In order to simplify and accelerate the authorisation procedures under Article VII.VI.2 and VII.VI.3 below, the INSTITUTION may substitute or correct, on its own initiative, pending the deadline under the article below, the petition previously submitted under and according to the terms of the first paragraph, with other hardcopy

petitions, all in compliance with the preliminary indications received via email from the Supervision Department, regarding the electronic revisions to the original text of the Charter, sent by the INSTITUTION via email for such purpose.

Article VII.VI.2 Deadline for the decision

1. Unless the running of the period of time is interrupted, the CENTRAL BANK — within 30 days of the date of receipt of the application, or of its subsequent substitutions or corrections — shall provide the requesting INSTITUTION with written issuance or rejection of the authorization to amend the charter.

2. The CENTRAL BANK may deny authorization only in those cases where the charter amendment conflicts with the sound and prudent management and with the provisions set forth in Part III, Title III of these Regulations or at all events impedes the conduct of the supervision function.

Article VII.VI.3 Resubmission of the application

1. If the application is denied, the INSTITUTION may submit to the CENTRAL BANK fresh requests for authorization focusing on the same portions of the charter albeit making to the proposed charter amendment the changes necessary to address the objections set out in the decision rejecting the application for authorization.

2. In the event that an application for authorization is filed a second time, the application need only contain the information referred to in letter b) of Article VII.VI.1, first paragraph, provided that the fresh application makes reference to the earlier application.

3. The period of time allowed for granting the decision in cases in which a repeat application is applied shall be 15 days from the date on which the application is received.

Article VII.VI.4 Submission at the Meeting of Shareholders

1. At the Meeting of Shareholders, the President of the INSTITUTION shall present the decision authorizing the charter amendments as issued by the CENTRAL BANK, including for purposes of subsequent registration of the decision with the Office of the Clerk of the Court in accordance with Article 47(4) of the LISF.

Article VII.VI.5 Change in the corporate capital

1. In situations in which the charter amendment follows in the wake of an operation to change the corporate capital, the authorization application under Article VII.VI.1 shall also contain all the information needed to describe the reasons, methods and times of the operation.

2. In particular, in cases involving increases in the corporate capital, it will be necessary to specify whether this increase will or will not be for valuable consideration, or—if no payment is involved—which reserve funds will be

used, and — if the operation is in return for payment — the methods and deadlines for subscribing to and paying up the new corporate capital.

3. In those situations in which the corporate capital is increased on a basis of payment, then the INSTITUTION — within ten days after each operation has been completed — shall provide the CENTRAL BANK with written notification:

- a) of the subscription to the corporate capital, including the composition of the new ownership structure (general details on shareholders and the equity interest subscribed for by each shareholder, both in percentage terms and in terms of overall nominal value and price), including when unchanged;
- b) the payment of the capital, attaching copies of the accounting receipt(s) showing that the sums of money have been credited.

Title VII

Block acquisitions of assets and liabilities

Article VII.VII.1 Scope

1. The following rules apply to divestitures in favour of INSTITUTION, of:

- a) FIRMS;
- b) BRANCHES OF BUSINESSES;
- c) LEGAL RELATIONSHIPS IDENTIFIABLE AS A BLOCK.

2. The provisions referred to in this Title are applicable, to the extent compatible and in compliance with the provisions of Chapters I and II of Title IV of the CORPORATIONS ACT, also to the other extraordinary transactions of merger and demerger, which, absent any provision on the threshold of significance under Article 52 paragraph 2 of LISF, are always subordinated to the prior authorisation by the CENTRAL BANK.

Article VII.VII.2 Publicity

1. The INSTITUTION to which the assets have been transferred shall report the transfer by means of a notification to the CENTRAL BANK.

2. The CENTRAL BANK shall publish the notification by the following means:

- a) A request to the Single Court [Tribunale Unico] to post the notification in a prominent place by displaying it on the doors of the Public Palace (ad valvas palatii, to use the Latin expression) and at all the “Case di Castello” of the Republic of San Marino;
- b) have the notification and its link to the pertinent official notice posted to the appropriate page on the CENTRAL BANK’S own internet site.

3. The publication shall indicate:

- a) the distinguishing marks that make it possible to identify the item of property being transferred;
- b) the effective date;
- c) the arrangements (times, places, etc.) whereby any interested party may obtain information on his/her own situation, where necessary.

4. The transferee INSTITUTION shall announce the transfer to the interested individual at the earliest opportunity, as part of periodic reporting or announcements pertaining to specific transactions.

Article VII.VII.3 Utilization on the premises of the transferor

1. If the technical and human resources being transferred are temporarily used by the transferee INSTITUTION on the premises of the transferor, then the necessary demarcation between the activities performed by both parties must be achieved, in order to avoid spreading confusion among CUSTOMERS in regard to identifying their true credit counterpart as well as to avoid commingling of management operations.

Article VII.VII.4 Acquisition of “reserved activities”

1. If a party acquires an activity which requires initial authorization before the activity can be carried out, and the transferee INSTITUTION is not yet in possession of such authorization, such authorization must be applied for in accordance with the provisions governing the specific activity in question.

Article VII.VII.5 Branch acquisitions

1. Acquisitions of the first BRANCH in the Sammarinese territory by foreign INSTITUTIONS shall be governed by the provisions set forth in Part III, Title VI, Chapter I; the acquisition of subsequent BRANCHES shall be governed by the provisions set forth in Part VII, Title V, Chapter I.

Article VII.VII.6 Operations subject to authorization

1. Authorization by the CENTRAL BANK shall be required in the case of operations involving the transfer of assets and liabilities when the sum of the latter undergoing transfer exceeds 40 percent of the total regulatory capital, as defined in Part VII, Title II, of the transferee INSTITUTION.

2. In all other cases, or those cases in which the transfer is in favour of INSTITUTIONS but below the threshold specified in the preceding paragraph, and all those cases in which it is INSTITUTIONS that are transferring to third party FIRMS, BRANCHES OF BUSINESSES or LEGAL RELATIONSHIPS IDENTIFIABLE AS A BLOCK, without prejudice to the provisions of Article III.VII.2 and the possible consequences under Article III.VII.3, the CENTRAL BANK must at all events receive prior notification from the INSTITUTION at least 60 days in advance of the specified date on which the operation is to be entered into, for the purpose of verifying the criteria set forth in Article VII.VII.9.

Article VII.VII.7 Content of the application

1. The application for authorization shall spell out the subject matter of the transfer and illustrate the objectives that the INSTITUTION intends to achieve. In particular, it will be necessary to provide information regarding the impact of the operation on compliance with prudential rules governing capital adequacy; in this connection, account must be taken also of any items to be subtracted from the total regulatory capital of the transferee INSTITUTION.

2. In situations in which the operation entails access to a new activity sector or else an expansion of the corporate structure, then it will be necessary to specify any reforms that will need to be taken in the organization of the INSTITUTION.

Article VII.VII.8 Period of time allowed for issuance of the decision

1. The CENTRAL BANK shall issue the transfer authorization within 90 days after the application is received, provided that the Central Bank determines that the operation thenceforward shows no disregard for the rules of prudential supervision, specifically the rules governing capital and organizational adequacy.

2. Furthermore, the CENTRAL BANK may veto the operation if it finds that the operation is at variance with the sound and prudent management of the INSTITUTION or with the structure and economic needs of the market.

3. The CENTRAL BANK may demand additional information. In such cases the running of the period of time for making the decision shall be suspended.

4. If the documentation presented is incomplete or insufficient, the running of the period of time shall be interrupted.

Article VII.VII.9 Eligibility requirement

1. INSTITUTIONS may neither sell nor buy FIRMS, BRANCHES OF BUSINESSES OR LEGAL RELATIONSHIPS IDENTIFIABLE AS A BLOCK when such action results in violation of the prudential supervision regulations set forth in this Part of the Regulations.

PART VIII

SUPERVISION INSTRUMENTS

Title I

Introduction

Article VIII.I.1 Legislative basis

1. The provisions of this Part have their legislative basis in Articles 41 and 42 of the LISF.

Article VIII.I.2 Administrative sanctions

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Article 18.

Title II

Off-site supervision

Article VIII.II.1 Obligations to file regular reports

1. INSTITUTIONS shall at regular intervals provide the CENTRAL BANK with SUPERVISORY REPORTS also for the purpose of controlling compliance with prudential supervision rules pursuant to Part VII of these Regulations, and more generally, with principles of sound and prudent management.

2. The amounts indicated, in conformity with the provisions set forth in the decisions referred to in Article VIII.II.3, as well as in the reporting forms and operational manuals under Article VIII.II.4, in the SUPERVISORY REPORTS shall be used by the CENTRAL BANK in determining and monitoring all the aggregates mentioned in Parts VII of these Regulations.

Article VIII.II.2 Obligations to file reports at other times

1. In addition to the documents that are to be filed at regular intervals pursuant to the previous article, and in addition to those documents which must be submitted as and when the need arises, to accompany the notices and applications for authorizations envisaged in these Regulations, INSTITUTIONS must also send the following to the CENTRAL BANK:

- a) a true and full copy of any minutes of meetings of shareholders, even when such minutes contain no decisions subject to disclosure or authorization requirements, together with the updated certificate of registration and good standing, when the decisions by the meeting of the shareholders have resulted in an update to the data contained therein;
- b) business plans relating to any new sectors of business to launch, complete with the related decision of the Board of Directors and all useful indications on the matter of investments to be made, expected profitability

in the first three years, human resources and logistics to be allocated, impacts on the company's organizational structure, with specific regard to the implementation of the SYSTEM OF INTERNAL CONTROLS.

2. The deadline for transmitting the documents set forth in the above paragraph is 10 days, respectively, from:
 - a) the date that the legal process for executing the deed is concluded, or from the most recent, in order of time, of the execution, registration, filing and enrolment in the Register of Companies;
 - b) the date that the related decision is made by the Board of Directors.

3. Where any change affects the accuracy of information and evidence provided for the obtainment of the authorisation to form or approval to begin operations, the INSTITUTIONS shall transmit to Central Bank any documents which shall include such variations, without undue and in any case within 10 days from the date on which he has made or received such amendment.

Article VIII.II.3 Completeness

1. The content, template, compilation criteria, format, reporting arrangements, and reporting deadlines for all documents to be filed with the CENTRAL BANK at regular intervals shall be dealt with in appropriate measures to which the reader is referred.

Article VIII.II.4 Reporting forms and operating manuals

1. For the purpose of correctly executing the SUPERVISORY REPORTS, the reporting forms and related operating manuals are provided in the reserved area of the CENTRAL BANK'S internet site, containing the instructions for completing and sending statistical data. The operating manuals may also contain interpretational and/or detailed information which can also be used for other supervisory purposes, with references to the same subjects covered.

2. Updates of the reporting forms and operating manuals are introduced by decision of the Supervisory Coordination Department of the CENTRAL BANK, and disclosed to the interested parties suitably in advance of their taking effect, in relation to the importance and operational impacts of the changes made.

3. If in regard to a SUPERVISORY REPORT, or part thereof, there is no information to report to the CENTRAL BANK, the INSTITUTION in question must nonetheless comply with the reporting requirement by confirming that there is an absence of information on the topic in question.

Article VIII.II.5 Inquiries

1. INSTITUTIONS may submit queries to the CENTRAL BANK to request clarification on periodic reports and pertinent implementing provisions, as well as requests for clarification, more generally, regarding the content of these Regulations and other supervisory provisions that have been issued.

2. Such inquiries must meet the following requirements:

- a) Sender: Sammarinese INSTITUTION, or Sammarinese BRANCH of a foreign INSTITUTION;
- b) Recipient: Supervision Department
- c) Form: letter or email message signed by the HEAD OF THE EXECUTIVE STRUCTURE or a person acting in their stead (Deputy General Manager) or due to express mandate received and previously notified to the CENTRAL BANK, in compliance with the maximum limit of 3 employees which can be delegated for each INSTITUTION.

Title III

On-site supervision

Article VIII.III.1 - On-site inspections

1. Inspections are intended to ascertain that the activities performed by an INSTITUTION meet the criteria of sound and prudent management and are being carried out consistently with the requirements of the payment system's regular operations, having due regard for the provisions governing the practice of such activity. Accordingly, on-site inspections assess the technical and organizational performance of the INSTITUTION and verify the correctness of the information provided to the CENTRAL BANK. The findings may relate to the overall business situation ("full spectrum"), specific operational sectors and/or compliance with sector regulations ("targeted") as well as the compliance of any corrective actions carried out by the INSTITUTION ("follow up").

2. At all events, those persons who, in the name of the CENTRAL BANK, visit the INSTITUTIONS or its BRANCHES

to carry out investigations, shall be required to produce:

- a) a letter of appointment addressed to the inspected INSTITUTION, signed by a member of the Supervisory Coordination Department of the CENTRAL BANK, and containing information on the assigned individuals;
- b) an IDENTITY DOCUMENT that is currently valid, or an equivalent identification document issued by the CENTRAL BANK.

3. During investigations, the CENTRAL BANK may have access to the entire set of information on the INSTITUTION, without any exceptions, and on a basis of full exemption from banking secrecy requirements, in accordance with the provisions of Article 36(5)(b) of the LISF. The exercise of the inspection powers pursuant to Article 42, paragraph 2 of the LISF vis-à-vis persons to which the INSTITUTION has outsourced corporate functions implies that investigations vis-à-vis the INSTITUTION have commenced, and they shall be carried out pursuant to the same appointment letter as the one mentioned above.

4. CORPORATE OFFICERS and personnel of the inspected INSTITUTION shall be required to provide maximum cooperation to those performing the investigations, and in particular, they shall be required to provide such

information and documents as the inspectors deem necessary, and shall do so in a timely and comprehensive fashion. The INSTITUTION shall take steps to ensure that the information and documents required by the inspectors, but in the possession of other persons involved, are made available in a timely fashion.

Article VIII.III.2 Inspection report

1. The inspection report — drawn up upon the completion of the inquiries and intended for the INSTITUTION — shall provide a detailed description of the corporate facts and actions encountered that are incompatible with the criteria of sound management or with the rules and regulations governing the performance of activity.

2. The closure of inspections is notified by the CENTRAL BANK to the INSTITUTION by letter signed by a member of the Supervisory Coordination Department. The inspection report is notified within the 60 days following the date of closure of the inspections, to the CORPORATE OFFICERS of the INSTITUTION or to the Commissioner appointed by the CENTRAL BANK, in the cases where the inspections have resulted in the adoption of a decision under Part II, Title II, Chapter I or II of the LISF.

3. Within 30 days after receiving the inspection report, the inspected firm shall provide the CENTRAL BANK with its own responses to the comments and criticisms resulting from the inspection, and shall further advise the CENTRAL BANK of any steps which it has taken — or which it intends to take — to eliminate the anomalies and irregularities identified in the report.

4. The provisions governing the procedure for the imposition of administrative penalties in cases of violations identified in the course of the inspection inquiries shall remain unaffected.

PART IX

FINANCIAL GROUP

Title I

Introduction

Article IX.I.1 Legislative basis

1. The provisions contained in this Part have their own regulatory basis in Articles 53, 54, 55, 57, 58, 59 and 60 of the LISF.

Article IX.I.2 Administrative sanctions

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Article 18.

Title II

Management of the Group

Article IX.II.1 Regulatory functions

1. The PARENT COMPANY, within the meaning of Article 57 of the LISF, shall incorporate into the group's own directives, binding upon GROUP MEMBERS, the general and special provisions issued by the CENTRAL BANK in the interests of ensuring the stability of the group, and shall ensure that these are complied with.

2. For purposes of the stipulations set forth in the preceding paragraph, the PARENT COMPANY may ask each GROUP MEMBER to provide information, data, and statements appropriate for the purpose, which the directors of the GROUP MEMBERS are required to provide.

Article IX.II.2 Supervisory functions

1. The PARENT COMPANY shall provide the Group with a SYSTEM OF INTERNAL CONTROLS allowing for the effective management of the Group from the strategic, managerial, and technical/operational standpoints.

2. In pursuance of the preceding paragraph, provision must be made for:

- a) standardized procedures for coordination and linkage between the GROUP MEMBERS and the PARENT COMPANY for all areas of activity;
- b) mechanisms for integration of the accounting systems, including for the purpose of ensuring the reliability of data surveys conducted on a consolidated basis;
- c) periodic information flows that facilitate efforts to verify attainment of strategic goals as well as compliance with rules and regulations;
- d) the duties and responsibilities of the various structures entrusted with the task of conducting RISK

CONTROLS inside the Group and the coordination mechanisms;

e) procedures that ensure the centralized measurement, management, and control of all risks facing the Group at the consolidated level;

f) information systems that make it possible to monitor financial flows and credit relations, with particular reference to situations in which the GROUP MEMBERS stand guarantee for one another.

3. The PARENT COMPANY shall further:

a) formalize and circulate among all GROUP MEMBERS the criteria for the measurement, management, and control of all risks;

b) validate the systems and procedures for RISK CONTROLS inside the group.

4. With reference to credit risk, the PARENT COMPANY shall set valuation criteria for exposures and shall establish a collective database which allows all GROUP MEMBERS to determine customers' exposures to the Group as well as the valuations associated with borrowers' exposures.

5. In accordance with group strategies and in compliance with the provisions set forth in Article VII.IV.19, it will be possible to centralize, in whole or in part, the INTERNAL AUDIT FUNCTION at the PARENT COMPANY or at one of the GROUP MEMBERS.

6. In order to verify the degree to which the GROUP MEMBERS' are behaving in compliance with the directives issued by the PARENT COMPANY, and to determine the effectiveness of the SYSTEM OF INTERNAL CONTROLS, the PARENT COMPANY shall conduct periodic inquiries as well as provide the CENTRAL BANK each year with a report, containing assessments from the Board of Directors and Board of Auditors, and focusing on the inquiries mentioned above.

PART X

CUSTOMER RELATIONS

Title I

Introduction

Article X.I.1 Legislative basis

1. The provisions under this Part have their legislative basis in Articles 61 through 68 of the LISF.

Article X.I.2 Administrative sanctions

1. Violations of the provisions contained in this Part shall be punishable pursuant to the SANCTIONS DECREE referred to in Articles 9, 12, 13, 14 and 18.

Article X.I.3 General principles

1. In their dealings with customers, PSPs must conduct themselves in a diligent, appropriate, and transparent fashion in accordance with the provisions of Article 66 of the LISF.

2. Companies shall provide their customers with at least the types of information specified in these provisions using methods tailored to the form of communication used, in a clear and exhaustive fashion, having due regard to the nature of the customer relationships and recipients involved. To this end, it may be useful to use a Glossary containing the definitions of technical terms used in the forms.

3. PSPs shall explain to their CUSTOMERS, excluding the QUALIFIED COUNTERPARTS, the main general or specific risks connected with the PAYMENT SERVICES or ELECTRONIC MONEY ISSUING SERVICES.

4. The PSPs shall also inform their CUSTOMERS of their rights and redress procedures as well as other form of out-of-court complaint for the settlements of disputes, when such mechanisms are available to CUSTOMERS, in addition to explaining the ways and means of gaining access to such mechanisms, notwithstanding the provisions of article 68 of the LISF about the possibility for the CUSTOMER to send the CENTRAL BANK reports of alleged failures by the PSP to comply with the provisions provided for in this Part.

5. The points made above must be brought to the attention of the CUSTOMER, even if the customer makes no specific request as such, by virtue of the standards of due diligence expected of PSPs.

6. Contracts shall be drawn up in a clear and intelligible fashion.

7. If the PSP is a bank, the rules set out in this part shall prevail over provisions contain in Part X of Regulation 2007-07.

Article X.I.4 - Object and subject matter

1. The current Part, with exception of Article X.II.22, shall apply to PAYMENT SERVICES only and, where compatible, to ELECTRONIC MONEY ISSUING SERVICES if the only PSP or both PSPs involved in the operation are located in the Republic of San Marino or one PSP is located in the Republic of San Marino and the other one in a MEMBER STATE. The current Part shall apply exclusively to services performed in Euro or in the currency of a MEMBER STATE outside the euro area.

2. Without prejudice to the provisions set forth in the preceding paragraph 1., the present Part shall not apply to:

- a) PAYMENT TRANSACTIONS made exclusively in cash directly from the PAYER to the PAYEE, without any intermediary intervention;
- b) PAYMENT TRANSACTIONS from the PAYER to the PAYEE through a commercial agent authorized to negotiate or conclude the sale or purchase of goods or services on behalf of the PAYER or the PAYEE;
- c) professional physical transport of banknotes and coins, including their collection, processing and delivery;
- d) PAYMENT TRANSACTIONS consisting of non-professional cash collection and delivery within the framework of a non-profit or charitable activity;
- e) services where cash is provided by the PAYEE to the PAYER as part of a PAYMENT TRANSACTION following an explicit request by the payment service user just before the execution of the PAYMENT TRANSACTION through a payment for the purchase of goods or services;
- f) money exchange business, namely cash-to-cash operations, where the funds are not held on a PAYMENT ACCOUNT;
- g) PAYMENT TRANSACTIONS based on any of the following documents drawn on the payment service provider with a view to placing funds at the disposal of the PAYEE: paper checks, paper-based bills of exchange, paper-based vouchers, paper-based traveler's checks, paper-based postal money orders;
- h) PAYMENT TRANSACTIONS carried out within a payment or securities settlement system between settlement agents, central counterparties, clearance houses and/or central banks and other participants of the system, and PAYMENT SERVICE PROVIDERS;
- i) PAYMENT TRANSACTIONS related to securities asset servicing, including dividends, income or other distributions, or refund or sale, carried out by persons referred to in point (h) or by investment firms, credit institutions, collective investment undertakings or asset management companies providing investment services and any other entities allowed to have the custody of financial instruments;
- j) services provided by technical service providers, which support the provision of PAYMENT SERVICES and/or of issuing of ELECTRONIC MONEY, without them entering at any time into possession of the funds to be transferred, including processing and storage of data, fiduciary and personal data protection services, data and entity authentication, information technology and communication network provision, and provision and maintenance of terminals and devices used for PAYMENT SERVICES;
- k) services based on instruments, including the monetary values stored, that can be used to acquire goods or services only in the premises used by the issuer or under a commercial agreement with the issuer either within a limited network of service providers or for a limited range of goods or services;

- l) PAYMENT TRANSACTIONS executed, and monetary values used for such purposes, by means of any telecommunication, digital or information technology device, where the goods or services purchased are delivered to and are to be used through a telecommunication, digital or information technology device, provided that the telecommunication, digital or information technology operator does not act only as an intermediary between the payment service USER and the supplier of the goods and services;
- m) PAYMENT TRANSACTIONS carried out between PAYMENT SERVICE PROVIDERS, their agents or branches for their own account;
- n) PAYMENT TRANSACTIONS between a parent undertaking and its subsidiary or between subsidiaries of the same parent undertaking, without any intermediary intervention by a PSP other than an undertaking belonging to the same group;
- o) services by providers to withdraw cash by means of automated teller machines acting on behalf of one or more card issuers, which are not a party to the FRAMEWORK CONTRACT with the customer withdrawing money from a PAYMENT ACCOUNT, on the condition that these PSPs do not provide other PAYMENT SERVICES.

Title II

Rules of correctness

Article X.II.1 – Scope

1. The PSP and the USER, if a QUALIFIED COUNTERPART, may derogate from, unless otherwise provided, the provisions referred to in this Title, provided that the derogation is permitted within the contractual agreements signed.

Title I

Charges and derogations

Article X.II.2 - Applicable charges

1. The PSP may not charge the USER for the fulfilment of its information obligations or corrective and preventive measures under this Title, unless otherwise specified in articles X.II.15, paragraphs 2, 3 and 4, X.II.16, paragraph 5, and X.II.23, paragraph 2. When applicable, those charges shall be agreed between the USER and the PSP and shall be appropriate and in line with the PSP's actual costs.

2. Where a PAYMENT TRANSACTION does not involve currency conversion, the PAYER and the PAYEE pay for their own PSP's fees.

3. The PSP shall not prevent the PAYEE from requesting from the PAYER a charge or from offering the PAYER a reduction for the use of a given PAYMENT INSTRUMENT.

Article X.II.3 - Derogation for low value payment instruments and electronic money

1. In the case of PAYMENT INSTRUMENTS which, according to the FRAMEWORK CONTRACT, solely concern individual PAYMENT TRANSACTIONS not exceeding eur 30 or which either have a spending limit of eur 150 or store funds which do not exceed eur 150 at any time, the parties in the FRAMEWORK CONTRACT may agree that:

- a) Articles X.II.6, paragraph 1, letter b), X.II.7, paragraph 1, letters c) and d), and X.II.11, paragraphs 1 and 2, do not apply if the PAYMENT INSTRUMENT does not allow for its blocking or prevention of its further use;
- b) Articles X.II.9, X.II.10 and X.II.11, paragraphs 1 and 2, do not apply if the PAYMENT INSTRUMENT is used anonymously or if, for other reasons due to its characteristics, the PSP is not in a position to prove that a PAYMENT TRANSACTION was authorized;
- c) by way of derogation from Article X.II.15, paragraph 1, the PSP is not required to notify the payment service USER of the refusal of a PAYMENT ORDER, if its non execution is apparent from the context;
- d) by way of derogation from Article X.II.16, the PAYER may not revoke the PAYMENT ORDER after transmitting the PAYMENT ORDER or giving his/her consent to execute the PAYMENT TRANSACTION to the PAYEE;
- e) by way of derogation from Articles X.II.19 and X.II.20, other execution periods apply.

2. The amounts referred to in paragraph 1:

- a) shall be doubled when the PSP of the PAYER and of the PAYEE are both located in San Marino.
- b) are increased up to eur 500 for the prepaid PAYMENT INSTRUMENTS.

3. Articles X.II.10 and X.II.11 shall apply also to ELECTRONIC MONEY, unless the PSP of the PAYER is not able to block the ACCOUNT or the PAYMENT INSTRUMENT.

Chapter II

Authorization of payment transactions

Article X.II.4 - Consent and withdrawal of consent

1. The consent of the PAYER is an element necessary for the correct execution of a PAYMENT TRANSACTION. In the absence of consent, a PAYMENT TRANSACTION shall be considered to be unauthorized.

2. Consent to execute a PAYMENT TRANSACTION or a series of PAYMENT TRANSACTIONS shall be given in the form and in compliance with the procedure agreed in the FRAMEWORK CONTRACT or in the contract related to individual PAYMENT TRANSACTIONS.

3. A PAYMENT TRANSACTION may be authorized by the PAYER prior to or, if agreed between the PAYER and his/her PSP, after the execution of the PAYMENT TRANSACTION.

4. Consent may be withdrawn by the PAYER at any time in the form and compliantly with the procedure agreed in the FRAMEWORK CONTRACT or in the contract related to individual PAYMENT TRANSACTIONS, but no later than the PAYMENT ORDER becomes irrevocable under Article X.II.16. PAYMENT TRANSACTIONS that were made after the revocation of consent to initiate multiple PAYMENT TRANSACTIONS cannot be considered authorized.

Article X.II.5 – Limits of the use of the payment instrument

1. If a specific PAYMENT INSTRUMENT is used for the purposes of giving consent to execute PAYMENT TRANSACTIONS, the PAYER and his/her PSP may agree on spending limits for PAYMENT TRANSACTIONS executed through such PAYMENT INSTRUMENT.

2. The PSP, if agreed in the FRAMEWORK CONTRACT, may block the PAYMENT INSTRUMENT due to one of the following reasons:

- a) the security of the PAYMENT INSTRUMENT;
- b) the suspicion of unauthorized or fraudulent use of the PAYMENT INSTRUMENT;
- c) in the case of a PAYMENT INSTRUMENT with a credit line for its utilization, a significant rise in the risk that the PAYER may be unable to fulfil his/her liability to pay.

3. In the cases listed under paragraph 2, in an agreed manner, the PSP shall inform the PAYER of the blocking of the PAYMENT INSTRUMENT and the reasons thereof. Where possible, such information shall be given before the PAYMENT INSTRUMENT is blocked and, at the latest, immediately thereafter, unless giving such information would compromise objectively justified security reasons or is prohibited by other relevant legislation or provisions.

4. Once the reasons for blocking no longer exist, PSP shall unblock the PAYMENT INSTRUMENT or replace it with a new PAYMENT INSTRUMENT.

Article X.II.6 - Obligations of the user in relation to payment instruments

1. The USER shall:

- (a) use the PAYMENT INSTRUMENT in accordance with the terms of the FRAMEWORK CONTRACT governing its issue and use;
- b) notify the PSP, or the entity specified by the latter, in compliance with the terms of the FRAMEWORK CONTRACT, without undue delay on becoming aware of loss, of theft or misappropriation of the PAYMENT INSTRUMENT or of its unauthorized use.

2. For the purposes of paragraph 1 (a), the USER shall, as soon as he/she receives a PAYMENT INSTRUMENT, take all reasonable steps to keep its personalized security features safe.

Article X.II.7 - Obligations of the Payment Service Provider in relation to payment instrument

1. The PSP issuing a PAYMENT INSTRUMENT shall fulfil the following obligations:

(a) make sure that the personalized security features of the PAYMENT INSTRUMENT are not accessible to parties other than the USER entitled to use the PAYMENT INSTRUMENT, without prejudice to the obligations on the USER set out in the preceding Article;

(b) refrain from sending an unsolicited PAYMENT INSTRUMENT, except where a PAYMENT INSTRUMENT already given to the USER is to be replaced;

(c) ensure that appropriate means are available at all times to enable the USER to:

- make a notification pursuant to Article X.II.6, paragraph 1, letter b),

- request reactivation or issue of a new PAYMENT INSTRUMENT, where the PSP has not provided it, in the case referred to in Article X.II.5, paragraph 4;

d) upon request, the PSP shall provide the USER with the means to prove, for 18 months after notification, that he/she made such notification, as per Article X.II.6, paragraph 1, letter b);

e) prevent all use of the PAYMENT INSTRUMENT once notification pursuant to Article X.II.6, paragraph 1, letter b) is made.

2. The PSP shall bear the risk of sending a PAYMENT INSTRUMENT to the PAYER or of sending any personalized security features which enable use thereof.

Article X.II.8 - Notification of unauthorized or incorrectly executed payment transactions

1. The USER that has become aware of an unauthorized or incorrectly performed PAYMENT TRANSACTION, including the cases referred to in article X.II.24, gets rectification only if he/she has immediately notified the PSP under the terms and conditions laid down in the FRAMEWORK CONTRACT or in the contract concerning single PAYMENT TRANSACTIONS. The communication must be, in any case, made within 13 months since the debit date, in the case of the PAYER, or since the credit date, in the case of the PAYEE.

2. The 13-month term shall not apply where the PSP has failed to provide or to make available the information on such PAYMENT TRANSACTION in accordance with the transparency provisions referred to in the following Title.

3. A PAYMENT TRANSACTION shall be considered as incorrectly executed where the execution is not compliant with the order or the instructions given by the USER to his/her PSP.

Article X.II.9 -Evidence of authentication and execution of PAYMENT TRANSACTIONS

1. Where a USER denies having authorized an executed PAYMENT TRANSACTION or claims that the PAYMENT TRANSACTION was not correctly executed, it is for his/her PSP to prove that the PAYMENT TRANSACTION was authenticated, duly recorded, entered in the accounts and not affected by any technical breakdown or some other deficiency.

2. Where a USER denies having authorized an executed PAYMENT TRANSACTION, the use of a PAYMENT INSTRUMENT recorded by the PSP shall in itself not necessarily be sufficient to prove either that the PAYMENT TRANSACTION was authorized by the USER or that the USER acted fraudulently or failed with intent or gross negligence to fulfil one or more of the obligations under Article X.II.6.

Article X.II.10 - Payment Service Provider's liability for unauthorized payment transaction

1. Without prejudice to Article X.II.8, in the case of an unauthorized PAYMENT TRANSACTION, the PAYER's PSP shall immediately refund to the PAYER the amount of the unauthorized PAYMENT TRANSACTION and, where applicable, restores the debited PAYMENT ACCOUNT to the state in which it would have been had the unauthorized PAYMENT TRANSACTION not taken place.

2. In the event of justified suspicion of fraud, the PSP may suspend the refund under paragraph 1 and immediately notifying the USER.

3. Refund under paragraph 1 does not prevent the PSP from subsequently proving that the PAYMENT TRANSACTION had been authorized. In such case, the PSP may claim and obtain the return, by the USER, of the refunded amount.

4. Further financial compensation may be determined in accordance with the law applicable to the contract between the USER and his/her PSP.

Article X.II.11 - Payer's liability for unauthorized use of PAYMENT INSTRUMENTS

1. By way of derogation from the article above, the payer shall bear no more than eur 150 of the loss relating to any unauthorized payment transactions resulting:

- from the use of a lost or stolen PAYMENT INSTRUMENT;
- from the misappropriation of a PAYMENT INSTRUMENT which has not safely kept personalized security features.

2. The PAYER, instead, shall bear all losses relating to unauthorised PAYMENT TRANSACTIONS, if he/she has acted fraudulently or not fulfilling one or more of the obligations required of him under article X.II.6 intentionally or with gross negligence.

3. Unless he/she has acted fraudulently, the PAYER does not bear the loss resulting from the use of a PAYMENT INSTRUMENT that has been lost, stolen or misappropriated, if:

- a) use intervened after the communication referred to in article X.II.6, paragraph 1(b);
- b) the PSP has not provided, in violation of article X.II.7 paragraph 1, letter (c, appropriate tools for communication referred to in article X.II.6, para. 1, letter b).

Article X.II.12 - Refunds for payment transactions initiated by or through a PAYEE

1 Where a PAYMENT TRANSACTION, authorized on the initiative of or through the PAYEE, has already been executed, the PAYER is entitled to a refund of the amount transferred if both the following conditions are fulfilled:

- a) at the moment in which the authorization was issued, the authorization did not specify the exact amount of the PAYMENT TRANSACTION;
- b) the amount of the PAYMENT TRANSACTION exceeded the amount the PAYER could reasonably have expected, taking into account his/her previous spending pattern, the conditions in his/her FRAMEWORK CONTRACT and relevant circumstances of the case. For the purposes of this paragraph, the PAYER shall, on request of the PSP, provide documents and every other element useful to support the existence of the conditions referred to points a) and b).

2. The refund consists of the full amount of the executed payment transaction. For DIRECT DEBITS the PAYER and his/her PSP may agree in the FRAMEWORK CONTRACT that the PAYER is entitled to a refund from his/her PSP even though the conditions for refund in paragraph 1 are not encountered.

3. For the purposes of paragraph 1 point b), the PAYER may not rely on currency exchange reasons if the reference exchange rate agreed with his/her PSP was applied. If the reference exchange rate concerns a PAYMENT TRANSACTION in the FRAMEWORK CONTRACT, such contract shall specify the agreed calculation method of the actual interest, the relevant date as well as the index or base applied to determine such reference exchange rate.

4. It may be agreed in the FRAMEWORK CONTRACT between the PAYER and the PSP that the PAYER has no right to refund, if the following conditions are both encountered:

- a) the PAYER has authorized to execute the PAYMENT TRANSACTION directly to his/her PSP;
- b) where applicable, and only if the PAYER's authorization was issued before the PAYMENT TRANSACTION execution, information on the future PAYMENT TRANSACTION was provided or made available in an agreed manner to the PAYER at least four weeks before the due date by the PSP or by the PAYEE in accordance with the FRAMEWORK CONTRACT terms.

Article X.II.13 - Requests for refunds for PAYMENT TRANSACTIONS initiated by or through a payee

1. The PAYER can request the refund referred to in the preceding Article within eight weeks from the date on which the funds were debited.

2. Within ten business days of receiving a request for refund, the PAYMENT SERVICE PROVIDER shall either refund the full amount of the PAYMENT TRANSACTION or provide justification for refusing the refund.

3. The PSP's right to refuse the refund shall not apply in the case of DIRECT DEBITS, where the PAYER and the PSP have agreed in the FRAMEWORK CONTRACT that the PAYER is entitled to the refund, regardless of the fulfilment of the conditions set out in the first paragraph of the preceding Article.

Chapter III

Execution of payment transactions

Article X.II.14 - Receipt of payment orders

1. The point in time of receipt is the time when the PAYMENT ORDER transmitted directly by the PAYER or indirectly by or through a PAYEE is received by the PAYER's PSP. If the point in time of receipt is not on a business day for the PAYER's PSP, the PAYMENT ORDER shall be deemed to have been received on the following business day. The PSP may establish a cut-off time, near to the end of a business day and taking into account also the ways through which the PAYMENT ORDER is transmitted, beyond which any PAYMENT ORDER received shall be deemed to have been received on the following business day.

2. If the USER initiating a PAYMENT ORDER and his/her PSP agree that execution of the PAYMENT ORDER shall start on a specific day or at the end of a certain period or on the day on which the PAYER has set funds at his/her PSP's disposal, the point in time of receipt is deemed to be the agreed day. If the agreed day is not a business day for the PSP, the PAYMENT ORDER shall be deemed to have been received on the following business day.

Article X.II.15 - Refusal of payment orders

1. Where all the conditions set out in the FRAMEWORK CONTRACT are encountered, the PAYER's PSP shall not refuse to execute an authorized PAYMENT ORDER irrespective of whether the PAYMENT ORDER is initiated by the PAYER or by or through the PAYEE, unless in contrast with other relevant law or regulation.

2. Where the PSP refuses to execute a PAYMENT ORDER, the refusal and, if possible, the reasons for it and the procedure for correcting any USER's factual mistakes that led to the refusal shall be notified to the USER, unless in contrast with other relevant law or regulation.

3. The PSP shall make the notification under paragraph 2 available, as agreed with the USER and at the earliest opportunity, and in any case within the periods established in Article X.II.19 for PAYMENT TRANSACTION execution.

4. If the refusal of a PAYMENT ORDER is objectively justified, the PSP may charge the costs of communication to the USER, if this was agreed upon between the parties in the FRAMEWORK CONTRACT.
5. For the purposes of Articles X.II.19 and X.II.24, where a PAYMENT ORDER execution is refused and such refusal is objectively justified, the payment order shall not be deemed as received.

Article X.II.16 - Irrevocability of a payment order

1. The USER may not revoke a PAYMENT ORDER once it has been received by the PAYER's PSP, unless otherwise specified in this Article.
2. Without prejudice to Article X.II.4, paragraph 4, where the PAYMENT TRANSACTION is initiated by or through the PAYEE, the PAYER may not revoke the PAYMENT ORDER after transmitting it to the PAYEE or after giving his/her consent to execute the PAYMENT TRANSACTION.
3. In the case of DIRECT DEBIT and without prejudice to refund rights, the PAYER may revoke the PAYMENT ORDER at the latest by the end of the business day preceding the day agreed for debiting the funds. Whereby conditions and timing for revocation allow it, the PAYER's PSP shall immediately notify the PAYEE's PSP that the order has been revoked.
4. In the case referred to in Article X.II.14, paragraph 2, the USER may revoke a PAYMENT ORDER at the latest by the end of the business day preceding the agreed day.
5. After the time limits specified in paragraphs 1 to 4, the PAYMENT ORDER may be revoked only if agreed between the USER and his/her PSP. In the cases referred to in paragraphs 2 and 3, the PAYEE's agreement shall also be required for revoking the order. If agreed in the FRAMEWORK CONTRACT, the PSP may charge for revocation.
6. In any case, the revocation of a PAYMENT ORDER has effect only within the relation between the PSP and the service USER, without prejudice to the definite character of PAYMENT TRANSACTIONS within PAYMENT SYSTEMS.
7. Irrevocability of a PAYMENT ORDER shall not prevent the PAYER from being refunded with the executed PAYMENT TRANSACTION amount, in the event of controversy between the PAYER and the PAYEE
8. Within a FRAMEWORK CONTRACT, consent to execute a PAYMENT TRANSACTION may be revoked in the form and following the procedure agreed between the USER and the PSP in the mentioned contract.

Article X.II.17 - Amounts transferred and amounts received

1. PSPs carrying out the transfer of funds necessary for the execution of a PAYMENT TRANSACTION shall transfer the full amount of the transaction and not retain costs on the amount transferred.

2. By way of derogation from paragraph 1, the PAYEE and his/her PSP may agree that the PSP deducts its charges from the amount transferred before crediting it to the PAYEE. In such a case, the full transferred amount and the charges shall be separated in the information given to the PAYEE.

3. If the amount is transferred after the retaining of expenditures other than those retained by the PSP of the PAYEE referred to in paragraph 2, the PSP of the PAYER shall ensure that the PAYEE receives the full amount of the PAYMENT TRANSACTION initiated by the PAYER. When the PAYMENT TRANSACTION is initiated on the initiative of or through the PAYEE, the PAYEE'S PSP shall guarantee that the full amount of the transaction is received by the PAYEE.

Chapter IV
Execution and value date

Article X.II.18 . Subject matter

1. This Chapter shall apply to:
 - a) PAYMENT TRANSACTION in euro;
 - b) cross-border PAYMENT TRANSACTIONS, carried out with a PSP located in the Republic of San Marino and one located in a EU Member State that does not belong to the euro area, involving a single conversion between the euro and the other official currency, provided that they take place in euros and that currency conversion takes place in the mentioned Member State of the European Union.

2. This Chapter shall apply to other PAYMENT TRANSACTIONS, unless otherwise agreed upon by the USER and the PSP. However, the application of article X.II.22 shall remain valid, in that it may not be derogated by contract. When the parties to a contract agree to a maximum execution time that exceeds the one referred to in the following article ,that term cannot exceed four business days subsequent to the receipt of the PAYMENT ORDER, according to the provisions set forth in the preceding article X.II.14.

Article X.II.19 -Payment transactions to a payment account

1. The PAYER's PSP shall ensure that the amount of the PAYMENT TRANSACTION is credited to the PAYEE's PSP's account by the end of the business day following the moment of the receipt of the PAYMENT ORDER, in accordance with the preceding article X.II.14.

2. The PAYEE's PSP shall apply the value date and make available the amount of the PAYMENT TRANSACTION to the PAYEE's PAYMENT ACCOUNT after the PAYEE has received the funds, in accordance with Article X.II.22.

3. The PAYEE's PSP shall transmit a PAYMENT ORDER initiated by or through the PAYEE to the PAYER's PSP within the time limits agreed between the PAYEE and his/her PSP. Referring to DIRECT DEBITS, the order is delivered within the time limits that enable the settlement of the operation by the agreed date.

Article X.II.20 - Absence of payee's PAYMENT ACCOUNT with the PAYMENT SERVICE PROVIDER

1. Where the PAYEE does not have a PAYMENT ACCOUNT with the PSP receiving the funds, such funds shall be made available to the PAYEE by the PSP who receives the funds within the period specified in the preceding Article.

Article X.II.21 - Cash placed on a payment account

1. Where a USER places cash on a PAYMENT ACCOUNT in the currency of such PAYMENT ACCOUNT, the PSP shall ensure that the amount is made available and value dated immediately after receipt of the funds.

Article X.II.22 - Value date and availability of funds

1. The value date for the PAYEE's PAYMENT ACCOUNT shall not be later than the business day on which the PAYMENT TRANSACTION amount is credited onto the PAYEE's PSP account.

2. The PAYEE's PSP shall ensure that the amount of the PAYMENT TRANSACTION is at PAYEE's disposal immediately after that amount is credited onto the PAYEE's PSP account.

3. The value date for debiting the PAYER's PAYMENT ACCOUNT shall be no earlier than the business day on which the PAYMENT TRANSACTION amount is debited to that PAYMENT ACCOUNT.

Chapter V

Liability

Article X.II.23 - Incorrect unique identifiers

1. If executed in accordance with the UNIQUE IDENTIFIER, a PAYMENT ORDER shall be deemed to have been correctly executed with regard to the PAYEE and/or the account specified by the UNIQUE IDENTIFIER.

2. If the UNIQUE IDENTIFIER provided by the USER is incorrect, the PSP shall not be liable under the following Article for non-execution or defective execution of the PAYMENT TRANSACTION. However the PAYER's PSP shall make reasonable efforts to recover the funds involved in the PAYMENT TRANSACTION. If

agreed in the FRAMEWORK CONTRACT, the PSP may charge the USER for recovery of funds.

3. The PSP shall be liable only for the execution of PAYMENT TRANSACTIONS in accordance with the UNIQUE IDENTIFIER provided by the USER, also where the latter provides his/her PSP with information in addition to the UNIQUE IDENTIFIER.

Article X.II.24 - Non-execution or defective execution

1. Where a PAYMENT ORDER is initiated by the PAYER, his/her PSP shall, without prejudice to Articles X.II.8, X.II.23, paragraphs 2 and 3, and X.II.27, be liable to the PAYER for correct execution of the PAYMENT TRANSACTION, unless he/she can prove to the PAYER and, where relevant, to the PAYEE's PSP, that the PAYEE's PSP has received the amount of the PAYMENT TRANSACTION in accordance with Article X.II.19, paragraph 1. In such a case, the PAYEE's PSP shall be liable to the PAYEE for correct execution of the PAYMENT TRANSACTION.

2. Where the PAYER's PSP is liable under paragraph 1, he/she shall without undue delay refund to the PAYER the amount of the non-executed or defective PAYMENT TRANSACTION and, if the transaction was made onto a PAYMENT ACCOUNT, he/she shall restore the debited PAYMENT ACCOUNT to the state in which it would have been had the defective PAYMENT TRANSACTION not taken place.

3. In the cases listed in paragraph 2, the PAYER may elect not to be refunded and confirm execution of the PAYMENT TRANSACTION, without prejudice to the rectification right as per Article X.II.8 and liability as per paragraph 8.

4. Where the PAYEE's PSP is liable under paragraph 1, he/she shall immediately place the amount of the PAYMENT TRANSACTION at the PAYEE's disposal without delay or immediately credit the corresponding amount to the PAYEE's PAYMENT ACCOUNT.

5. Without prejudice to Articles X.II.8, X.II.23, paragraphs 2 and 3, and X.II.27, where the PAYMENT ORDER is initiated by or through the PAYEE, THE PAYEE's PSP:

- a) shall be liable to the PAYEE for correct transmission of PAYMENT ORDER to the PAYER's PSP in accordance with Article X.II.19 paragraph 3;
- b) shall transmit without delay the concerned PAYMENT ORDER to the PAYER's PSP;
- c) is liable to the PAYEE for compliance with Article X.II.22.

6. Where the PAYEE's PSP is not responsible for a non-executed or defectively executed PAYMENT TRANSACTION under paragraph 5, the PAYER's PSP shall be liable to the PAYER and shall refund to the PAYER the amount of the non-executed or defective PAYMENT TRANSACTION without delay. If, in order to execute the transaction, a PAYMENT ACCOUNT has been debited, the PSP restores the debited PAYMENT

ACCOUNT to the state in which it would have been had the defective PAYMENT TRANSACTION not taken place.

7. Regardless of the liability referred to in paragraphs 1 to 6, when a PAYMENT TRANSACTION is non-executed or defectively executed, the PSPs shall without delay at the request of their respective USERS, trace the PAYMENT TRANSACTION and notify them of the outcome.

8. In addition, PSPs shall be liable to their respective CUSTOMERS of any charges and interest charged to them as a result of the failure or incorrect execution of the PAYMENT TRANSACTION.

Article X.II.25 - Additional financial compensation

1. Any financial compensation additional to that provided for under this Chapter may be determined in accordance with the law applicable to the contract concluded between the USER and his/her PSP.

Article X.II.26 - Right of recourse

1. Where the liability of a PSP under article X.II.24 is attributable to another PSP or intermediary throughout the process of executing the PAYMENT TRANSACTION, such PSP or intermediary shall compensate the first PSP for any losses incurred or sums paid to the USER.

2. Further financial compensation may be determined in accordance with agreements between PSPs and the law applicable to such agreement.

Article X.II.27 - No liability

1. The liability under Articles X.II.4 to X.II.26 shall not apply in cases of unforeseeable circumstances or due to force majeure and in cases where the PSP operated in accordance with the constraints arising from other legal obligations.

Chapter VI

Data protection

Article X.II.28 - Data protection

1. The PSP and the operators of PAYMENT SYSTEMS can handle personal data where this is necessary to prevent, detect and investigate cases of fraud in payments, in accordance with Article 36 of the LISF.

Chapter VII

Special provisions for the issuing of electronic money

Article X.II.29 - Electronic money refund

1. The issuer of ELECTRONIC MONEY:

- a) does not grant interest or any other benefit commensurate with stock of ELECTRONIC MONEY;
- b) refunds, on request of the CUSTOMER, the ELECTRONIC MONEY at all times and at the nominal value, in accordance with the terms and conditions stated in the contract of issue, subject to prescription in the terms laid down in article 149 of the LISF;
- c) issue electronic money at par value on the receipt of funds.

2. The CUSTOMER may request a refund:

- a) before the expiry of the contract, to the extent required;
- b) at the end of the contract or later:
 - for the total monetary value of the ELECTRONIC MONEY held;
 - to the extent required, if the issuer is an ELECTRONIC MONEY INSTITUTION, and the funds pertaining to the same customer can be used for purposes other than the use of ELECTRONIC MONEY, without predetermining the portion that can be used as ELECTRONIC MONEY.

3. Enterprises that accept payment in ELECTRONIC MONEY can regulate contractually with the issuer of ELECTRONIC MONEY their right to a refund, even by way of derogation from paragraph 2.

Article X.II.30 - Processing and distribution of electronic money

1. ELECTRONIC MONEY INSTITUTIONS transform immediately into ELECTRONIC MONEY the funds received from the CUSTOMER; for the distribution and redemption of ELECTRONIC MONEY, they may employ individuals or legal entities acting on their behalf.

Title III

Rules of transparency

Chapter I

General rules

Article X.III.1 - Scope

1. This Title shall apply to FRAMEWORK CONTRACTS for PAYMENT SERVICES and PAYMENT TRANSACTIONS even if the latter are not covered by a FRAMEWORK CONTRACT, when the services are offered in the Republic of San Marino.

2. For the purposes of this Title, PAYMENT SERVICES also include the issuing of ELECTRONIC MONEY.

3. The parties may agree that the present Title shall not apply, in whole or in part, when the CUSTOMER is a QUALIFIED COUNTERPART.

Article X.III.2 - Charges for information

1. The PSP shall not charge the CUSTOMER for providing information under this Title.
2. The PSP and the CUSTOMER may agree on charges for additional or more frequent information, or transmission by means other than those specified in the FRAMEWORK CONTRACT, provided at the CUSTOMER'S request.
3. Where the PSP may impose charges for information in accordance with paragraph 2, they shall be appropriate and in line with the PSP's actual costs.

Article X.III.3 - Burden of proof on requested information

1. It is up to the PSP to prove that it has complied with the information requirements set out in this Title.

Article X.III.4 - Derogation from information requirements for low-value payment instruments and electronic money

1. In cases of PAYMENT INSTRUMENTS which, according to the FRAMEWORK CONTRACT concern only individual PAYMENT TRANSACTION that do not exceed EUR 30 or that either have a spending limit of EUR 150 or store funds that do not exceed EUR 150 at any time:

- a) by way of derogation from Articles X.III.11, X.III.12 and X.III.16, the PSP shall provide the PAYER only with information on the main characteristics of the PAYMENT SERVICE, including the way in which the PAYMENT INSTRUMENT can be used, liability, charges levied and other material information needed to take an informed decision as well as an indication of where any other information and conditions specified in Article X.III.12 are made available in an easily accessible manner;
- b) it may be agreed that, by way of derogation from Article X.III.14, the PSP shall not be required to propose changes in the conditions of the FRAMEWORK CONTRACT in the way forest forth in Article X.III.11, paragraph 1;
- c) it may be agreed that, by way of derogation from Articles X.III.17 and X.III.18, after the execution of a PAYMENT TRANSACTION:
 - i) the PSP shall provide or make available only a reference enabling the USER to identify the PAYMENT TRANSACTION, the amount of the PAYMENT TRANSACTION any charges and/or, in the case of several PAYMENT TRANSACTIONS of the same kind made to the same payee, information on the total amount and charges for those PAYMENT TRANSACTIONS;
 - ii) the PSP shall not be required to provide or make available information referred to in point (i) if the PAYMENT INSTRUMENT is used anonymously or if the PSP is not otherwise technically in a position to provide it.However, the PSP shall provide the PAYER with a possibility to verify the amount of funds stored.

2. The amounts referred to in paragraph 1:

- a) are doubled when the PSP of the PAYER and PAYEE are both registered in the Republic of San Marino;
- b) for prepaid PAYMENT INSTRUMENTS are increased up to EUR 500.

Chapter II

Single payment transactions

Article X.III.5 - Scope

1. This Chapter shall apply to single PAYMENT TRANSACTIONS not covered by a FRAMEWORK CONTRACT.
2. When a PAYMENT ORDER for a single PAYMENT TRANSACTION is transmitted by a PAYMENT INSTRUMENT covered by a FRAMEWORK CONTRACT, the PSP shall not be obliged to provide or make available information which is already given to the USER on the basis of a FRAMEWORK CONTRACT with another PSP or which will be given to him according to that contract.

Article X.III.6 - Prior general information

1. Before the USER is bound by any single PAYMENT SERVICE contract or offer, the PSP, in an easily accessible manner, makes available to the USER the information and conditions specified in the following Article. At the USER's request, the PSP shall provide the information and conditions on paper or on another durable medium. The information and conditions shall be given in easily understandable words and in a clear and comprehensible form, in Italian or in any other language agreed between the parties.
2. If the single PAYMENT SERVICE contract has been concluded, at the request of the USER, using DISTANCE COMMUNICATION TECHNOLOGIES which do not enable the PSP to comply with paragraph 1, the PSP shall fulfil its obligations under paragraph 1, immediately after the execution of the PAYMENT TRANSACTION.
3. The obligations under paragraph 1 may also be discharged by supplying a copy of the draft single PAYMENT SERVICE contract or the draft PAYMENT ORDER including the information and conditions specified in the following article.

Article X.III.7 - Information and conditions

1. The following information and conditions are provided or made available to the CUSTOMER:
 - a) a specification of the information or UNIQUE IDENTIFIER that has to be provided by the CUSTOMER for a PAYMENT ORDER to be properly executed;
 - b) the maximum execution time for the PAYMENT SERVICE to be provided;
 - c) all charges payable by the CUSTOMER and, where applicable, the breakdown of such charges;
 - d) where applicable, the actual or reference exchange rate to be applied to the PAYMENT TRANSACTION.
2. Where applicable, any other relevant information and conditions specified in Article X.III.12 shall be made available to the CUSTOMER in an easily accessible manner.

Article X.III.8 - Information for the PAYER after receipt of the PAYMENT ORDER

1. Immediately after receipt of the PAYMENT ORDER, the PAYER's PSP shall provide or make available to the PAYER, in the same way as provided for in Article X.III.6, paragraph 1, the following information:
 - a) a reference enabling the PAYER to identify the PAYMENT TRANSACTION and, where appropriate, information relating to the PAYEE;
 - b) the amount of the PAYMENT TRANSACTION in the currency used in the PAYMENT ORDER;

- c) the amount of any possible charges for the PAYMENT TRANSACTION payable by the PAYER and a breakdown of the amounts of such charges;
- d) where applicable, the exchange rate used in the PAYMENT TRANSACTION by the PAYER's PSP or a reference thereto, when different from the rate provided in accordance with Article X.III.7(1)(d) and the amount of the PAYMENT TRANSACTION after that currency conversion;
- e) the date of receipt of the PAYMENT ORDER.

Article X.III.9 - Information for the PAYEE after execution

1. Immediately after the execution of the PAYMENT TRANSACTION, the PAYEE's PSP shall provide or make available to the PAYEE, in the same way as provided for in Article X.III.6, paragraph 1, the following information:

- a) the reference enabling the PAYEE to identify the PAYMENT TRANSACTION and, where appropriate, the PAYER and any information transferred with the PAYMENT TRANSACTION;
- b) the amount of the PAYMENT TRANSACTION in the currency in which the funds are at the PAYEE's disposal;
- c) the amount of any charges for the PAYMENT TRANSACTION payable by the PAYEE and a breakdown of the amount of such charges;
- d) where applicable, the exchange rate used in the PAYMENT TRANSACTION by the PAYEE's PSP, and the amount of the PAYMENT TRANSACTION before that currency conversion;
- e) the credit value date.

Chapter III

Framework contracts

Article X.III.10 - Scope

1. This Chapter applies to PAYMENT TRANSACTIONS covered by a FRAMEWORK CONTRACT.

Article X.III.11 - Prior general information

1. Before the CUSTOMER is bound by any FRAMEWORK CONTRACT or offer, the PSP shall provide on paper or on another durable medium the information and conditions specified in the following article. The information and conditions shall be given in easily understandable words and in a clear and comprehensible form, in Italian or in any other language agreed between the parties.

2. If the FRAMEWORK CONTRACT has been concluded, at the request of the CUSTOMER, using DISTANCE COMMUNICATION TECHNOLOGIES which do not enable the PSP to comply with paragraph 1, the PSP shall fulfil its obligations under that paragraph immediately after the conclusion of the FRAMEWORK CONTRACT.

3. The obligations under paragraph 1 may also be discharged by supplying a copy of the draft FRAMEWORK CONTRACT including the information and conditions specified in the following article.

Article X.III.12 - Information and conditions

1. The following information and conditions are provided to the CUSTOMER:

1) on the PSP:

- a) the name of the PSP, the geographical address of its head office and, where applicable, the geographical address of its BRANCH, and any other address, including electronic mail account, relevant for communicating with the PSP;
- b) the particulars of the CENTRAL BANK, in its vest of supervisory authority, and the registration number to the Register of Authorized Parties;

2) on use of the PAYMENT SERVICE:

- a) a description of the main characteristics of the PAYMENT SERVICE to be provided;
- b) a specification of the information or UNIQUE IDENTIFIER that has to be provided by the CUSTOMER, for a PAYMENT ORDER to be properly executed;
- c) the form of and procedure for giving consent to execute a PAYMENT TRANSACTION and withdrawal of such consent in accordance with Articles X.II.4 and X.II.16;
- d) a reference to the point in time of receipt of a PAYMENT ORDER as defined in Article X.II.14 and the cut-off time, if any, established by the PSP;
- e) the maximum execution time for the PAYMENT SERVICES to be provided;
- f) whether there is a possibility to agree on spending limits for the use of the PAYMENT INSTRUMENT in accordance with Article X.II.5, paragraph 1;

3) on charges, interest and exchange rates:

- a) all charges payable by the CUSTOMER to the PSP and, where applicable, the breakdown of the amounts of such charges;
- b) where applicable, the interest and exchange rates to be applied or, if reference interest and exchange rates are to be used, the method of calculating the actual interest, and the relevant date and index or base for determining such reference interest or exchange rate;
- c) if agreed, the immediate application of changes in reference interest or exchange rate and information requirements related to the changes in accordance with Article X.III.14, paragraph 2;

4) on communication:

- a) where applicable, the means of communication, including the technical requirements for the CUSTOMER's equipment, agreed between the parties for the transmission of communications under this Part;
- b) the manner in and frequency with which information under this Part is to be provided or made available;
- c) the language or languages in which the FRAMEWORK CONTRACT will be concluded and communication during this contractual relationship undertaken;
- d) the CUSTOMER's right to receive the contractual terms of the FRAMEWORK CONTRACT and information and conditions in accordance with the following article;

- 5) on safeguards and corrective measures:
- a) where applicable, a description of the steps that the CUSTOMER is to take in order to keep safe a PAYMENT INSTRUMENT and how to notify the PSP for the purposes of Article X.II.6(1)(b);
 - b) if agreed, the conditions under which the PSP reserves the right to block a PAYMENT INSTRUMENT in accordance with Article X.II.5;
 - c) the liability of the PAYER in accordance with Article X.II.11, including information on the relevant amount;
 - d) how and within what period of time the CUSTOMER is to notify the PSP, in accordance with Article X.II.8, of any unauthorized or incorrectly executed PAYMENT TRANSACTION, as well as the PSP's liability for unauthorized PAYMENT TRANSACTIONS in accordance with Article X.II.10;
 - e) the liability of the PSP for the execution of PAYMENT TRANSACTIONS in accordance with Article X.II.24;
 - f) the conditions for refund in accordance with Articles X.II.12 and X.II.13;
- 6) on changes in and termination of the FRAMEWORK CONTRACT:
- a) if agreed, information that the CUSTOMER will be deemed to have accepted changes in the conditions in accordance with Article X.III.14, unless he/she notifies the PSP that he/she does not accept them before the date of their proposed entry into force;
 - b) the duration of the FRAMEWORK CONTRACT;
 - c) the right of the CUSTOMER to terminate the FRAMEWORK CONTRACT and any agreements relating to termination in accordance with Article X.III.14, paragraph 1, and Article X.III.15;
- 7) on redress:
- a) on the applicability of Sammarinese law to the FRAMEWORK CONTRACT and the competence of the Sammarinese Court in case of disputes;
 - b) the redress procedure, the existence – or otherwise – of an agreement between the parties for using other forms of out-of-court complaint for the settlement of possible disputes, as well as the possibility for the CUSTOMER to submit reports to the central bank pursuant to in article 68 of LISF, as defined in article 7 of Regulation n. 2007-01.

Article X.III.13 - Accessibility of information and conditions of the framework contract

1. At any time during the contractual relationship, the CUSTOMER shall have a right to receive, on request, the contractual terms of the FRAMEWORK CONTRACT as well as the information and conditions specified in the preceding article, on paper support or on any other durable support.

Article X.III.14 - Changes in conditions of the framework contract

1. Any changes in the FRAMEWORK CONTRACT as well as the information and conditions specified in Article X.III.12, shall be proposed by the PSP in the same way as provided for in Article X.III.11, paragraph 1, and no later than two months before their proposed date of application. Where applicable in accordance with point (6)(a) of Article X.III.12, the PSP shall inform the CUSTOMER that changes are deemed to have been accepted the

CUSTOMER has not notified the PSP refusal to accept them before the proposed date of their entry into force. In this case, the PSP shall also specify that the CUSTOMER has the right to terminate the FRAMEWORK CONTRACT immediately and without charge before the date of the proposed application of the changes.

2. Changes in the interest or exchange rates may be applied immediately and without notice, provided that such a right is agreed upon in the FRAMEWORK CONTRACT and that the changes are based on the reference interest or exchange rates agreed on in accordance with Article X.III.12 (3)(b) and (c). The CUSTOMER shall be informed of any change in the interest rate at the earliest opportunity in the same way as provided for in Article X.III.11, paragraph 1, unless the parties have agreed on a specific frequency or manner in which the information is to be provided or made available. However, changes in interest or exchange rates which are more favorable to the CUSTOMERS, may be applied without notice.

3. Changes in the interest or exchange rate used in PAYMENT TRANSACTIONS shall be implemented and calculated in a neutral manner that does not discriminate against CUSTOMERS.

Article X.III.15 - Termination

1. The CUSTOMER may terminate the FRAMEWORK CONTRACT at any time, without penalties and processing fees.

2. If agreed in the FRAMEWORK CONTRACT, the PSP may terminate the FRAMEWORK CONTRACT concluded for an indefinite period by giving at least two months' notice in the same way as provided for in Article X.III.11, paragraph 1.

3. Charges for PAYMENT SERVICES levied on a regular basis shall be payable by the CUSTOMER only proportionally up to the termination of the contract. If such charges are paid in advance, they shall be reimbursed proportionally.

Article X.III.16 - Information to be provided before execution of individual payment transactions

1. In the case of an individual PAYMENT TRANSACTION under a FRAMEWORK CONTRACT initiated by the PAYER, a PSP shall, at the PAYER's request for this specific PAYMENT TRANSACTION, provide explicit information on the maximum execution time and the charges payable by the PAYER and, where applicable, a breakdown of the amounts of any charges.

Article X.III.17 - Information for the PAYER on individual payment transactions

1. After the amount of an individual PAYMENT TRANSACTION is debited on the PAYER's PAYMENT ACCOUNT or, where the PAYER does not use a PAYMENT ACCOUNT, after the receipt of the PAYMENT ORDER, the PAYER's PSP shall provide the PAYER without undue delay in the same way as laid down in Article X.III.11, paragraph 1, with the following information:

- a) a reference enabling the PAYER to identify each PAYMENT TRANSACTION and, where appropriate, information relating to the PAYEE;
- b) the amount of the PAYMENT TRANSACTION in the currency in which the PAYER's PAYMENT ACCOUNT is debited or in the currency used for the PAYMENT ORDER;
- c) the amount of any charges for the PAYMENT TRANSACTION and, where applicable, a breakdown thereof, or the interest payable by the PAYER;
- d) where applicable, the exchange rate used in the PAYMENT TRANSACTION by the PAYER's PSP, and the amount of the PAYMENT TRANSACTION after the currency conversion;
- e) the debit value date or the date of receipt of the PAYMENT ORDER.

2. A FRAMEWORK CONTRACT may include a condition that the information referred to in paragraph 1 is to be provided or made available periodically at least once a month and in an agreed manner which allows the PAYER to store and reproduce information unchanged.

Article X.III.18 - Information for the PAYEE on individual PAYMENT TRANSACTIONS

1. After the execution of an individual PAYMENT TRANSACTION, the PAYEE's PSP shall provide the PAYEE without undue delay in the same way as laid down in Article X.III.11, paragraph 1, the following information:

- a) the reference enabling the PAYEE to identify the PAYMENT TRANSACTION and, where appropriate, the PAYER, and any information transferred with the PAYMENT TRANSACTION;
- b) the amount of the PAYMENT TRANSACTION in the currency in which the PAYER's PAYMENT ACCOUNT is credited;
- c) the amount of any charges for the PAYMENT TRANSACTION and, where applicable, a breakdown thereof, or the interest payable by the PAYEE;
- d) where applicable, the exchange rate used in the PAYMENT TRANSACTION by the PAYEE'S PSP, and the amount of the PAYMENT TRANSACTION before that currency conversion;
- e) the credit value date.

2. A FRAMEWORK CONTRACT may include a condition that the information referred to in paragraph 1 is to be provided or made available periodically at least once a month and in an agreed manner which allows the PAYEE to store and reproduce information unchanged.

Chapter IV

Common provisions

Article X.III.19 – Currency and currency conversion

1. Payments shall be made in the currency agreed between the parties.

2. Where a currency conversion service is offered prior to the initiation of the PAYMENT TRANSACTION and where that currency conversion service is offered at the point of sale or by the PAYEE, the party offering the currency conversion service to the PAYER shall disclose to the PAYER all charges as well as the exchange rate to be used for converting the PAYMENT TRANSACTION. The PAYER shall agree to the currency conversion service on that basis.

Article X.III.20 - Information on additional charges or reductions

1. Where, for the use of a given PAYMENT INSTRUMENT, the PAYEE requests a charge or offers a reduction, the PAYEE shall inform the PAYER thereof prior to the initiation of the PAYMENT TRANSACTION.

2. Where, for the use of a given PAYMENT INSTRUMENT, a PSP or a third party requests a charge, he/she shall inform the CUSTOMER thereof prior to the initiation of the PAYMENT TRANSACTION.

Chapter V

Special provisions for the issuing of electronic money

Article X.III.21 - Fees applicable to electronic money refund

1. Reimbursement of ELECTRONIC MONEY provided for in the previous article X.11.29 may be subject to payment of an appropriate fee in line with the costs actually incurred by the issuer, only if agreed upon in the contract and in one of the following cases:

- a) the refund is requested before the expiry of the contract;
- b) the CUSTOMER terminates the contract before its expiration;
- c) the refund is requested more than a year after the expiration date of the CONTRACT.

2. Enterprises that accept payment in ELECTRONIC MONEY can regulate contractually with the issuer of the ELECTRONIC MONEY the conditions of a refund, even by way of derogation from paragraph 1.

3. The issuer of ELECTRONIC MONEY shall provide to the CUSTOMER, before he/she is bound by any contract or offer, the information concerning the terms and conditions of the refund.

4. The contract between the issuer of ELECTRONIC MONEY and the CUSTOMER shall indicate clearly and explicitly the terms and conditions of the refund.

PART XI

FINAL AND TRANSITIONAL PROVISIONS

Title I

Implementation

Article XI.I.1 - Entry into force

1. This Regulation shall enter into force on 1 September 2014.
2. Foreign PSPs already operating in the Republic of San Marino at the date of entry into force of this Regulation on the basis of previous agreements with the sammarinese financial operators, may continue to provide such services provided that within 6 months from the demand for regularisation transmitted by the CENTRAL BANK, they obtain the permits referred to in Part III, Title VI above.

Article XI.I.2 - Updating of contractual and pre-contractual forms for transparency purposes

1. Without prejudice to the provisions set forth in the preceding article, the PSPs other than INSTITUTIONS, and therefore already operating in the Republic of San Marino, shall standardize their contractual forms and information reports in order to comply with the provisions set forth in Part X of these Regulations by the date of 31 December 2014.

Article XI.I.3 - Harmonization of existing contracts

1. LONG-TERM CONTRACTS concluded prior to the entry into force of these Regulations, or in any case not complying with the formal and substantive requirements of Part X, shall be unilaterally modified by the subjects referred to in the preceding article by the date of 30 June 2015; once that period of time has elapsed, those contracts still not in compliance shall be subject to the sanctions envisaged in Part X and may incur in administrative sanctions under Article 141 of the LISF.

Title II

Harmonization with Regulation No. 2013-05

Article XI.II.1 - Introduction

1. This Regulation, and in particular Title II of Part X, rearranges and updates herein the contents of Part III of the SEPA REGULATION, in order to complete the transposition of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007, as amended (so-called PSD).

2. The SEPA REGULATION, at the time of the amendment which became necessary for the purposes referred to in the preceding paragraph, is also integrated with clarifying provisions about the adoption by the Republic of San Marino of Regulation (EC) No. 924/2009 of the European Parliament and of the Council of 16 September 2009.

Article XI.II.2 - Sepa Regulation Update

1. As a result of the provisions of the previous article, the SEPA REGULATION is replaced with the one included as Annex 3 to this Regulation.

PERSONAL CERTIFICATION OF REQUIREMENTS OF GOOD REPUTE

I the undersigned _____ born on _____ in _____ and residing in _____ in _____ ISS/tax code _____, citizen of _____, in full cognizance of the civil and criminal liability I face with reference to the truthfulness of the statements listed below

I HEREBY DECLARE

Under Law 165 of 17 November 2005 and implementing provisions issued by the Central Bank of the Republic of San Marino:

1) my registered address for the longest period in the last five years was as follows:

_____;¹

2) the attached certificate, issue by public authorities territorially competent based on the registered address declared in point 1 above, does not show any prejudicial elements on my behalf in terms of possession of the requirements of good repute envisaged by the current supervisory provisions in force;

3) I am currently unaware of prejudicial proceedings/procedures/acts against me, already concluded or still pending before any other jurisdiction other than that under point 2 above, which could compromise my possession of the requirements of good repute envisaged by the current supervisory provisions in force;

4) I do not fall under any of the impediments provided for by article IV.II.1, paragraph 1, letter d).

I HEREBY AUTHORIZE

In the final analysis, the Central Bank of the Republic of San Marino to conduct on the premises of the appropriate offices such verification procedures as the Central Bank deems appropriate for ascertaining the truthfulness of the declarations which I have made herein.

In witness whereof.

Republic of San Marino, [date] _____

NOTARIAL AUTHENTICATION OF THE SIGNATURE

¹ Enter: name Town (town name), street/square name and number.

PERSONAL CERTIFICATION OF REQUIREMENTS OF PROFESSIONAL CONDUCT

I the undersigned _____ born on
_____ in _____ and residing
in _____ in
_____ citizen of
_____, being fully cognizant of the civil and criminal liability, which I face as a result of
the truthfulness of the declarations listed below, for purposes of taking up the post of _____ of

I HEREBY DECLARE

Under Law 165 of 17 November 2005 and implementing provisions issued by the Central Bank of the Republic of
San Marino, that I meet the requirement(s) of professionalism specified below:

_____ ²

I HEREBY AUTHORIZE

In the final analysis, the Central Bank of the Republic of San Marino to conduct on the premises of firms and the
entities named in the attached CV such verification procedures as the Central Bank may deem appropriate for
ascertaining the truthfulness of the declarations which I have made herein.

In witness whereof.

Republic of San Marino, [date] _____

NOTARIAL AUTHENTICATION OF THE SIGNATURE

² Indicate one or more of the following:

- I have gained an experience of no less than three years within the context of administration, management or control activities with enterprise that do not meet the definition of company in default;
- I have gained an experience of no less than three years within the context of professional activities or as university teacher for disciplines related to the sector or, in any case, sectors which are functional to the activities of the aforementioned financial undertaking;
- I have gained an experience of no less than three years within the context of administrative or managerial duties performed for public authorities or public administration with relevance to the credit, finance, securities or insurance sector, or for public authorities or public administrations with no relevance to the aforementioned sectors provided they involve the management of economic and financial resources;
- I have gained specific expertise and experience, achieved during a period of no less than five years of professional activity within the organizational units of financial enterprise that do not meet the definition of company in default.

PERSONAL CERTIFICATION OF REQUIREMENTS OF INDEPENDENCE
needed to carry out management functions

I the undersigned _____ born on _____ in _____ and residing in _____ citizen of _____, being fully cognizant of the civil and criminal liability, which I face as a result of the truthfulness of the declarations listed below, for purposes of taking up the post of member of the Board of Directors of _____

I HEREBY DECLARE

Under Law 165 of 17 November 2005 and implementing provisions issued by the Central Bank of the Republic of San Marino:

- 1) I hold no posts as auditor or statutory auditor on behalf of the same firm or in firms that are direct or indirect subsidiaries of said firm, or in firms that directly or indirectly hold equity interests in the capital of said firm;
- 2) I am not a spouse, relative or kinsman up to and including the fourth degree of persons meeting one of the criteria mentioned in the preceding item 1;
- 3) I am not an employee of the State, Public Entities, or Autonomous Public Enterprises.

I HEREBY AUTHORIZE

In the final analysis, the Central Bank of the Republic of San Marino to conduct on the premises of the appropriate offices such verification procedures as the Central Bank deems appropriate for ascertaining the truthfulness of the declarations which I have made herein.

In witness whereof.

Republic of San Marino, [date] _____

NOTARIAL AUTHENTICATION OF THE SIGNATURE

PERSONAL CERTIFICATION OF REQUIREMENTS OF INDEPENDENCE

needed to carry out supervisory functions

I the undersigned _____ born on
_____ in _____ and residing
in _____ citizen of
_____, being fully cognizant of the civil and criminal liability, which I face as a result of
the truthfulness of the declarations listed below, for purposes of taking up the post of statutory auditor/auditor of

I HEREBY DECLARE

Under Law 165 of 17 November 2005 and implementing provisions issued by the Central Bank of the Republic of San Marino:

- 1) I do not serve as director on behalf of the same firm or in firms that are direct or indirect subsidiaries of said firm, or in firms that directly or indirectly hold equity interests in the capital of said firm;
- 2) I hold, neither directly nor indirectly, any substantial interests in the firms mentioned in item 1;
- 3) I am in no way linked to the firms mentioned in item 1 by relationships having potential financial impact, as defined in the current regulatory provisions in force;
- 4) I am not a spouse, relative or kinsman up to and including the fourth degree of persons meeting one of the criteria mentioned in the preceding items 1, 2, or 3;
- 5) I am not an employee of the State, Public Entities, or Autonomous Public Enterprises.

I HEREBY AUTHORIZE

In the final analysis, the Central Bank of the Republic of San Marino to conduct on the premises of the appropriate offices such verification procedures as the Central Bank deems appropriate for ascertaining the truthfulness of the declarations which I have made herein.

In witness whereof.

Republic of San Marino, [date] _____

NOTARIAL AUTHENTICATION OF THE SIGNATURE

FORM IDENTIFYING THE CONTROLLING PERSONS

I the undersigned _____
(full name)

as _____
(title)

of _____
(borrower)

do hereby declare, for the purposes of assessing the loan application, that:

- o the individuals currently identifiable as “controlling parties” of the borrower are:

Surname	Given name	Birth place	Date of birth	Residential address

Identification documents signed by me are attached hereto.

- o there are no individuals currently identifiable as “controlling parties” of the borrower, therefore, in the final analysis, control is held by the following parties:

Name	Registered Offices	ID Code	Type

The certificate of registration and good standing (or foreign equivalent) signed by me are attached hereto.

- o there are no parties currently identifiable as “controlling parties” of the borrower.

The content of this declaration shall be deemed to be covered by bank secrecy, within the meaning of Article 36 of the Law of 17 November 2005; accordingly, its use is authorized within the limits of the requirements associated with current laws and supervisory Regulations.

Central Bank of the Republic of San Marino

Regulation no. 2014-04 Regulation of payment services and electronic money issuing services (payment institutions and elm institutions) –

Update III

- Annexes -

Annex D

I undertake promptly to notify you of any changes affecting the above details, by issuing a new declaration, using this template.

San Marino, [date] _____

In witness whereof.

Underwriter's visa

OUTLINE OF THE REPORT ON THE ORGANIZATIONAL STRUCTURE

PART I: Corporate bodies

1. Briefly describe the tasks assigned to corporate bodies.
2. Indicate the usual periodicity of the meetings of the corporate bodies.
3. Describe the processes that lead to the entrance into new markets or sectors or the introduction of new products.
4. Indicate the timing and content of the reports prepared for the verification of the competence of the Board of Directors and the Head of the Executive structure.

PART II: Organizational structure and internal control system

1. Describe (using a graph if need be) the organization chart/corporate function chart (including any peripheral network of authorized sub-providers).
2. Describe the powers attributed to the various levels of the organization, its operational limits, rules for the delegating subject to control the work of the delegate.
3. Indicate the strategic operational functions that the Institution has outsourced and the procedures adopted for the control of those functions.
4. For corporate control functions, the manager and describe the human and technological resources available, the content and periodicity of control activities, specifying the roles and responsibilities relating to the conduct of the audit processes.

PART III: Risk management

1. Indicate for each type of significant risk the organizational safeguards prepared for their management and the control mechanisms.
2. Illustrate the safeguards and precautions provided with reference to the distribution of payment services, electronic money issuing and any other services, with particular regard to both the peripheral network and the network of authorized sub-providers. References must be specific about the procedures put in place when using computer distribution networks (eg. Internet).
3. c) Describe briefly the emergency plans and business continuity plan to ensure their ability to operate on an ongoing basis and limit operational losses in the event of serious disruption to operations.
4. Describe the organizational and control systems to ensure compliance with the regulations concerning prevention and contrast of money laundering and terrorist financing.

PART IV: Information systems

Annex 1

1. Describe briefly the information procedures used in the various departments (accounting, reports, etc.), the supply process, highlighting the automated operations and those carried out manually and the degree of integration between procedures.
2. Describe the controls (including those that are generated automatically by procedures) carried out on data quality.
3. Describe the logical and physical safeguards prepared to ensure the security of the information system and data confidentiality (identification of qualified entities, management of user-id and password, back-up and recovery systems, etc.).
4. Identify the EDP manager and the functions attributed to it.

DESCRIPTION OF PAYMENT SERVICES, ISSUING OF ELECTRONIC MONEY AND THEIR CHARACTERISTICS

Section A – List of payment services

The Institution indicates the payment services it intends to offer, including those set out in Letter I of Annex 1 of Law 165 of 17 November 2005, as amended.

Section B – Characteristics of payment services

The Institution describes for each payment services provided the information specified by the relevant compilation scheme, as follows.

B.1 – Payment services referred to in points a), b), c), d), e), g) (other than remittances of money)

PART I

1- Contracting

Characteristics of the service offered to users, including how to register subscription operations and termination of the relationship with the user and contractual relations with other parties possibly involved.

Characteristics of payment accounts, including any minimum and maximum amounts of deposit and/or maximum times of funds management

2- Circuit

Characteristics of the circuit for the acceptance of the payment instrument and mechanisms between the Institution and the circuit. To this end, it is indicated if the institution issuing the payment instrument: i) is the owner of the acceptance circuit; ii) adheres to a payment system operated by third parties (e.g. payment card circuit or interbank payment network); iii) has added functions of its own to a third party payment circuit.

Detail aspects:

- a. mode of operation of the circuit and, in particular, the role and responsibilities of the various subjects involved;
- b. mechanisms to protect the integrity of the circuit, with special attention to the control systems, the measures necessary to ensure the continuity and adequacy of service levels, as well as indication of those

responsible for the administration of the security of the circuit;

- c. technical safety measures adopted, in particular mode of identification/authentication of users and management of any encryption systems, measures to preserve the integrity and confidentiality of the data and to ensure the protection of physical devices.

3 – *Authentication mechanisms*

Customized device characteristics and/or set of procedures agreed between the user and the payment service provider and that the payment service user uses to issue a payment order.

Method for the acquisition of any custom device and technical security devices used.

PART II

1 – *Clearing and settlement*

Arrangements for clearing and settlement of payments, how to access exchange and settlement procedures (e.g. accession to interbank procedures, recourse to operational channel, chosen regulation channel) with description of monetary flows and/or their accounting.

Technical security safeguards established to protect the reliability and availability of the services used by the Institution to provide access to clearing and settlement procedures managed by third parties.

Safeguards to ensure compliance with the planned cut-off time.

2- *Fraud management and control*

Measures aimed at identifying abnormal behaviour, manipulation or attempts of fraud, both by users and by authorized sub-providers.

3- *Claims management*

Procedures for handling user complaints because of disruptions, malfunctions or fraud relating to the payment service provided.

4- *Credit supply*

Services for which the credit is granted.

Main characteristics of the credit supply contract (example: duration, type of funding).

PART III

1- *Additional information to be provided for the services referred to in points a) and b)*

FUNCTIONS OF DEPOSIT/WITHDRAWAL

Characteristics of services that allow you to deposit and/or withdraw cash from a payment account, as well as the operations required for operating a payment account.

Technical security safeguards adopted to ensure the reliability and availability of the service.

2- *Additional information to be provided for the services referred to in points c), d) and g)*

PAYMENT ORDERS

Procedure for the processing of the payment order (e.g. funds transfer, direct debit even one-off transfers, credit transfers, transactions placed through payment cards or similar devices), including the user authentication mode, order acceptance and completion of the transaction.

Technical security safeguards adopted to ensure the reliability and availability of the service.

3- *Additional information to be provided for the services referred to in point e)*

ISSUING OF PAYMENT INSTRUMENTS

Technical and operating characteristics of the payment instrument (example: physical cards or virtual devices, authentication devices), including technical security safeguards used.

Production, customization, maintenance, distribution and destruction of the devices used and the technical security safeguards used.

ACQUIRING

Acquiring service characteristics, including merchant affiliation methods, characteristics of information and monetary flows with the acceptance of payment instruments

Technical and operating characteristics of the process for the acceptance of a payment instrument (e.g., physical and virtual POS terminals, ATM and remote acquiring services across public or private networks) and the technical security safeguards used.

Production, customization, maintenance, installation and removal of the devices for the acceptance of the payment instrument and technical security safeguards used.

B.2. Payment services referred to in point f) (money remittance)

1 - *Circuit*

Any circuit to which the institution adheres and/or major countries to/from which money remittances are sent and/or received.

2- *Modes of operation of the service*

Characteristics of the service, including:

- a) guaranteed service levels, procedural and amount constraints, other particular characteristics;
- b) security procedures and devices during sending (on line controls, identity verification, control codes generation and their security, etc.);
- c) safety procedures and devices in the reception phase (identity controls and on parameters of the transaction, checksums).

3 - *Method for management of monetary and information flows*

Description of the characteristics and security devices used to access the interbank networks both nationally and internationally.

4 – *Clearing and settlement*

Arrangements for clearing and settlement of payments, how to access exchange and settlement procedures

(e.g. access to interbank procedures, recourse to operational channel, chosen regulation channel) with description of monetary flows and/or their accounting.

Technical security safeguards established to protect the reliability and availability of the services used by the Institution for access to clearing and settlement procedures managed by third parties.

Safeguards to ensure compliance with the planned cut-off time.

5- *Fraud management and control*

Measures aimed at identifying abnormal behaviour, manipulation or attempts of fraudulent use, both by users and by authorized sub-providers.

6- *Claims management*

Procedures for handling user complaints because of disruptions, malfunctions or fraud relating to the payment service provided.

Section C – Electronic money

Electronic money institutions shall provide the information referred to in section B.1 with reference to the issuing of electronic money. They also describe the following aspects:

- a) technical characteristics and operation of payment instrument (example: physical cards or virtual devices; names or anonymous; any possibility of electronic money transfers from one device to another);
- b) initial storage mode and, if required, following storage device.
- c) repayment mode of electronic money and essential characteristics of the contractual relationship with the electronic money holder (e.g. the initial monetary value, maximum amounts of storage, the maximum amount of individual charges, terms and conditions of use, fees);
- d) registration method of storage operations, use, recharge, refund and, if required, transfers from one device to another.



Regulation
Year 2013 / Number 05

ENTRY INTO
THE SINGLE EURO PAYMENTS AREA (SEPA)

(Consolidated text as of 1 September 2014 - Update II)

PART I
INTRODUCTION

Title I

Introduction and definitions

Article 1 - Legislative sources

1. *The regulatory powers of the Central Bank on the management and organization of the payment system of the Republic of San Marino, find their legislative source in Law No. 96 of 29 June 2005, and in particular in articles 37 and 38.*

2. *This regulation is also one of the implementing provisions of Law No. 165 of 17 November 2005 referred to in article 39.*

Article 2 - Preparation

1. *The present Regulation, in accordance with the provisions of article 38, paragraph 5 of Law No. 165 of 17 November 2005 and the implementing Regulation n° 2006-02, has been the subject of consultation.*

Article 3 - Definitions

1. *For the purposes of this regulation, the following expressions are intended as having the following meanings:*

1. **“Direct debit”**: *a payment service for debiting a payer’s payment account, where a payment transaction is initiated by the payee on the basis of the payer’s, the payee’s or payer’s payment service provider’s consent;*
2. **“Central Bank”**: *Central Bank of the Republic of San Marino;*
3. **“Payee”**: *the subject or the subjects who hold a payment account and who are the intended recipients of funds which have been the subject of a payment transaction;*
4. **“BIC”**: *a business identifier code that unambiguously identifies a Payment Service Provider, the elements of which are specified by the ISO (International Organization for Standardization);*
5. **“Payment order”**: *a previously filled-in payment order sent by the payee to the payer and used by the latter to make a payment in cash at any bank, regardless of whether he owns a payment account, in order to credit the payment account of the payee;*
6. **“Payment Order on Postal Current Account”**: *a previously filled-in payment order – which may be filled in by the payee or by the payer – used by the payer to execute a payment which is credited onto the payment account held by the payee;*
7. **“Credit Transfer”**: *a payment service for crediting a payee’s payment account with a payment transaction or a series of payment transactions from a payer’s payment account by the Payment Service Provider which holds the payer’s payment account, based on an instruction given by the payer;*
8. **“Fee”**: *a surcharge applied by a payment service provider to the user directly or indirectly linked to a payment transaction;*

9. **“Payment account”**: *an account held at a payment service provider in the name of one or more payment service users which is used for the execution of payment transactions;*
10. **“Framework Contract”**: *a payment service contract which governs the future execution of single and recurring payment transactions and which may contain the obligations and conditions for setting up and managing a payment account;*
11. **“Settlement Date”**: *a date on which obligations with respect to the transfer of funds are discharged between the payer’s Payment Service Provider and the payee’s Payment Service Provider;*
12. **“Sanctions Decree”**: *Decree No. 76 of 30 May 2006 and subsequent amendments;*
13. **“Funds”**: *banknotes or coins, paper and electronic money;*
14. **“IBAN”**: *an international payment account number identifier, which unambiguously identifies an individual payment account in San Marino or in the EU, the elements of which are specified by the ISO;*
15. **“Mandate”**: *the expression of consent and authorization given by the payer to the payee and (directly or indirectly via the payee) to the payer’s Payment Service Provider to allow the payee to initiate a collection for debiting the payer’s specified payment account and to allow the payer’s Payment Service Provider to comply with such instructions;*
16. **“MIF”**: *a multilateral interchange fee which is subject to an arrangement between more than two Payment Service Providers;*
17. **“Payment transaction”**: *an act, initiated by the payer or by the payee, for transferring funds between payment accounts, where at least one of them is held in the Republic of San Marino, irrespective of any underlying obligation between the payer and the payee;*
18. **“R-Transaction”**: *a payment transaction which cannot be properly executed by a Payment Service Provider or which results in exception processing, inter alia, because of a lack of funds, revocation of a collection order, a wrong amount or a wrong date, a lack of mandate or wrong or closed account;*
19. **“Sepa Country”**: *a country which is a member State of the EU or otherwise adhering to the single euro payments area;*
20. **“National payment”**: *payment transaction processed electronically or by the payee or through him, when the payment service provider and the payee’s payment service provider are both registered in the Republic of San Marino;*
21. **“Cross-border payment”**: *payment transaction processed electronically and initiated by the payer or payee, or through him, when the payment service provider and the payee’s payment service provider are registered respectively in the Republic of San Marino and in a SEPA Country or vice-versa;*
22. **“Payer”**: *the subject (or the subjects) who holds a payment account and makes a payment order from that payment account or, where there is no payer’s payment account, the subject who makes a payment order;*
23. **“Payment Service Provider” or “PSP”**: *banks, payment institutions, electronic money institutions, Postal Institutions, the European Central Bank and other national central banks when not acting in their capacity as monetary authorities;*

24. **“Electronic Bank Receipt”**: a collection order sent by the payee to his/ her bank, via a special interbank procedure of the Electronic Data Transmission System, to the payer’s bank which forwards a notice to the payer;
25. **“Fixed-amount Direct Debit ”**: a direct debit transaction the amount of which is fixed and stated in the authorization given for debiting the account; together with the “Financial Direct Debit”, the cumulative market share of these instruments in San Marino is less than 10% of the total number of direct debit transactions;
26. **“Financial Direct Debit”**: a direct debit transaction connected with the management of financial instruments or with the execution of investment transactions; together with the “Fixed-amount Direct Debit”, the cumulative market share of these instruments in San Marino is less than 10% of the total number of direct debit transactions;
27. **“Money Remittance”**: a payment service where funds are delivered from a payer, without any payment accounts being created in the name of the payer or the payee, for the sole purpose of transferring a corresponding amount to a payee or to another payment service provider acting on behalf of the payee, and/ or where such funds are collected on behalf of and made available to the payee;
28. **“Payment scheme”**: a single set of rules, practices, standards and/ or implementation guidelines agreed between Payment Service Providers for the execution of payment transactions, which is separated from any infrastructure or payment system that supports its operations;
29. **“Public administration”**: the public subject as defined by law No. 188 of 5 December 2011 and subsequent amendments and additions;
30. **“National Payments System”**: all payment instruments, infrastructures, subjects and rules that are used to transfer money from one operator to another within the territory of the Republic of San Marino;
31. **“Retail Payment System”**: a payment system the main purpose of which is to process, clear or settle credit transfers or direct debits, which are generally bundled together for transmission and are primarily of small amount and low priority, and that is not a large-value payment system;
32. **“Large-value Payment System”**: a payment system the main purpose of which is to process, clear or settle single payment transactions of high priority and urgency, and primarily of large amount;
33. **National Payments System**: all payment instruments, infrastructures, subjects and rules that are used to transfer money from one operator to another within the territory of the Republic of San Marino;
34. **“Standard ISO 20022 XML”**: a standard for the development of electronic financial messages as defined by the ISO, encompassing the physical representation of the payment transactions in XML syntax, in accordance with business rules and implementation guidelines of Union- wide schemes for payment transactions falling within the scope of this Regulation;
35. **“Payment Service User” or “User”**: a person making use of a payment service in the capacity of either payer or payee, or both;

2. In the course of the text, the use of the above-listed definitions is shown with SMALL CAPS font.

3. For all non-defining terms please refer to the definitions and concepts contained in Law No. 165 of 17 November 2005, as amended

Article 4 - Recipients of the Regulation

1. This Regulation shall apply to PAYMENT SERVICE PROVIDERS and to USERS.

Article 5 - Purpose and structure of the Regulation

1. This regulation aims at harmonizing the NATIONAL PAYMENT SYSTEM with the rules introduced at a European level by Regulation (EC) no. 924/2009 of 16 September 2009, in order to ensure that the commissions applied to CROSS-BORDER PAYMENTS are the same as those applied to the corresponding NATIONAL PAYMENTS in euro, coherently with the Monetary Convention in force between the Republic of San Marino and the European Union for use of the euro as the national currency.

2. This Regulation shall, in particular, be designed to allow entry into the single euro payments area (so-called SEPA) through the adoption of implementing rules and of greater detail than the Community Regulations referred to in the previous paragraph, which were introduced by Regulation (EU) no. 260/2012 of 14 March 2012 and have common technical and commercial requirements for credit transfers and direct debits.

3. The current Regulation shall consist of 4 parts and no. 1 Annex, which forms an integral part. of the Regulation itself. The first Part is introductory and has defining contents; the second Part and the Annex deal with the aforementioned requirements of SEPA PAYMENT TRANSACTIONS the third Part describes the general principles of CROSS-BORDER PAYMENTS within SEPA COUNTRIES; the fourth Part is dedicated to transitory rules.

PART II

TECHNICAL AND COMMERCIAL REQUIREMENTS FOR CREDIT TRANSFERS AND DIRECT DEBITS IN EURO

Title I

Subject matter

Article 6 - Object and subject matter

1. The current Part shall apply to CREDIT TRANSFERS and DIRECT DEBITS in euro currency if:

a) both PSPs are located in the Republic of San Marino;

b) the only PSP involved in CREDIT TRANSFER or DIRECT DEBIT transactions is located in the Republic of San Marino;

c) a PSP is located in the Republic of San Marino and the other PSP is located in a SEPA COUNTRY.

2. CREDIT TRANSFERS initiated in cash, that is those CREDIT TRANSFERS in which the funds are given in cash by the PAYER to the used PSP, shall be considered as CREDIT TRANSFERS, as referred to in the previous paragraph.

3. Without prejudice to paragraphs 1 and 2, this Regulation shall not apply to:

a) PAYMENT TRANSACTIONS initiated

a.1) directly:

- through a PSP;

- within a PSP, including its agents and branches;

a.2) on behalf of another PSP;

b) PAYMENT TRANSACTIONS processed and settled through LARGE-VALUE PAYMENT SYSTEMS, excluding DIRECT DEBIT payment transactions which the PAYER has not explicitly requested to be routed via a LARGE-VALUE PAYMENT SYSTEMS;

c) PAYMENT TRANSACTIONS through a payment card or similar device, including cash withdrawals, unless the payment card or similar device is used only to generate the information required to directly make a CREDIT TRANSFER or DIRECT DEBIT to and from a PAYMENT ACCOUNT identified by IBAN;

d) PAYMENT TRANSACTIONS by means of any telecommunication, digital or IT device, if such PAYMENT TRANSACTIONS do not result in a CREDIT TRANSFER or DIRECT DEBIT to and from a PAYMENT ACCOUNT identified by IBAN;

e) PAYMENT TRANSACTIONS transferring electronic money, on the taking up, pursuant and prudential supervision of the business of electronic money institutions, unless such transactions result in a CREDIT TRANSFER or DIRECT DEBIT to and from a PAYMENT ACCOUNT identified by IBAN;

f) BANKING PAYMENT ORDER;

g) PAYMENT ORDER ON POSTAL CURRENT ACCOUNT;

h) a collection order based on a notice sent to the PAYER who can execute the payment at any PSP through a specific interbank procedure (MAV);

i) a collection order based on a notice sent to the PAYER to collect amounts entered in the tax rolls by government collection agencies via a specific interbank procedure (RAV);

l) ELECTRONIC BANK RECEIPT (Ri.Ba.);

m) MONEY REMITTANCE.

4. Without prejudice to paragraphs 1, 2 and 3, where PAYMENT SCHEMES are based on PAYMENT TRANSACTIONS through CREDIT TRANSFERS or DIRECT DEBITS but have additional optional features or services, this Regulation applies only to the underlying CREDIT TRANSFERS or DIRECT DEBITS.

Article 7 - Derogations

1. Until 1 February 2016, the FINANCIAL DIRECT DEBITS and the FIXED-AMOUNT DIRECT DEBITS shall be exempted from the application of articles 10 and 11 of the current Regulation.

2. Until 1 February 2016, the initiation or receipt of individual CREDIT TRANSFERS or DIRECT DEBITS that are bundled together for transmission shall be exempted from the requirement to use the message formats specified in point 1 (b) of the Annex (STANDARD ISO 20022 XML). The PSP fulfills the requirements of STANDARD ISO 20022 XML, if a USER of payment services requires this service.

Article 8 - Accessibility

1. For the purposes of this Regulation:

a) a PAYEE's PSP which is reached for a national CREDIT TRANSFER under a PAYMENT SCHEME shall also be reachable, in accordance with the rules of a Union-wide PAYMENT SCHEME, for CREDIT TRANSFERS initiated by a PAYER through a PSP located in any SEPA COUNTRY;

b) a PAYER's PSP which is reachable for a national DIRECT DEBIT under a PAYMENT SCHEME shall also be reachable, in accordance with the rules of a Union-wide PAYMENT SCHEME, for DIRECT DEBITS initiated by a PAYEE through a PSP located in any SEPA COUNTRY.

2. Without prejudice to the derogations of article 7 paragraph 1 and article 11 paragraphs 3 and 4, national CREDIT TRANSFER and DIRECT DEBIT operations must be applied by the PSP the same PAYMENT SCHEMES applied to cross-border CREDIT TRANSFER and DIRECT DEBIT operations, if performed within a SEPA COUNTRY.

Article 9 - Adjustments

1. Without prejudice to the communication duties towards its customers, to be carried out at least by 15 January 2014, PSPs, by 31 January 2014, shall apply to customers all changes, where necessary, in line with the provisions laid down in this Regulation, referring to the terms of the contract concerning the execution of CREDIT TRANSFERS and DIRECT DEBITS.

2. The PAYEE of a national DIRECT DEBIT service must inform the PAYER in advance of the intention to use, with effect from 1 February 2014, the DIRECT DEBIT in accordance with the provisions of this regulation with a notice of at least 30 days from the date of activation of the service and, in any event, no later than 15 January 2014.

3. PSPs, which store national DIRECT DEBIT MANDATES, shall provide DIRECT DEBIT PAYEES with mandate-related information so as to enable them to correctly execute DIRECT DEBIT transactions in compliance with the current Regulation.

Article 10 – Requirements for CREDIT TRANSFER and DIRECT DEBIT transactions

1. PSPs that carry out CREDIT TRANSFER and DIRECT DEBIT transactions shall:

- a) use the PAYMENT ACCOUNT identifier specified in point 1 (a) of the Annex for the identification of PAYMENT ACCOUNTS regardless of the location of the relevant PSP
- b) use the message formats specified in point 1 (b) of the Annex, when transmitting PAYMENT TRANSACTIONS to another PSP or via a RETAIL PAYMENT SYSTEM;
- c) ensure that USERS use the PAYMENT ACCOUNT identifier specified in point 1 (a) of the Annex for the identification of PAYMENT ACCOUNTS, and that the other PSPs of the USERS are located in the Republic of San Marino or in another SEPA COUNTRY;
- d) ensure, without prejudice to article 7 paragraph 2, that the message formats specified in point 1 (b) of the Annex (ISO 20022 XML STANDARD) are used, if the USER places or receives individual CREDIT TRANSFERS or DIRECT DEBITS, that are transmitted bundled together and not individually.

2. Without prejudice to paragraph 1 point b), PSPs shall, upon specific request of a USER, use the message formats specified in point 1 (b) of the Annex.

3. PSPs shall also make CREDIT TRANSFERS in such way that:

- a) their PAYER provides the data elements specified in point 2 (a) of the Annex;
- b) the PAYEE's PSP is provided with the data elements specified in point 2 (b) of the Annex to the PAYEE's PSP;
- c) their PAYEE is provided or made available the data elements specified in point 2 (d) of the Annex.

4. PSPs shall carry out DIRECT DEBITS in such way that:

- a) the PAYEE's PSP ensures that the PAYEE provides the data elements specified in point 3 (a) of the Annex with the first DIRECT DEBIT and the one-off DIRECT DEBIT, as well as with any subsequent PAYMENT TRANSACTION;
- b) the PAYER gives consent both to the PAYEE and to the PAYER's PSP (directly or indirectly via the PAYEE), so that the MANDATES, together with later modifications or cancellations, are stored by the PAYEE or by a third party on behalf of the PAYEE and that the PAYEE is informed of this obligation by the PSP;
- c) the PAYEE's PSP provides the PAYER's PSP with the data elements specified in point 3 (b) of the Annex;
- d) the PAYER's PSP provides or makes available to the PAYER the data elements specified in point 3 (c) of the Annex;
- e) the PAYER has the right to instruct his/her PSP:
 - to limit a DIRECT DEBIT collection to a certain amount or periodicity or both;
 - where a MANDATE under a PAYMENT SCHEME does not provide for the right to a refund, to verify each DIRECT DEBIT transaction, and to check whether the amount and periodicity of the submitted DIRECT DEBIT transaction is equal to the amount and periodicity agreed to in the MANDATE, before debiting the PAYMENT ACCOUNT, based on the MANDATE-related information,

- to block any DIRECT DEBIT to the PAYER's PAYMENT ACCOUNT or to block any DIRECT DEBIT initiated by one or more specified PAYEES or to authorize DIRECT DEBITS only initiated by one or more specified PAYEES;

5. The PAYER's PSP shall inform the PAYER of the rights referred to in point (e).

6. Upon the first DIRECT DEBIT transaction or a one-off DIRECT DEBIT transaction and upon each subsequent DIRECT DEBIT transaction, the PAYEE shall send the MANDATE-related information to his or her PSP and the PAYEE's PSP shall transmit the MANDATE-related information to the PAYER's PSP with each DIRECT DEBIT transaction.

7. In addition to the requirements referred to in paragraphs 1, 2 and 3, the PAYEE accepting the CREDIT TRANSFER shall communicate its PAYMENT ACCOUNT identifier specified in point 1 (a) of the Annex and, until 1 February 2016 for PAYMENT TRANSACTIONS, but only where necessary, its PSP's BIC to its PAYERS.

8. Before the first DIRECT DEBIT transaction, a PAYER shall communicate its PAYMENT ACCOUNT identifier specified in point 1 (a) of the Annex. The BIC of a PAYER's PSP shall be communicated until 1 February 2014 for national PAYMENT TRANSACTIONS and until 1 February 2016 for cross-border PAYMENT TRANSACTIONS by the PAYER, but only where necessary.

9. Where the FRAMEWORK CONTRACT between the PAYER and the PAYER's PSP does not provide for the right to a refund, the PAYER's PSP shall, without prejudice to paragraph 4 (b), verify each DIRECT DEBIT transaction to check whether the amount of the submitted DIRECT DEBIT transaction is equal to the amount and periodicity agreed to in the MANDATE before debiting the PAYER's PAYMENT ACCOUNT, based on the MANDATE-related information.

10. After 1 February 2014 for national PAYMENT TRANSACTIONS and after 1 February 2016 for cross-border PAYMENT TRANSACTIONS, PSPs shall not require the USER to indicate the BIC of the PAYER'S or of the PAYEE'S PSP.

11. The PAYER's PSP and the PAYEE's PSP shall not levy additional charges or other fees on the read-out process that automatically generates a MANDATE for those PAYMENT TRANSACTIONS initiated directly or indirectly through or by means of a payment card at the point of sale, which result in DIRECT DEBITS.

Article 11 - End-dates

1. Without prejudice to article 6 paragraph 3 and article 7, by 1 February 2014, the CREDIT TRANSFERS shall be performed in accordance with the technical requirements laid down in article 10, paragraphs 1, 2, 3 and 7, and in points 1 and 2 of the Annex.

2. Without prejudice to article 6 paragraph 3 and article 7, by 1 February 2014, DIRECT DEBITS shall be carried out in accordance with article 13 and with the requirements laid down in article 10, paragraphs 1, 4, 5, 6, 8, 9 and 11 and in points 1 and 3 of the Annex.

3. Without prejudice to the previous paragraph 1, no later than 1 February 2016, national CREDIT TRANSFERS shall be performed in accordance with the technical requirements laid down in article 10, paragraphs 1, 2, 3 and 7, and in points 1 and 2 of the Annex.

4. Without prejudice to the previous paragraph 2, no later than 1 February 2016, DIRECT DEBITS in favour of the PUBLIC ADMINISTRATION shall be carried out in accordance with article 13 and with the requirements laid down in article 10, paragraphs 1, 4, 5, 6, 8, 9 and 11 and in points 1 and 3 of the Annex.

Article 12 - Validity of mandates and right to a refund

1. The MANDATES related to DIRECT DEBITS, concluded before 1 February 2014, containing a valid authorization issued to the PAYEE for the collection of such DIRECT DEBITS, shall remain valid also after the mentioned date of 1 February 2014.

2. The MANDATE referred to in the previous paragraph shall be regarded as the consent given to the PSP of the PAYER to make periodical DIRECT DEBITS collected by the PAYEE in accordance with this Regulation.

3. The MANDATES referred to in this article provide for unconditional refunds and refunds applied retroactively to the date of the refunded payment, if those refunds were provided for under the existing MANDATE.

Article 13 - Interchange fees for direct debit transactions

1. Coherently with the general principles referred to in the following Article 16, without prejudice to the following paragraph 2, no MIF per DIRECT DEBIT transaction or other agreed remuneration with an equivalent object or effect shall apply to DIRECT DEBIT transactions.

2. For R-TRANSACTIONS a MIF may be applied, provided that all the following conditions are complied with:

a) the arrangement aims at efficiently allocating costs to the PSP which, or the USER of which, has caused the R-TRANSACTION, as appropriate, while taking into account the existence of transaction costs and ensures that the PAYER is not automatically charged and the PSP is prohibited from charging USERS in respect of a given type of R-

TRANSACTION fees that exceed the cost borne by the PSP for such transactions;

- b) the fees are strictly cost based;*
- c) the level of the fees does not exceed the actual costs of handling an R-TRANSACTION by the most cost-efficient comparable PSP that is a representative party to the arrangement in terms of volume of transactions and nature of services;*
- d) the application of the fees in accordance with points a), b) and c) prevents the PSP from charging additional fees relating to the costs covered by those interchange fees to their respective USERS;*
- e) there is no practical and economically viable alternative to the arrangement which would lead to an equally or more efficient handling of R-TRANSACTIONS at an equal or lower cost.*

3. For the purposes of the first paragraph, only cost categories directly and unequivocally relevant to the handling of the R-TRANSACTION shall be considered in the calculation of the R-TRANSACTION fees. Those costs shall be precisely determined. The breakdown of the amount of the costs, including separate identification of each of its components, shall be part of the arrangement to allow for easy verification and monitoring

4. Paragraphs 1, 2 and 3 shall apply mutatis mutandis to unilateral arrangements by a PSP and to bilateral arrangements between PSPs that have an object or effect equivalent to that of a multilateral arrangement.

Article 14 - Payment accessibility

1. A PAYER making a CREDIT TRANSFER to a PAYEE holding a PAYMENT ACCOUNT located within the Republic of San Marino or another SEPA COUNTRY shall not specify the State in which that PAYMENT ACCOUNT is located, provided that the PAYMENT ACCOUNT is reachable in accordance with Article 8 paragraph 1.

2. A PAYEE accepting a CREDIT TRANSFER or using a DIRECT DEBIT to collect funds from a PAYER holding a PAYMENT ACCOUNT located within the Republic of San Marino or another SEPA COUNTRY shall not specify the Member State in which that PAYMENT ACCOUNT is located, provided that the PAYMENT ACCOUNT is reachable in accordance with Article 8 paragraph 1.

PART III

GENERAL RULES ON CROSS-BORDER PAYMENTS

WITHIN SEPA COUNTRIES

Article 15 – Measures to facilitate the automation of payments

1. The PSP shall, if applicable, inform the USER of his IBAN code and the BIC code of the PSP. Where due, the PSP it shall also indicate the IBAN of the USER and the BIC code of the PSP in statements or in an attachment to them.

2. The PSP provides information for the purposes of this article to the USER without any charge.

3. For any billing of goods and services in San Marino or in a SEPA COUNTRY, having regard to the nature of the PAYMENT TRANSACTION in question, the provider of goods and services that accepts payments regulated by this Regulation, shall notify its customers of its own IBAN code and the BIC code of its PSP.

Article 16 - Fees for cross-border payments

1. The Fee, without prejudice to those of currency conversion, enforced by a PSP to a USER for CROSS-BORDER PAYMENTS are equal to those applied by the same PSP to USERS for corresponding NATIONAL PAYMENTS of the same value and in the same currency.

2. The PSP, in considering for the purposes of the preceding paragraph the level of FEES for CROSS-BORDER PAYMENT, it must identify the corresponding NATIONAL PAYMENT, taking account of any guidelines issued by the CENTRAL BANK.

3. The PSP can apply additional FEES to those referred to in the preceding paragraph 1 to the USER if the latter requests that the PSP make a CROSS-BORDER PAYMENT without communicating the IBAN and where due, the BIC of the PAYMENT ACCOUNT in another SEPA COUNTRY. These FEES are appropriate and related to the costs and agreed between the PSP and the USER. The PSP shall inform the USER of the amount of the additional fees in good time before the USER that is bound by such an agreement.

Article 17 – Scope

1. The general rules provided for in this Part apply, in reciprocity arrangements with all SEPA COUNTRIES, only for CROSS-BORDER PAYMENTS in the form of a credit transfer or DIRECT DEBIT, within the limits, terms and conditions listed above, except for integration of these rules in order to ensure the continued alignment of the national payment system compared to the future introduction at European level of common technical and business requirements for additional forms of PAYMENT TRANSACTIONS.

PART IV

FINAL AND TRANSITIONAL PROVISIONS

Article 18 - Questions

1. The PSP may submit questions to the CENTRAL BANK to request clarification about the content of this Regulation.

2. The question should meet the following requirements:

a) sender: PSP located in the Republic of San Marino or Sammarinese branch of foreign PSP;

b) recipient: Payment system Department;

c) form: letter or e-mail message, signed by the Chief of the Executive structure or by his/her deputy person (Deputy Managing Director) or, upon specific delegation, previously notified to the CENTRAL BANK, by a maximum of 3

employees delegated by each PSP.

Article 19 - Sanctions

1. Violations of the provisions of this Regulation are punished pursuant to the SANCTIONS DECREE.

Article 20 - Entry into force

1. This Regulation shall enter into force on 31 August 2013.

ANNEX 1

TECHNICAL REQUIREMENTS

1) In addition to the essential requirements set out in Article 10, the following technical requirements shall apply to CREDIT TRANSFERS and DIRECT DEBIT transactions:

a) the PAYMENT ACCOUNT identifier referred to in Article 10 paragraph 1 points a) and c) must be the IBAN.

b) the standard message format referred to in Article 10 paragraph 1 points b) and d) must be the STANDARD ISO 20022 XML;

- c) the remittance data field must allow for 140 characters. PAYMENT SCHEMES may allow for a higher number of characters, except if the device used to remit information has technical limitations relating to the number of characters, in which case the technical limit of the device applies;
- d) remittance reference information and all the other data elements provided in accordance with points 2) and 3) of this Annex must be passed in full and without alteration between PSPs in the payment chain;
- e) once the required data are available in electronic form, PAYMENT TRANSACTIONS must allow for a fully automated, electronic processing in all process stages throughout the payment chain (USER-to-USER straight through processing), enabling the entire payment process to be conducted electronically without the need for re-keying or manual intervention. This must also apply to exceptional handling of CREDIT TRANSFERS and DIRECT DEBIT transactions, whenever possible; f) PAYMENT SCHEMES must set no minimum threshold for the amount of the PAYMENT TRANSACTIONS allowing for CREDIT TRANSFERS and DIRECT DEBITS but are not required to process PAYMENT TRANSACTIONS with zero amount;
- g) PAYMENT SCHEMES are not obliged to carry out CREDIT TRANSFERS and DIRECT DEBITS exceeding the amount of EUR 999 999 999,99.
- 2) In addition to the requirements referred to in point 1), the following requirements shall apply to CREDIT TRANSFER transactions:
- a) the data elements referred to in Article 10 paragraph 3 point a) are the following:
- 1) the PAYER's name and/or the IBAN of the PAYER's PAYMENT ACCOUNT;
 - 2) the amount of the CREDIT TRANSFER;
 - 3) the IBAN of the PAYEE's PAYMENT ACCOUNT;
 - 4) where available, the PAYEE's name;
 - 5) any remittance information;
- b) the data elements referred to in Article 10 paragraph 3 point b) are the following:
- 1) the PAYER's name;
 - 2) the IBAN of the PAYER's PAYMENT ACCOUNT;
 - 3) the amount of the CREDIT TRANSFER;
 - 4) the IBAN of the PAYEE's PAYMENT ACCOUNT;
 - 5) any remittance information;
 - 6) any PAYEE identification code;
 - 7) the name of any PAYEE reference party;
 - 8) any purpose of the CREDIT TRANSFER;
 - 9) any category of the purpose of the CREDIT TRANSFER;
- c) in addition, the following mandatory data elements are to be provided by the PAYER's PSP to the PAYEE's PSP:
- 1) the BIC of the PAYER's PSP (if not agreed otherwise by the PSP involved in the PAYMENT TRANSACTION);
 - 2) the BIC of the PAYEE's PSP (if not agreed otherwise by the PSP involved in the PAYMENT TRANSACTION);

- 3) *the identification code of the PAYMENT SCHEME;*
 - 4) *the settlement date of the CREDIT TRANSFER;*
 - 5) *the reference number of the CREDIT TRANSFER message of the PAYER's PSP;*
- d) *the data elements referred to in Article 10 paragraph 3 point c) are the following:*
- 1) *the PAYER's name;*
 - 2) *the amount of the CREDIT TRANSFER;*
 - 3) *any remittance information.*
- 3) *In addition to the requirements referred to in point 1), the following requirements shall apply to DIRECT DEBIT transactions:*
- a) *the data elements referred to in Article 10 paragraph 4 point a) are the following:*
- 1) *the type of DIRECT DEBIT (recurrent, one-off, first, last or reversal);*
 - 2) *the PAYEE's name;*
 - 3) *the IBAN of the PAYEE's PAYMENT ACCOUNT to be credited for the collection;*
 - 4) *where available, the PAYER's name;*
 - 5) *the IBAN of the PAYER's PAYMENT ACCOUNT to be debited for the collection;*
 - 6) *the unique MANDATE reference;*
 - 7) *where the PAYER's MANDATE is given after 31 March 2012, the date on which it was signed;*
 - 8) *the amount of the collection;*
 - 9) *where the MANDATE has been taken over by a PAYEE other than the PAYEE who issued the MANDATE,*
the unique MANDATE reference as given by the original PAYEE who issued the MANDATE;
 - 10) *the PAYEE's identifier;*
 - 11) *where the MANDATE has been taken over by a PAYEE other than the PAYEE who issued the MANDATE,*
the identifier of the original PAYEE who issued the MANDATE;
 - 12) *any remittance information from the PAYEE to the PAYER;*
 - 13) *any purpose of the collection;*
 - 14) *any category of the purpose of the collection;*
- (b) *the data elements referred to in Article 10 paragraph 4 c) are the following:*
- 1) *the BIC of the PAYEE's PSP (if not agreed otherwise by the PSPs involved in the PAYMENT TRANSACTION);*
 - 2) *the BIC of the PAYER's PSP (if not agreed otherwise by the PSPs involved in the PAYMENT TRANSACTION);*
 - 3) *the PAYER reference party's name (if present in dematerialized MANDATE);*
 - 4) *the PAYER reference party's identification code (if present in dematerialized MANDATE);*
 - 5) *the PAYEE reference party's name (if present in the dematerialized MANDATE);*
 - 6) *the PAYEE reference party's identification code (if present in dematerialized MANDATE);*

- 7) *the identification code of the PAYMENT SCHEME;*
 - 8) *the SETTLEMENT DATE of the collection;*
 - 9) *the PAYEE's PSP reference for the collection;*
 - 10) *the type of MANDATE;*
 - 11) *the type of DIRECT DEBIT (recurrent, one-off, first, last or reversal);*
 - 12) *the PAYEE's name;*
 - 13) *the IBAN of the payee's payment account to be credited for the collection;*
 - 14) *where available, the PAYER's name;*
 - 15) *the IBAN of the PAYER's PAYMENT ACCOUNT to be debited for the collection;*
 - 16) *the unique MANDATE reference;*
 - 17) *the date of signing of the MANDATE if the MANDATE is given by the payer after 31 March 2012;*
 - 18) *the amount of the collection;*
 - 19) *the unique MANDATE reference as given by the original PAYEE who issued the MANDATE (if the MANDATE has been taken over by another PAYEE than the PAYEE who issued the MANDATE);*
 - 20) *the PAYEE's identifier;*
 - 21) *the identifier of the original PAYEE who issued the MANDATE (if the MANDATE has been taken over by a PAYEE other than the PAYEE who issued the MANDATE);*
 - 22) *any remittance information from the PAYEE to the PAYER;*
- c) *the data elements referred to in Article 10 paragraph 4 point d) are the following:*
- 1) *the unique MANDATE reference;*
 - 2) *the PAYEE's identifier;*
 - 3) *the PAYEE's name;*
 - 4) *the amount of the collection;*
 - 5) *any remittance information;*
 - 6) *the identification code of the PAYMENT SCHEME*