

**THE DIRECTOR GENERAL  
OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO**

IN VIEW of Law no. 165 of 17 November 2005 (*Law on companies and banking, financial and insurance services*) and in particular article 39, which gives the Central Bank the power to issue measures containing binding and general provisions, and article 45 which assigns to the Central Bank the issuing of prudential regulation;

IN VIEW of Law no.29 June 2005 n. 96 (*Statutes of the Central Bank of the Republic of San Marino*) and in particular article 33 that assigns to the Central Bank the functions for the supervision and protection of investors;

IN VIEW of article 30, paragraph 3 of the Statutes, based on which the Central Bank's acts on supervision, passed by the Supervision Committee, are issued by the Director General;

IN VIEW of the Supervision Committee and the Governing Council resolutions, with which approval was granted to the text of Regulation no. 2017-01 known as "*Amending Regulation of Regulations no. 2007-07, no. 2011-03 and no. 2016-02*";

**ISSUES**

the enclosed Regulation no. 2017-01, which enters into force on 27 January 2017.

San Marino, 26 January 2017

Signed: THE DIRECTOR GENERAL  
Mr. Lorenzo Savorelli

**AMENDING REGULATION OF REGULATIONS**  
**No. 2007-07, No. 2011-03 AND No. 2016-02**

*year 2017 / number 01*

## **Article 1 - Amendments to Regulations no. 2007-07 and no. 2011-03**

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

### **“Article VII.III.4 Debtor counterparts**

*1. The weighting system presumptively assesses the risk of debtor default and is based on the following multiplication factors:*

*a) 0% for risk assets on central governments, central banks, multilateral development banks, EU, general government, and the broadly defined public sector of the Republic of San Marino;*

*b) 20% for risk assets on the public sector entities of foreign countries (central and local government), banks, FINANCIAL COMPANIES and other FINANCIAL ENTERPRISES, NON FINANCIAL ENTERPRISES listed on regulated markets or held as CONTROLLING INTEREST by entities and/or companies listed on regulated markets;*

*c) 50% for fully mortgage-backed claims towards natural persons on “residential real estate” whether leased or used — or intended to be used — directly by the borrower;*

*d) 50% for loans deriving from financial leasing contracts on residential “real estate” properties or on properties which are intended to be used directly by the lessee as residence or registered office for its business;*

*e) 50% for loans deriving from financial leasing contracts focusing on assets other than those under letter d), whose residual debt in terms of principal is less than half of the original contract value;*

*f) 100% for other risk assets on the private sector and in respect of equity interests not deducted from total regulatory capital;*

*g) 150% for equity interests in NON-FINANCIAL ENTERPRISES unlisted on regulated markets, posting balance sheet losses for the three most recent fiscal years;*

*h) 150% for BAD LOANS except for those referred to in letters d) and e) above for which the multiplying factor passes from 50% to 100%.*

*2. The reduced weight referred to in letters a) and b) may be applied having due regard for the provisions of the following article and, regarding FINANCIAL ENTERPRISES, solely for those subject to prudential regulations equivalent to those contained in the present Part of the Regulations; for FINANCIAL COMPANIES WITH LIMITED OPERATIONAL POWERS the multiplication factor under this paragraph is equal to 40%.”.*

2. Article VII.III.5 is replaced as follows:

*“1. In order to take account of the country risk profile in evaluating risk assets vis-à-vis central governments, central banks, public sector entities, banks, other FINANCIAL ENTERPRISES, NON FINANCIAL ENTERPRISES listed on regulated markets or held as CONTROLLING INTEREST by entities and/or*

*companies listed on regulated markets, it is necessary to distinguish between zone “A” and zone “B”. The zone “A” comprises the Republic of San Marino, countries members of the European Union, all countries which are full members of OECD, countries which have entered into general arrangements to borrow (NAB) with the International Monetary Fund and countries identified with the acronym BRICS (Brazil, Russia, India, China, South Africa); countries which have restructured their foreign debt in the past 5 years are, in any case, excluded from zone “A”. The zone “B” comprises all countries not included in zone “A”.*

*2. Risk assets on entities or subjects (specifically: central governments, central banks, public sector entities, banks, other FINANCIAL ENTERPRISES, NON FINANCIAL ENTERPRISES listed on regulated markets or held as CONTROLLING INTEREST by entities and/or companies listed on regulated markets) of countries included in zone “A” have a weight of 0 percent or 20 percent as indicated in Article VII.III.4.*

*3. Risk assets on entities or subjects (specifically: central governments, central banks, public sector entities, banks, other FINANCIAL ENTERPRISES, NON FINANCIAL ENTERPRISES listed on regulated markets or held as CONTROLLING INTEREST by entities and/or companies listed on regulated markets) of countries included within zone “B” have a weight of 100 percent. The following cases are exceptions:*

- a) risk assets on central governments and central banks denominated in the currency of the debtor country and financed with funds in the same currency are zero weighted;*
- b) risk assets with a residual maturity of up to one year, vis-à-vis zone “B” banks or explicitly guaranteed by such entities, are weighted at 20 percent.”.*

*3. Article VII.III.6, paragraph 3, is replaced as follows:*

*“3. Among real guarantees, apart from the mortgage referred to in Article VII.III.4, only the following may be weighted:*

- a) cash deposits at the reporting bank;*
- b) instruments (other than equity securities, subordinated loans, or hybrid debt/equity instruments) issued by the reporting bank and deposited thereat;*
- c) instruments issued by governments or central banks in zone “A”;*
- d) instruments (other than equity securities, subordinated loans, or hybrid debt/equity instruments) issued by multilateral development banks;*
- e) instruments issued by public sector entities in zone “A”;*
- f) cash deposits at zone “A” banks other than the reporting bank;*
- g) instruments (other than equity securities, innovative capital instruments, subordinated loans, or hybrid debt/equity instruments) issued by banks, other FINANCIAL ENTERPRISES, or NON*

*FINANCIAL ENTERPRISES listed on regulated markets or held as CONTROLLING INTEREST by entities and/or companies listed on regulated markets under Article VII.III.4, in zone "A".*

#### **Article 2 – Amendments to Regulation no. 2016-02**

1. In the Article I.I.2, the definition of “countries of zone A” is amended as follows:

*““countries of zone A”: the Republic of San Marino, all countries members of the European Union, all countries which are full members of the OECD, countries which have entered into general arrangements to borrow (NAB) with the International Monetary Fund and countries identified with the acronym BRICS (Brazil, Russia, India, China, South Africa); countries which have restructured their foreign debt in the past 5 years are, in any case, excluded from zone “A”;*”.

#### **Article 3 – Final and transitional rules**

1. Banks and financial companies shall produce the first prudential supervision reports in compliance with the amendments introduced by this Regulation as from reports with 31 March 2017 as reference date.

2. All applicable supervisory provisions, including reporting forms, are adapted to the changes set out in this Regulation.

#### **Article 4 – Entry into force**

1. This Regulation shall enter into force on 27 January 2017.

#### **Article 5 – Consolidated text**

1. The text consolidated to include the amendments introduced by this Regulation, shall be made available on the web site of the Central Bank of the Republic of San Marino ([www.bcsm.sm](http://www.bcsm.sm)).