

DISPOSIZIONI DI VIGILANZA PER LE BANCHE

Disposizioni introduttive

Ambito di applicazione

Allegato A

PART I

TRANSPOSITION OF CRD IV INTO ITALIAN LAW

TITLE I

Chapter 1

BANKING AUTHORIZATION

TITLE I – Chapter 1

BANKING AUTHORIZATION

SECTION I

GENERAL PROVISIONS

1. Introduction

The Consolidated Law on Banking establishes that access to banking business is reserved to banks.

The present provisions govern the access of new entities to the banking market, having regard to the stability of intermediaries, competition among market participants and the quality of services provided to customers.

Entry to the credit market shall be permitted both to newly formed companies and to already existing companies that intend to engage in banking upon modifying their corporate purpose. In both cases the authorization of the European Central Bank is required.

The Bank of Italy and the European Central Bank shall verify the existence of conditions suitable to ensuring the sound and prudent management of the bank, including the bank's ability to stay in the market in an efficient manner. To this end, the following requirements apply:

- a) adoption of the legal form of a public limited company (*società per azioni*) or of a limited liability cooperative stock company (*società cooperativa a responsabilità limitata*);
- b) paid-up capital not less than the amount established in Section II;
- c) submission of a programme concerning initial operations and the organizational structure (Section III), together with the instrument of incorporation and bylaws;
- d) satisfaction by the owners of qualifying shareholdings referred to in CLB, Article 19, of the requirements established by CLB, Article 25 (Section IV);
- e) satisfaction by corporate officers of the requirements established by CLB, Article 26, and by other provisions;
- f) non-existence of close links between the bank or the members of the group to which it belongs and other persons such as to impede the exercise of supervisory functions.

It is further required that the registered office and head office of the new bank be located within the territory of the Italian Republic.

The Bank of Italy shall refuse authorization where its check of the above-mentioned conditions finds that sound and prudent management is not ensured. In the other cases it shall submit a proposal decision to the European Central Bank, which in turn shall grant or refuse authorization.

In evaluating the constitution of new banks, special attention shall be paid to financial soundness, the quality of shareholders and the professional experience of corporate officers, in order to ensure adequate capacity to cope with risks in the start-up phase and, in case of crisis, to minimize the costs associated with the loss of corporate value.

2. Legal basis

The matter is governed by:

- Council Regulation (EU) No 1024/2013;
- Regulation (EU) No 468/2014 of the European Central Bank, in particular Part V, Title 1;
- The following provisions of the Consolidated Law on Banking:
 - Article 14, which regulates banking authorization;
 - Article 25, concerning the integrity requirements for the owners of holdings;
 - Article 26, concerning the professional experience, integrity and independence requirements for corporate officers;

— Articles 53 and 67, concerning the measures of a general and specific nature that the Bank of Italy may take vis-à-vis banks and banking groups;

The following are also relevant:

- CRD IV;
- CRR;
- Article 19(4) of the Consolidated Law on Finance (CLF), concerning authorization of banks to provide investment services;
- Legislative Decree 231/2007 implementing Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and Directive 2006/70/EC laying down measures for its implementation;
- Decree 675/2011 issued as a matter of urgency by the Minister for the Economy and Finance, Chairman of the Credit Committee, regulating holdings in banks, parent companies, financial intermediaries, electronic money institutions and payment institutions.

3. Definitions

For the purposes of these provisions the following definitions shall apply:

- ‘mutual guarantee banks’: banks established in the form of a *società cooperativa a responsabilità limitata* whose prevalent activity under their bylaws is the provision of mutual loan guarantees in favour of their members; (1)
- ‘corporate officers’: persons performing direction, management or control functions in a bank;
- ‘initial capital’: the sum of the securities representing participations in the share capital and of the reserves eligible for inclusion in common equity tier 1; (2)
- ‘subsidiary of a foreign bank’: an Italian bank controlled directly or indirectly by a foreign bank or by natural or legal persons that control the foreign bank;
- ‘indirect holding’: pursuant to CLB, Article 22, a holding of capital in a bank acquired or held in any way through subsidiary companies, trust companies or nominees;
- ‘qualifying holding’: pursuant to CLB, Article 19, a holding that entails control or the possibility of exercising a significant influence on a financial intermediary or that gives a share of the voting rights or of the capital equal to 10 per cent or more;
- ‘close links’: relations between a bank and an Italian or foreign person: 1) that controls the bank; 2) that is controlled by the bank; 3) that is controlled by the same person that controls the bank; 4) that holds 20 per cent or more of the voting capital of the bank; 5) in which the bank holds 20 per cent of the voting capital.

(1) See Article 13 of Decree Law 269/2003, converted with amendments by Law 326/2003.

(2) CRR, Part Two, Title I, Chapter 2.

4. Scope

The present provisions apply to existing or specially constituted companies which, for the purpose of engaging in banking, request the authorization referred to in CLB, Article 14.

5. Administrative procedures

The following administrative procedures relate to the present Chapter:

- *banking authorization* (time limit: 180 days);
- *authorization to provide investment services* (time limit: 90 days);
- *extension of time limit for the start of operations* (time limit: 60 days);
- *revocation of authorization due to failure to engage in banking for a continuous period of more than six months* (time limit: 120 days);
- *binding opinion for the purposes of issuing banking authorization by regional governments* (time limit: 180 days).

SECTION II

MINIMUM CAPITAL

1. Amount of minimum initial capital

For the purposes of granting banking authorization, the minimum initial capital shall be:

- €10 million for banks having the legal form of a public limited company (*società per azioni*), for cooperative banks (*banche popolari*) and for mutual guarantee banks;
- €5 million for cooperative credit banks (*banche di credito cooperative*).

The above thresholds take into account the need, on the one hand, not to hinder new intermediaries' access to the market and, on the other, to ensure that banks have adequate financial resources in the start-up phase.

In cooperative banks, each member's holding of capital may not exceed 1 per cent of the share capital, without prejudice to the right of the bylaws to establish lower limits but not lower than 0.5 per cent. (1) The face value of each share may not be less than €2. (2)

In cooperative credit banks, each member may subscribe capital up to a maximum amount of €50,000. (3) The face value of each share must be between €25 and €500. (4)

Where the initial capital includes contributions in kind, such contributions may not exceed three-tenths of the total amount of capital. This limit shall not apply to contributions in kind within a banking group.

The Bank of Italy, in relation to the nature of the goods and claims contributed and to the supervisory requirements, may also request application of the procedure provided for in Section IV, sub-section 3, for verification of the capital of already existing companies that intend to engage in banking.

2. Characteristics and use of the escrow account

Contributions in cash shall be deposited in their full amount by the subscribers thereof by means of credit transfer or banker's draft on a single escrow bank current account in the name of the bank being formed.

Where the rules governing the solicitation of public savings referred to in CLB, Articles 93-*bis* et seq., apply, the current account shall be the one indicated in the offer prospectus drawn up pursuant to Consob Regulation 11971/1999.

The account may be used solely for the above-mentioned transactions of crediting; no other transaction on the account shall be allowed.

(1) CLB, Article 30(2).

(2) CLB, Article 29(2).

(3) CLB, Article 34(4).

(4) CLB, Article 33(4).

DISPOSIZIONI DI VIGILANZA PER LE BANCHE

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Sezione II – Capitale minimo

The sums deposited may not be transferred to another current account even if it has the same characteristics, nor may they be consigned to the directors before the company is entered in the Company Register. If the company is not entered in the Company Register within ninety days of the issue of authorization, or if the authorization procedure concludes with a refusal, the sums deposited shall be returned to the subscribers by means of bank credit transfer or non-transferable banker's draft.

The depositary bank shall not act on any requests for transactions other than those allowed.

The customer due diligence and suspicious transaction reporting requirements referred to in Legislative Decree 231/2007 stand unaffected.

SECTION III

PROGRAMME OF OPERATIONS

1. Contents of the programme of operations

The directors of the bank shall draw up a programme for the new entity's initial operations. The document shall contain at least the following information.

1.1 Description of the projected development of operations

The document shall indicate the growth objectives, the activities planned and the strategies serving to accomplish them.

In particular, it shall describe:

- the initiative's purposes and growth objectives ('corporate mission and objectives');
- the level of risk tolerated ('risk tolerance' or 'risk appetite');
- the characteristics of the operations intended to be undertaken (for example: type of lending, other activities that would be performed, type of customer base) ('activities');
- the geographical area and reference market in which the new bank intends to operate and its positioning, including expected market shares ('reference market and positioning');
- the distributive channels used ('network').

1.2 Forecasts regarding technical profiles and capital adequacy

For each of the first three financial years, the document shall contain:

- forecasts of the volumes of business, broken down – where relevant – by geographical area/market, type of activity, category of customer, and distributive channel;
- the qualitative and quantitative evolution of the loan portfolio and forecasts of provisions therefor, taking account of the average riskiness of the geographical areas/markets in which the bank is to operate and the categories of customers served;
- the structure and development of costs and revenues, for the entire bank and for each branch that it intends to open in the first three years;
- the costs of distributing products and the policy for setting prices;
- the planned investments and the related financial cover;
- projected balance sheets, income statements and cash-flow statements.

Moreover, the document shall contain an analysis of the capital sustainability of the programme of operations; in this connection, tables shall be prepared showing:

- the composition and evolution of own funds;

- the calculation of the compulsory minimum requirements, showing risk-weighted assets;
- an estimation of the capital requirement for the significant risks subject to the Internal Capital Adequacy Assessment Process (ICAAP);
- the calculation of the capital conservation buffer and, if foreseen, of the countercyclical capital buffer and systemic risk capital buffer.

For the purpose of correct estimation of the capital requirements, account shall be taken of the risk mapping and of the organizational safeguards and risk-control measures described in the report on the organizational structure (see Annex A).

The document shall envisage adverse scenarios with respect to the basic assumptions used and describe the related impacts on the income statement and the balance sheet, showing their effects on the prudential profiles; in this connection, the necessary actions of capital strengthening are to be identified, with an estimation of the related costs.

1.3 Report on corporate governance and on the organizational structure

The document shall contain a report on corporate governance and on the organizational structure, according to the format provided in Annex A. The report shall be accompanied by the rules governing the main corporate processes (e.g. internal regulation, credit, finance, etc.).

2. Tutoring

The programme of operations may present organizational arrangements that entail forms of collaboration and support ('tutoring') for the bank being formed on the part of other banks, possibly accompanied by shareholding relationships.

Such arrangements may regard, for example, operational and commercial support in the following activities: design and realization of the internal control system; provision of investment services (e.g. back-office and production of financial products); liquidity risk control and management; staff training.

Tutoring arrangements shall be governed by ad hoc contracts, to be transmitted upon submission of the application, which the Bank of Italy and the European Central Bank shall take into account when assessing a request for authorization. These contracts must ensure stable and continuing support for a period not shorter than the time horizon of the programme of operations.

In case of outsourcing of corporate functions, the specific provisions laid down by the supervisory regulations shall apply.

3. Assessment by the European Central Bank and the Bank of Italy

The European Central Bank and the Bank of Italy shall evaluate the programme of operations from the standpoint of the intermediary's sound and prudent management and may request the changes necessary to that end.

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Sezione III – Programma di attività

For these purposes, they shall assess:

- the consistency of the information and the reliability of the forecasts;
- the ability of the programme to ensure balanced financial conditions, operating performance and cash flow, and compliance with the prudential rules over its entire time-span;
- the adequacy of the organizational structure and of internal controls.

Any forms of tutoring by other bank intermediaries shall also be taken into account.

In their assessment, special attention shall be paid to determining whether the initiative is such as to create an intermediary with an adequate organizational and commercial structure, endowed with quantitatively and qualitatively adequate technical and human resources to manage the typical risks of banking.

SECTION IV

OWNERSHIP STRUCTURE

1. Shareholders

Persons that directly or indirectly hold qualifying holdings in a bank must satisfy the integrity requirements provided for in Article 25 of the Consolidated Law on Banking and the related implementing provisions. (1)

The European Central Bank and the Bank of Italy, with the aim of safeguarding sound and prudent management, shall also assess the quality and financial soundness of such persons according to the criteria and in the manner established by the provisions implementing Title II, Chapter III, of the Consolidated Law on Banking. (2) Links of whatever nature – including close ties – between shareholders and other persons that could compromise the above-mentioned conditions may also have relevance.

Any prior criminal conviction or criminal investigation of those who have a holding, including a non-qualifying holding, in the bank, shall also be assessed.

In conducting these checks, the European Central Bank and the Bank of Italy shall use the information and data in their possession and may use confidential information deriving from cooperation with other Italian or foreign public authorities or supervisory authorities.

The European Central Bank and the Bank of Italy may request specific declarations of commitment by shareholders directed at safeguarding the sound and prudent management of the bank.

2. Group structures

The European Central Bank and the Bank of Italy shall evaluate whether the structure of the group to which the bank belongs is not such as to impede the effective exercise of supervision both on a consolidated basis and on the bank itself.

To this end account shall be taken both of the group's structure and of the suitability of the persons who belong to it to ensure the sound and prudent management of the bank. Where companies established abroad belong to the group, an assessment shall be made of whether their being located in foreign jurisdictions or the activities carried out in such jurisdictions allow the effective exercise of supervision.

(1) Where the shareholder is a legal person, the integrity requirements must be satisfied by the directors and the general manager or by the persons holding equivalent offices.

(2) In this context, the capacity of the holder of a qualifying holding to provide additional capital resources in the first years of operation or in situations of stress shall also be evaluated and the level of leverage underlying the investment analysed.

SECTION V

BANKING AUTHORIZATION FOR NEWLY FORMED COMPANIES

1. Application for authorization

The promoters of the initiative, before the signing of the instrument of incorporation, shall inform the Bank of Italy of their plan and describe its characteristics. From the very start of the initiative the Bank of Italy, including its territorially competent branch, may be asked for clarifications of the regulations for proceeding with projects to form new banks.

In the instrument of incorporation the members shall indicate the system of administration and control adopted and shall designate the members of the bank's corporate bodies. (1) The amount of paid-up share capital must not be less than the minimum established by the present provisions (see Section II).

Before submission of the application for authorization, the corporate officers are required to prepare the documentation showing that the experience, integrity and independence requirements are satisfied. (2)

After the signing of the instrument of incorporation and before initiating the procedure for entry in the Company Register, the body charged with the supervisory function shall approve a resolution to submit the application for banking authorization to the Bank of Italy. The application, signed by the legal representative, shall be submitted to the Bank of Italy by certified e-mail.

The following must be attached to the application:

- a) the instrument of incorporation and the bylaws; (3)
- b) the programme of operations provided for by Section III;
- c) a list of the persons that directly or indirectly have holdings in the bank, ordered by the value and percentage of their respective holdings. For indirect holdings, the person through which the holding is held must be indicated;
- d) the documentation requested in Section IV in order to verify that the integrity requirements are satisfied and to check the quality of the persons that acquire, directly or indirectly, qualifying holdings in the bank;
- e) the attestation of the paying up of the capital, issued by the head office of the bank where the payment was made;
- f) information on the provenance of the sums with which the capital of the bank is subscribed;

(1) To simplify the procedure, consideration could be given to establishing in the instrument of incorporation that the body charged with the supervisory function or its chairman has delegated powers to make any modifications to the instrument of incorporation requested by the Central European Bank for the granting of authorization.

(2) The requirements are established pursuant to the provisions of Article 26 of the CLB. For the procedures for verifying and documenting satisfaction of the requirements, see Circular No. 229, Title II, Chapter 2.

(3) The instrument of incorporation must indicate the location of the head office, specifying whether it is distinct from the registered office.

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Sezione V – Autorizzazione all'attività bancaria per le società di nuova costituzione

- g) a description, including by means of graphic representation, of the corporate group to which the bank belongs;
- h) the minutes of the meeting in which the body charged with the supervisory function verified the corporate officers' satisfaction of the experience, integrity and independence requirements and the non-existence of the grounds for incompatibility and disqualification referred to in Decree Law 201/2011, Article 36 (*interlocking*);
- i) the descriptive report referred to in Annex B and the attestation of membership of an investor compensation system, where authorization to provide investment services is requested (see Section VII).

The documentation indicated under d), e) and h) must bear a date not more than 6 months prior to that of submission of the application for authorization. The company shall promptly inform the Bank of Italy of any changes to the attestations mentioned in the preceding points.

The members of cooperative credit banks and mutual guarantee banks must, in addition, attest that they have their residence or head office or operate on a continuing basis in the competent territory of the bank being formed. Such attestation must be shown by substitute declarations pursuant to Articles 46 and 47 of Presidential Decree 445/2000.

The directors of cooperative credit banks may submit the application for authorization by means of the national Federation of these banks. (4) In this case the Federation, having checked the documentation received for completeness, shall transmit the application to the Bank of Italy together with the annexes listed above. The application shall be accompanied by a report of the Federation describing the technical aspects of the initiative. The report shall also describe the checks conducted to ensure compliance with the specific provisions governing the requirements for members of cooperative credit banks.

2. Examination and assessment by the European Central Bank and the Bank of Italy

If it verifies the existence of conditions likely to ensure the sound and prudent management of the bank, the Bank of Italy does not reject the application but instead prepares a draft decision for the European Central Bank – and notifies the applicant of same.

To this end, the existence of the following conditions shall be verified:

- a) adoption of the legal form of a public limited company (*società per azioni*) or of a limited liability cooperative stock company (*società cooperativa per azioni a responsabilità limitata*);
- b) presence of the bank's registered office and head office in the territory of the Italian Republic;
- c) paid-up capital of an amount not less than that indicated in Section II;
- d) submission, together with the instrument of incorporation and the bylaws, of a programme concerning the initial operations and the organizational structure;
- e) satisfaction by the holders of qualifying holdings in the bank of the requirements provided for in Article 25 of the CLB (see Section IV);

(4) The application may be submitted to the national Federation via a local federation.

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Sezione V – Autorizzazione all'attività bancaria per le società di nuova costituzione

- f) satisfaction by the corporate officers of the experience, integrity and independence requirements provided for in Article 26 of the CLB (5) and absence of the grounds for incompatibility and disqualification referred to in Article 36 of Decree Law 201/2011;
- g) absence of impediments to the effective exercise of the supervisory functions with regard to:
 - the group to which the bank belongs
 - any close links between the bank, or persons of the group to which it belongs, and other persons.

In addition, the Bank of Italy shall evaluate:

- a) the programme of operations, from the perspective of the intermediary's sound and prudent management (see Section III);
- b) the quality and financial soundness of those who hold a qualifying holding and the suitability of the group to which the bank belongs to ensure sound and prudent management (see Section IV).

The Bank of Italy may request additional information and clarifications to supplement the documentation indicated in sub-section 1. This information may also be requested directly from the national Federation of cooperative credit banks in the event that the application for authorization is submitted by means of trade associations.

Upon granting authorization, the European Central Bank may provide indications serving to ensure that the development of operations complies with the prudential rules and the needs of sound and prudent management.

3. Granting of authorization

The Bank of Italy shall grant or refuse banking authorization within 180 days of the date of receipt of the application accompanied by the required documentation.

As provided for in Article 15 of CRD IV, in any event the measure shall be adopted within twelve months of the date of receipt of the complete application.

4. Entry in the register and other compliance measures

The bank shall send the Bank of Italy the certificate attesting to the date of entry of the company in the Company Register. (6) With effect from this date, the Bank of Italy shall enter the bank in the register referred to in Article 13 of the CLB.

(5) Pursuant to CLB, Article 1, paragraphs 3-*bis* and 3-*ter*, the provisions of CLB that refer i) 'to the board of directors, administrative bodies and directors shall also apply to the management board and its members'; ii) 'to the board of auditors, members of the board of auditors and the oversight body shall also apply to the supervisory board and the management control committee and their members'.

(6) Entry in the Company Register is not allowed without the authorization referred to in these provisions. Where entry in the Company Register occurs even though the authorization is lacking or invalid, the Bank of Italy is empowered to apply for the company to be deleted from the Company Register (see Article 223-*quarter*, implementing provisions of the Civil Code).

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Sezione V – Autorizzazione all'attività bancaria per le società di nuova costituzione

The bank shall also send a copy of the certificate attesting to its participation in one of the depositor protection schemes instituted and recognized in Italy, pursuant to Article 96 of the CLB. Further, the bank must participate in a system for the out-of-court resolution of disputes with customers, provided for in Article 128-*bis* of the CLB.

Following entry in the register, the bank shall notify the Bank of Italy of the start of its operations. Before beginning operations with cheques or in the payment card sector, the new bank must satisfy the requirements laid down in the rules of the Interbank Register of Bad Cheques and Payment Cards.

5. Lapsing and revocation of authorization

Where a bank has not begun to operate within one year of the granting of authorization or explicitly renounces authorization within the same period, the European Central Bank, having consulted the Bank of Italy or acting on a proposal from same, shall declare the lapsing of the authorization.

Where there are reasoned grounds, following a request by the bank concerned which must be presented at least 60 days before the expiry of the deadline, a limited extension may be granted, which as a rule should not exceed 3 months.

Without prejudice to the cases of revocation allowed by law, authorization shall be revoked where it has been obtained by submitting false statements and where it has been ascertained that the bank has not engaged in banking on an ongoing basis for more than 6 months.

A company whose authorization has been revoked shall amend its corporate purpose to exclude banking or shall arrange for liquidation. The provisions of CLB, Title IV, Chapter I, Section III, shall continue to apply.

SECTION VI

BANKING AUTHORIZATION FOR ALREADY EXISTING COMPANIES

1. Authorization procedure

Already existing companies that intend to engage in banking shall adopt a resolution modifying their corporate purpose and making the other necessary amendments to their bylaws.

The application for banking authorization shall be sent after approval of the resolution to amend the instrument of incorporation and before the required entry of this act in the Company Register. (1)

The granting of authorization shall be subject to compliance with the same conditions established for newly formed companies (Section V).

For entry in the register and other compliance measures and for the rules governing the lapsing and revocation of authorization, reference is made to the provisions of Section V, sub-sections 4 and 5.

2. Programme of operations

In addition to what is provided for in Section III, in the programme of operations the company must describe:

- the activities carried on previously, annexing the financial statements for the last three financial years;
- the initiatives it intends to take and the implementation times thereof in order to adapt its human and technical resources to the performance of banking.

The European Central Bank and the Bank of Italy, as part of their assessment of the programme of operations, shall ascertain that the financial activities that the company intends to carry on do not violate the reserved activities provided for by law and may request the disposal of certain segments of business or limit their geographical scope. In its assessments, special attention shall be paid to the activities carried on previously and the economic results achieved.

3. Verification of the existence of capital and other checks

As part of the authorization procedure, the Bank of Italy may request a verification of the overall functionality of the company's structure and the existence and amount of its capital. To this end, the Bank of Italy may require access for its inspectors or request the company to produce a third-party expert opinion.

(1) Entry in the Company Register is not allowed without the authorization referred to in these provisions. Where entry in the Company Register occurs even though the authorization is lacking or invalid, the Bank of Italy is empowered to apply for the deletion of the company from the Company Register (see Article 223-*quater*, implementing provisions of the Civil Code).

DISPOSIZIONI DI VIGILANZA PER LE BANCHE

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Sezione VI – Autorizzazione all'attività bancaria per le società già esistenti

The Bank of Italy, with reference to the type of activity performed by the company, may indicate additional aspects which are the subject of the expert opinion and are to be treated in the related report.

SECTION VII

AUTHORIZATION TO PROVIDE INVESTMENT SERVICES

1. Authorization conditions and procedure

Banks being formed that intend to provide investment services shall submit the related application for authorization, signed by their legal representative, to the Bank of Italy at the same time as the application for banking authorization. (1)

The application shall indicate the services for which the authorization is requested and shall be accompanied by the pertinent resolution adopted by the body charged with the supervisory function, the descriptive report referred to in Annex B and the attestation of membership in a recognized compensation system for the protection of investors pursuant to Article 59 of the CLF.

The resolution must analytically indicate the applicant's evaluations concerning the economic feasibility of the initiative, with particular reference to analysis of the costs that the company will have to sustain in order to perform investment services.

Authorization shall be granted or refused within the time limits indicated in Section V, sub-section 3, of the present provisions.

2. Assessment by the Bank of Italy

For the purposes of granting authorization, the Bank of Italy shall assess the suitability of the company's technical and organizational structure to ensure compliance with the rules governing investment services and the sound and prudent management of the bank.

3. Applicable provisions of the Consolidated Law on Finance

The rules laid down by the CLF and the related implementing provisions of the Bank of Italy and Consob for the provision of investment services shall apply to banks, only as regards the provision of the services for which they have been authorized. (2)

(1) In this case the rules of connected administrative procedures shall apply (see Article 1 of the Regulation of 25 June 2008).

(2) The provision of investment services is regulated by the regulation issued by the Bank of Italy and Consob pursuant to CLF, Article 6(2-*bis*), and by the regulations issued by Consob pursuant to CLF, Articles 6(2) and 6(2-*quater*).

SECTION VIII

SUBSIDIARIES OF FOREIGN BANKS

1. Subsidiaries of EU banks

The provisions contained in Sections I through VII shall apply to the granting of banking authorization to subsidiaries of EU banks.

In such cases, the European Central Bank shall grant authorization after consulting the EU bank's home country authorities pursuant to Article 16 of CRD IV.

2. Subsidiaries of non-EU banks

The provisions contained in Sections I through VII shall apply to the granting of banking authorization to subsidiaries of non-EU banks. The European Central Bank and the Bank of Italy, for the purposes of the sound and prudent management of the bank to be authorized, shall assess the following conditions:

- that in the home country of the bank establishing the subsidiary there is regulation such as not to impede the effective exercise of the supervisory functions with regard to the group to which the bank belongs and to any close links between the subsidiary, persons of the group to which it belongs and other persons;
- that there are agreements on the exchange of information or that there are no impediments to the exchange of information with the supervisory authorities of the home country of the bank establishing the subsidiary;
- that the home country of the bank establishing the subsidiary is not considered a 'non-cooperative jurisdiction' by the Financial Action Task Force (FATF) and has not adopted measures inconsistent with the recommendation issued by the FATF;
- that the home country supervisory authorities have given their prior consent to the establishment of a subsidiary in Italy of the bank under their supervision;
- that the home country supervisory authorities have supplied a statement attesting to the soundness of the balance sheet and adequacy of the organizational, administrative and accounting structures of the parent bank or of the banking group to which it belongs.

The European Central Bank and the Bank of Italy may limit the scope of operations of the banking subsidiary if this is necessary for supervisory reasons.

DISPOSIZIONI DI VIGILANZA PER LE BANCHE

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Sezione IX – Autorizzazione all'attività bancaria da parte delle Regioni

**FORMAT OF THE REPORT ON CORPORATE GOVERNANCE
AND ON THE ORGANIZATIONAL STRUCTURE**

PART I

Management and control system

In the general corporate governance project, (1) indicate, among other things, the management and control system adopted, with particular reference to the organizational arrangements chosen in order to ensure dialogue in the decision-making process, the professionalism, composition and functionality of the governing bodies, and the monitoring of conflicts of interest and related-party transactions, in compliance with the relevant provisions issued by the Bank of Italy.

PART II

Organizational structure and internal control system

1. Describe (including by means of graphic representation) the company's organization/function chart (including the branch network where applicable, specifying the names of the persons responsible for the various units and indicating the type of relationship existing between them and other persons working directly or indirectly for the company).
2. Describe the delegated powers assigned to the various levels of the corporate organization, the related operational limits, and the manner of control exercised by the delegor on the action of the delegate.
3. For the internal control functions:
 - describe the configuration of the internal control system, highlighting the tasks and powers assigned to the different functions and the organizational arrangements adopted to ensure compliance with the rules on internal control systems;
 - within banking groups, in case of centralization of all or part of the control functions through their being outsourced by the subsidiaries to the parent company, describe the safeguards adopted to avoid the introduction of factors of fragility connected with the lesser proximity of the internal control functions to the operating centres that generate risks;
 - provide adequate information on: object, methodologies and frequency of the risk control measures that have been or can be taken within the bank's different

(1) See the 'Supervisory provisions concerning banks' organization and corporate governance' of 4 March 2008 and the related implementing guidelines of 11 January 2012. Under those provisions, cooperative credit banks being formed whose bylaws are in conformity with the standard bylaws drawn up by the trade association of cooperative credit banks are not required to submit a corporate governance project.

operating spheres, and the information flows that must be supplied to the governing bodies; indicators and instruments to support analysis; internal regulations;

- define the qualitative and quantitative endowment of staff, indicating the persons responsible for the internal control functions and their professional experience.

4. For outsourced control functions:

- describe the company's outsourcing policy, with particular reference to the outsourcing of the internal control functions where this is permitted by the provisions on the internal control system;
- describe the professional qualifications of the outsourcer, annexing to the report the agreement drawn up pursuant to the provisions on the internal control system;
- describe the organizational safeguards suitable to give outsourcers full access to all the information useful for assessing processes and risks within the limits of the tasks outsourced;
- describe the procedures and frequency with which the governing bodies check the outsourced control activity;
- identify the role of reference person for outsourced activities, ensuring their autonomy and independence;
- define the frequency and contents of information flows.

5. With reference to the distributive network:

- indicate the number of branches and describe their spheres of operation, their endowment of technical and human resources, and the professional qualifications of the person responsible the network structure;
- describe the number of external persons whose services are used for the distribution of products, annexing to the report a statement attesting to their entry in the relevant registries;
- describe the procedures for coordinating, monitoring and controlling the distributive channels envisaged, indicating the structure responsible at central level and the related information flows.

PART III

Risk management

Describe the structures involved in the Internal Capital Adequacy Assessment Process and the procedures, frequency and responsibilities for carrying out the ICAAP.

Describe the risk management process and the organizational arrangements in place to identify, measure or value, monitor, mitigate and report to the appropriate levels each relevant type of risk. Provide the information for each of the categories of risk indicated below.

Credit and counterparty risk

- 1 Describe the credit policies pursued (customer target, interest rate setting, etc.).
- 2 Describe the process for the granting of loans, indicating the criteria used to measure credit risk and the information sources and technical supports for the evaluation of creditworthiness, transmitting the related rules showing, in particular, the persons involved in various capacities.
- 3 Describe the decision-making competences in granting credit, classifying non-performing exposures, making write-downs and charging losses to the income statement.
- 4 Describe the control and coordination mechanisms adopted in case of delegation of loan examination tasks to branches, with particular reference to the activities bearing on the evaluation of creditworthiness.
- 5 Describe the tools and methods for monitoring the loan portfolio and the credit recovery procedures used.
- 6 Describe, if relevant, the counterparty risk management and control process.

Market risk

- 1 Indicate the significant types of market risk for the bank.
- 2 Describe the control procedures used with reference to the different types of market risk and foreign exchange risk.
- 3 Indicate the operating limits imposed, the criteria for determining them and the procedures envisaged in case they are exceeded.

Liquidity risk

- 1 Describe the liquidity risk management and control process, indicating the measurement and monitoring tools used and the related tasks and responsibilities of the different corporate functions involved.
- 2 Summarize the procedures put in place for emergency situations.

Other risks

- 1 Describe the organizational and control measures to ensure observance of the rules for the prevention of money laundering and terrorist financing, in compliance with the relevant provisions of law and regulation.
- 2 Indicate the company anti-money-laundering officer and describe his professional qualifications.
- 3 Carry out a mapping of the operational compliance measures to be performed by staff at the various levels and the IT procedures put in place for compliance with the rules.
- 4 Define the various levels of responsibility for the compliance measures referred to at the points above, with particular reference to those for entering data into the single electronic archive and reporting suspicious transactions.
- 5 Describe the initiatives for staff training.
- 6 Describe the organizational arrangements put in place to ensure compliance with the rules on transparency and correctness in relations with customers, including with regard to complaints-handling procedures.
- 7 Describe the organizational arrangements put in place and the insurance contracts concluded to mitigate the different operational risks.
- 8 Describe the specific procedures put in place for the utilization of electronic distributive networks (e.g. the Internet).
- 9 Indicate the other types of risk surveyed (e.g. operational risk, strategic risk, reputational risk, technological risk, outsourcing risk, etc.).

PART IV

Information systems and IT security

Describe the characteristics of the information system in relation to the company's operating needs and the information required by the governing bodies in order to make informed decisions consistent with the company's objectives and determine the IT security management system. To this end, describe:

- 1 the roles and responsibilities assigned to the corporate bodies and functions for the development and management of information systems, with particular reference to the organization of the ICT function;
- 2 the process for analysing IT risk and its interaction with operational risk;
- 3 the IT security management system, with special reference to: the IT security policy; the measures taken to ensure data security and control of accesses, including those for the security of ICT services for customers; the handling of security changes and security incidents; the availability of data and ICT services;
- 4 the data management system;

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Allegato A

- 5 the policies on outsourcing ICT systems and services, with special reference to the outsourcing of critical information systems.

PART V

Business continuity

Summarize the business continuity plan, with special reference to the safeguards adopted to ensure business continuity for systemically important processes, if relevant for the bank.

PROVISION OF INVESTMENT SERVICES

The report, divided into two sections, pertains to the check on potential compliance with the requirements regarding:

- a) organization and management of business risks connected with the provision of investment services ('services');
- b) correctness and transparency of conduct in the provision of the services.

Section A

The report shall contain:

- a description of the strategic, market and product factors taken into account for the start-up of the services covered by the application for authorization;
- an indication of the expected impact on the company's financial condition, operating performance and cash flow deriving from the performance of the services and connected and instrumental activities (the estimates, which are to refer to a three-year period, must also be made considering adverse market scenarios). In particular, volumes, operating costs and economic results are to be indicated analytically, with an explicit statement of the assumptions underlying the company's projections, as are the balance sheet effects of providing the services;
- a description of the organizational structure and of organizational measures necessary to ensure compliance with the requirements of the regulations in force regarding the provision of the services by banks. (1) In particular, information shall be provided on the following matters:
 - 1. investments implemented, under way and/or planned (amount, purpose and forecast completion time);
 - 2. level of integration of the information system with regard to front-office, back-office and accounting applications, and scope of the areas of manual intervention;
 - 3. proportion of total staff assigned to the units involved in providing the services (hiring plan and its state of implementation, where applicable, or indication of the personnel to be employed in performing the service(s) for which authorization is requested; training initiatives completed or planned for the staff to be assigned to providing the service(s);
 - 4. first-, second- and third-level controls envisaged in relation to the provision of the new service(s); earmarked structures and resources. Specific references shall be provided on the manner of control of door-to-door activities (in particular, indicate

(1) In addition to the general provisions on organization and controls issued by the Bank of Italy for banks, see the Bank of Italy – Consob Regulation of 29 October 2007 and Consob Regulation No. 16190 of 29 October 2007 on Intermediaries.

the type and frequency of distance and on-the-spot controls and of any checks made on customer satisfaction for the purpose of establishing a direct contact with customers served by non-branch, alternative distributive networks);

5. reporting system, indicating the recipients (governing bodies, top management, control functions, other functions).

Section B

The report shall contain:

- a description of each of the services for which authorization is requested: types of transactions envisaged (including the financial instruments to be marketed); reference markets and types of customer; venues identified for the execution of orders;
- a description of the organizational units of the bank/group involved in providing the services (reference to the internal regulations with which tasks and responsibilities are assigned) and of the operational arrangements and the procedures that are intended to be used. In case of outsourcing of operational functions, describe the functions outsourced and the measures taken to mitigate the related risks;
- an indication of the distributive channels that would be used (with a specific indication of any recourse to door-to-door selling and/or remote communication technologies) and of the possible contexts in which the 'execution only' mode would be adopted; a description of related organizational arrangements directed to ensuring compliance with the rules of conduct, with special reference to door-to-door selling/remote promotion and placement;
- the compensation policy adopted for the marketing of financial products and services, including with reference to door-to-door selling;
- a description of the operational areas (including with reference to circumstances connected with the structure of the group to which the company belongs) in which conflicts of interest can potentially arise, with an indication of the significant persons; the measures taken to ensure compliance with the rules on personal transactions and conflicts of interest, including as specifically regards the possibility of the bank producing investment analyses or having them produced;
- the procedures aimed at ensuring prompt complaints handling;
- a description of the safeguards (contractual, organizational, procedural and control) put in place to minimize the risk that the activity concretely performed by employees and contract collaborators might constitute the service of investment advice (only if the application does not contemplate the provision of this service).

For the provision of the services of execution of orders/reception and transmission of orders and portfolio management, the report shall describe:

1. the procedures ensuring that the customer's order is routed to the best execution venue (e.g. adoption of an execution policy algorithm);
2. the procedures identified for monitoring the effectiveness of the related order execution/transmission strategies;

Parte Prima – Recepimento in Italia della CRD IV

Titolo I – Accesso al mercato e struttura

Capitolo 1 – Autorizzazione all'attività bancaria

Allegato B

3. the measures taken in order to demonstrate to any customer who so requests that orders have been executed in compliance with the above-mentioned strategies.

