

RULES GOVERNING FINANCIAL COMPANIES, TRUST COMPANIES AND SECURITIES

Law no. 24 of February 25, 1986

PART I DISCIPLINE AND SUPERVISION

Art. 1

Definition

Financial company means a company or entity operating in the sector of financing, financial and trust services, intermediation services of securities and financial products, financial leasing and any other operation that can be assimilated to the above-mentioned ones. More specifically, trust services are provided by those companies or entities dealing with the trust management or administration of third parties' assets.

Art. 2

Supervision

For the purpose of supervising the regular exercise of the enterprise, ensuring adequate protection of the resources used in the activity and compliance with the relevant international treaties, financial companies shall be subject to the same supervision envisaged for credit institutions in that they are compatible with the latter.

Supervision shall be a prerogative to the Office of Banking Supervision, as referred to in art. 5 of Law no. 21 of February 12, 1986. The costs incurred for supervision on the activities performed by the companies referred to in this law shall be borne by the companies themselves. With regard to other entities subject to such supervision, cost bearing and sharing shall be determined in a Regency Decree.

Companies shall cover their respective supervision expenses in advance by paying two six-month instalments under the terms specified each year by the Office of Banking Supervision, by March 31 and September 30.

Art. 3

Licensing

In addition to the prior authorisation required for the incorporation of a company, the companies or entities referred to in this law shall obtain a special prior authorisation by the Congress of State (Government), having heard the Office of Banking Supervision referred to in the preceding article, and the Credit and Savings Committee referred to in art. 5 of Law no. 21 of February 12, 1986. The Articles of Association, including any subsequent amendments, shall equally obtain such special prior authorisation.

The Directors and Auditors of the company shall be appointed from among competent persons and experts. The Chairman of the Board of Directors, the Sole Director or the Managing Director shall receive the agreement of the licensing authority, having heard the bodies referred to in the preceding paragraph.

Failing impediments of a civil or criminal nature, the Directors who are San Marino citizens shall be granted such agreement *ex officio*.

Art. 4

Discipline

The financial activity, as defined in art. 1 above, may be performed only by companies or entities incorporated under this law.

The preceding provision shall not apply to credit institutions, or funding operations strictly related to the achievement of the corporate purpose that are conducted by subjects performing activities other than those set forth in this law.

The activities referred to in this law may be exercised only by companies having legal personality, public law entities or institutions, co-operative companies or similar non-profit institutions.

Entities licensed under this law may not perform any industrial or trading activity. However, within the limits specified by the supervising body, such restriction may not apply to state-controlled entities or companies.

The companies referred to in this law shall have their capital stock fully paid-in.

They shall be allowed to raise funds through bank credit, debenture debt or bond issue as referred to in Part II of this law, or by using the funds deriving from trust management authorities or similar funding means. Standard contracts concerning funding means other than bank credit and bond issue shall be previously authorised by the supervising body referred to in art. 2. Including standard contract clauses in the individual contracts is mandatory.

Trust management shall be reported in a special record approved by the supervising body annually.

Art. 5

Tax treatment

All income generated by foreign assets and securities forming the object of a special trust agency and accounted as memorandum items, shall not be considered as paid by subjects operating on the territory.

Passive interests for funding operations to be paid by financial companies also to recipients other than credit institutions, shall always be deductible, irrespective of the recipient's residence, and subject to withholding tax with possibility of recourse.

The provisions set forth in paragraphs 2 and 3 of art. 51 of Law no. 91 of October 13, 1984, shall apply to passive interests referred to in the preceding paragraph.

Art. 6

Special provisions

Companies incorporated in the period between the day of entry into force of this law and January 1, 1983, shall be given the authorisation referred to in art. 3 by the Congress of State, after having assessed that the requirements set forth in this law are met.

Companies incorporated prior to January 1, 1983, and including in their corporate purposes the activities governed by the preceding provisions, shall request to the Ministry of Industry the authorisation referred to in art. 3 within three months from the entry into force of this law.

In case of rejection or failing the submission of the request within the specified terms, the corporate purpose shall be redefined mandatorily within twelve months.

PART II SECURITIES

Art. 7

Authorisation to issue securities

Any issue of securities on the territory of the Republic to be placed, even indirectly, with the general public, shall be authorised by the body referred to in art. 2 of this law.

Within six months at the latest, the licensing body may authorise the issue of securities by specifying to the issuer the ceiling allowed and the terms under which such issue may take place.

On proposal of the Credit and Savings Committee, the Congress of State may fix the limits beyond which the provisions of the preceding paragraph shall equally apply to the issue of bonds and shares through public offering.

Art. 8

Placing and buying and selling through public offerings of securities

Any placing and buying and selling through public offerings of shares, bonds and other securities shall be previously published in a prospectus concerning the operation, as well as the organisation, financial and management situation, and activity development of the issuer. Such prospectus shall be drafted under the special or general terms specified by the body referred to in art. 2.

The body referred to in art. 2 may envisage and specify special terms under which public offerings are to be announced and supplementary information is to be included in the prospectus. Such body may also intervene, in respect of issuers under this law, to ascertain the authenticity of the prospectus and determine the minimum amount of capital stock for companies intending to issue securities.

Failing the relevant authorisation, the public offering of securities is forbidden as is the solicitation of savers by means of advertisements, notices and information by circular letters, door-to-door visits, both in San Marino and abroad. Contracts for the subscription, buying and selling of securities without the relevant authorisation shall be null and void.

The placing of foreign securities shall be subject to the authorisation referred to in art. 7, and the requirements referred to in the preceding paragraphs. This shall not apply to the placing

of foreign securities consisting of public debt bonds issued by public institutions, convertible bonds, and listed stocks.

The placing abroad of securities issued in the Republic of San Marino shall take place in accordance with the provisions in force in the foreign State.

PART III SANCTIONS

Art. 9

Criminal provisions

The Directors, auditors and managers of companies or entities not complying with the requirements and obligations set forth by the body referred to in art. 2, shall be punished with 1st degree arrest or 2nd or 3rd degree fine in days.

Unless circumstances indicate a more severe crime, the directors, auditors or managers supplying the body referred to in art. 2 with false information shall be punished with 1st degree imprisonment or a 3rd degree fine in days.

In case of false accounting, the prospectuses referred to in art. 8 of this law shall be subject, like company notices, to art. 316 of the Criminal Code.

Anyone performing the activity referred to in art. 1 of this law without the authorisation of the Congress of State shall be punished with 1st degree imprisonment or a 3rd degree fine in days, followed by 3rd degree interdiction from the fulfilment of executive functions in all credit institutions and financial companies.

Any violation of the provisions set forth in the first three paragraphs of art. 8, as well as the placing of securities issued without the mandatory authorisation or not complying with the terms and limits set forth therein, shall be punished with an administrative pecuniary penalty corresponding to one fifth up to half of the value of the securities placed, purchased or sold. Moreover, directors violating the above-mentioned provisions shall be punished with 1st degree imprisonment or arrest or a 3rd degree fine in days. On proposal of the Credit and Savings Committee, the agreement referred to in art. 3 may also be withdrawn.

Art. 10

Final provisions

The sanctions, including the administrative ones, envisaged by this law shall be always applied by the judicial authority in accordance with the rules applicable in criminal procedure matters.

Art. 11

Entry into force

This law enters into force on the fifth day following that of its legal publication.