COUNCIL OF EUROPE CONSEIL DE L'EUROPE

COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

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San Marino

2nd Compliance report
Annexes

12 December 2008

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1. Annex 1 - Law No.92 of 17 June 2008 on Provisions on preventing and combating money laundering and terrorist financing

Republic of San Marino

We, the Captains Regent
of the Most Serene Republic of San Marino

Having regard to article 4 of Constitutional Law n. 185/2005 and article 6 of Qualified Law n. 186/2005; Promulgate and order the publication of this Law approved by the Great and General Council during its sitting of June 10, 2008.

LAW N° 92, June 17, 2008 Provisions on preventing and combating money laundering and terrorist financing

TITLE I
GENERAL PROVISIONS

Article 1 (Definitions and scope)

1. For the purposes of this Law, the following definitions apply:
   a) "Agency": the Financial Intelligence Unit referred to in article 2;
   b) "Public administrations": Secretaries of State, Departments, public institutions, state corporations, public administration offices;
   c) "Central Bank": the Central Bank of the Republic of San Marino as defined in Law N° 96 of June 29, 2005 and subsequent amendments;
   d) "shell bank": any entity that carries out activity equivalent to that defined in Annex 1 Law N° 165 of November 17, 2005 incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group;
   e) "assets" or "funds": any property, whether tangible or intangible, movable or immovable, including means of payment and credit, any document or instrument, including electronic or digital form, evidencing title to, or interest in such property; economic resources of any nature, tangible or intangible, movable or immovable assets, thus including all accessories, fixtures and returns that may be used to obtain funds, assets or services as well as any other utility specified in the technical Annex to this Law;
   f) "client" or "customers": the natural person, legal person, or entity without legal personality with which the obliged parties, in the field of their activities, execute an occasional transaction or establish a business relationship, or the natural person, legal person, or entity without legal personality to which the obliged parties render a professional service, regardless whether or not payment is made;
   g) "freezing of funds": the prohibition to move, transfer, modify, dispose, use or manage funds or economic resources, to have access to them in such a way as to modify the entity, amount, location, entitlement of rights, ownership, nature, destination or cause any other change that would permit the use of funds or economic resources, including, for mere illustration purposes, portfolio management, sales, leasing, renting or establishment of real rights of guarantee;
   h) "anonymous accounts or accounts in fictitious names": the relationships for which the customer due diligence obligations, in order to guarantee that the financial entity knows the identity of the client in every phase of the relationship with the client itself, are not fulfilled;
   i) "payable-through accounts": transnational bank accounts used directly by the customers to carry out transactions on their own behalf;
   j) "terrorism purposes": the proposition to influence the institutions or intimidate the population or part of it, to destabilize or overthrow the political, constitutional, economic, or social institutions of the Republic of San Marino, of a foreign State or of an International Organization, in contrast with the constitutional order, the rules of international law and the statutes of International Organizations;
   k) "terrorist financing": except as provided in article 337 *ter* of the criminal code, any activity intended, by any means, to collect, provide, intermediate, deposit, keep or endow funds or economic resources, regardless of how they were obtained, destined to be used, in full or in part, in order to carry out or promote one or more offences for terrorist purposes, regardless of the actual use of the funds or economic resources to carry out said offences;
   l) "instructions": the provisions enacted by the Financial Intelligence Agency in the exercising of its functions of prevention and combating money laundering and terrorist financing;

m) “occasional transaction”: any transaction, professional service or action carried out for the customers, outside a business relationship, that involves the transfer or moving also by electronic means of cash or other means of payment;

n) “politically exposed person”: natural persons, foreign citizens, who are or have been entrusted with important public functions abroad during the year preceding the establishment of the business relationship, transaction or professional service, their immediate family members or persons known to be close associates of such persons, as foreseen in the technical Annex to this Law;

o) “business relationship”: any relationship or professional service between an obliged party, regardless of whether payment is required or not, which involves carrying out more than one transaction;

p) “terrorism” or “terrorist act”: any conduct, contrary to the constitutional order, the rules of international law and statutes of International Organizations, aimed at seriously injuring people or things, so as to compel the institutions of the Republic of San Marino, of a foreign State or International Organization to carry out or refrain from carrying out any act, or to intimidate the population or part of it, or to destabilize or destroy the political, constitutional, economic or social institutions of the Republic of San Marino, of a foreign State or International Organization;

q) “terrorist”:

(I) any individual perpetrating or attempting to perpetrate an act as defined under letter p) of this paragraph;

(II) any group set up in the form of an association as defined under article 337 *bis* of the criminal code;

(III) any entity acting on behalf of, or directed by, said individuals or groups that has been funded, even partly, with proceeds obtained from, or generated by, assets directly or indirectly held or controlled by said individuals or groups;

r) “beneficial owner”:

(I) the natural person who ultimately owns or controls the customer, when the latter is a legal person or entity without a legal personality;

(II) the natural person on whose behalf the customer acts. In any case, the following are considered beneficial owners:

1) the natural person(s) that, directly or indirectly, owns more than 25% of the voting rights in a company or, at any rate, because of agreements or other reasons, is able to control voting rights equal to said percentage or has control over the management of the company, provided that it is not a company listed on a regulated market, and subject to disclosure requirements consistent with or equivalent to the European Union legislation;

2) the natural person(s) who is beneficiary of more than 25% of the property of a foundation, trust or other arrangements with or without legal personality that administers funds; whenever the beneficiaries have not been determined, the natural person(s) in whose principal interest the entity is established or acts;

3) the natural person(s) who is able to control more than 25% of the property of an entity with or without a legal personality **;**

s) “financial intelligence unit”: the central national authority in charge of receiving, requesting, analysing and disseminating to the competent authorities all information relative to preventing and combating money laundering and terrorist financing.

2. With the sole object of the laws regarding preventing and combating money laundering, except as provided in articles 199 and 199 *bis* of the criminal code, the following conducts may constitute money laundering if committed intentionally:

a) converting or transferring assets knowing that such assets come directly or indirectly from criminal activity or from participation in said activity, with the aim of concealing or disguising the criminal origin of the said assets, or assisting any person involved in said activity to evade the legal consequences deriving from his or her actions;

b) concealing or disguising the true nature, origin, location, disposition, movement of property, ownership of the assets or interest in such assets, carried out knowing that such assets come directly or indirectly from criminal activity or participation in said activity;

c) the purchase, possession or use of assets, knowing, at the time of receipt, that such assets are proceeds directly or indirectly of a criminal activity or participation in said activity.

3. Knowledge, intent or purpose as referred to in paragraph 2 may be inferred from objective factual circumstances.

TITLE II
COMPETENT AUTHORITIES

Chapter I
FINANCIAL INTELLIGENCE AGENCY

Article 2 (Establishment and purpose)

1. The Financial Intelligence Agency for preventing and combating money laundering and terrorist financing shall be established at the Central Bank.
2. The Agency shall perform the functions assigned to it by this law in complete autonomy and independence.
3. The costs for the staff, structure, organization and functioning of the Agency shall be paid for by the Central Bank. The Agency shall use the resources according to criteria of cost effectiveness and efficiency.
4. The Agency shall prepare annual accounts by the month of May regarding the management of the resources received from the Central Bank during the previous year and a budget document outlining expenses for the following year by the month of September. The annual accounts and budget document shall be sent to the Committee for Credit and Savings. The Committee for Credit and Savings shall evaluate if the resources have been programmed and managed according to the criteria of cost effectiveness and efficiency and then transmit the pertinent documentation to the Central Bank for the fulfilment of its obligations.

Article 3 (Director and Vice Director)

1. The Congress of State, upon proposal by the Committee for Credit and Savings and having heard the opinion of the Central Bank, shall appoint the Director and Vice Director of the Agency choosing among people who have the necessary requisites of professionalism, independence and respectability. The mandate of the Director and Vice Director shall last five years and is renewable only once.
2. The Director and Vice Director can be removed from their offices with the same procedure required for their appointment only if they no longer satisfy the conditions required for the fulfilment of their functions or are guilty of serious deficiencies.
3. The staff of the Agency, while performing the functions set forth in this law, are public officials and are bound by official secrecy.

Article 4 (Functions of the Financial Intelligence Agency)

1. The following functions are attributed to the Agency:
    a) receiving suspicious transaction reports from obliged parties;
    b) carrying out financial investigations on received reports or, on its own initiative, on the data and information available;
    c) reporting to the criminal judicial Authority any fact that might constitute money-laundering or terrorist financing;
    d) issuing instructions regarding the prevention and combating of money-laundering and terrorist financing;
    e) supervising compliance with the obligations under this law and the instructions issued by the Agency;
    f) taking part in national and international bodies involved in the prevention of money-laundering and terrorist financing;
    g) promoting and taking part in the professional training of police officers on matters regarding the prevention of money-laundering and terrorist financing.
2. The Agency shall analyze and study financial flows in order to identify and prevent money-laundering and terrorist financing. It shall examine the indicators of anomalies with reference to determined activities or sectors of the economy and evaluate the effects within the scope set forth in this law.

Article 5 (Powers of the Financial Intelligence Agency)

1. In order to perform the functions attributed by this law and for the purpose of preventing and combating money-laundering and terrorist financing, the Agency, through its reasoned request in writing, has the following powers:
    a) to order the obliged parties to exhibit or hand over documents, also in original copy, or to communicate data and information, according to the ways and terms established by the Agency;

b) to ask the Central Bank or Public Administration to communicate data or information, or to exhibit or hand over any formal papers or documents according to the ways and terms established by the Agency;
c) to carry out on-site inspections of the obliged parties. If the obliged party, for the fulfilment of the obligations set forth in this law, makes use of external subjects, the inspections may also be conducted in the offices of said subjects;
d) to order the block of assets, funds or other economic resources whenever there are reasonable grounds to believe that these assets, funds or economic resources are derived from money-laundering or terrorist financing or may be used to commit such offences;
e) to suspend, also upon request by the criminal judicial Authority, suspected transactions of money-laundering or terrorist financing for a maximum of five working days, whenever this does not prejudice investigations;
f) to make inquiries about persons who refer to circumstances useful to investigations regarding offences of money-laundering and terrorist financing as well as crimes and administrative violations set forth in this law.

2. In the exercise of the powers set forth in the previous paragraph, the Agency may make use of police officers.
3. The Agency shall take note of all activities conducted, also in a concise manner, according to the way deemed most suitable. Except as specifically provided in this law, the Agency shall draw up a report on the information acquired in accordance with paragraph 1, letter f).

4. The judicial Authority can delegate the Agency to carry out investigations related to proceedings regarding money-laundering and terrorist financing as well as crimes and administrative violations set forth in this law. In this case, the Agency shall operate as judicial police. The acts carried out on behalf of the judicial Authority shall be recorded.

Article 6 (Ways and effects of blocking)

1. The measure with which the Agency orders the blocking in accordance with letter d) of article 5 shall be adopted in written form and shall be justified. Except for the terms set forth in subsequent paragraph 5, in case of urgency the written justification may be submitted subsequent to the blocking.
2. The Agency shall communicate the measure to the entity or person who holding the assets, funds or economic resources in the ways deemed most appropriate. The Agency shall also communicate the measure to the interested party except where the communication may prejudice the outcome of the investigation. If the assets are registered as movable or immovable ones, the Agency shall order the blocking to be registered at the State Office in charge of keeping public registries.
3. The assets freezing cannot constitute the object of any act evidencing transfer, title to or use of such assets.
4. Without prejudice to confirmation in accordance with the subsequent paragraph, the blocking measure shall be immediately effective.
5. Within 48 hours from the execution of the block, the measure shall be notified to the judicial Authority, who shall confirm – if requirements are met – the blocking measure within the following 96 hours. Failing such requirements, the judicial Authority shall also lift the block if the reasons for the precautionary measure foreseen in the provision issued by the Agency no longer exist.
6. The provision of the judicial Authority shall be notified to the Agency and to the entity to which the freezing was executed.

7. Such freezing may not exceed 15 days starting from the date of the provision issued by the Agency. This term is established by the judicial Authority in the confirmation provision and is extendable up to 45 days, upon reasoned request of the Agency, where investigations are particularly complex or where cooperation of foreign financial intelligence units is needed. The request for the extension shall be deposited in the offices of the judicial Authority prior to the expiration of the term. The judicial Authority shall grant or deny the extension within 96 hours from the receipt of the request and shall communicate its decision to the Agency and to the entity having the assets, funds or economic resources at its disposal.
8. Prior to the expiration of the terms established in the previous paragraph, the Agency, with a specific report based on the financial investigations conducted, shall indicate to the judicial Authority any data useful to proceed to the seizure or revocation of the freezing. The judicial Authority shall issue its judgment indicating its reasons within the following 96 hours.

9. In case of termination or revocation of the freezing, the judicial Authority shall take the necessary measures in order to return the frozen assets to the party entitled or, in case of registered movable or immovable assets, to cancel the registration of the freezing in the public registries.

10. The provisions of this article shall not prevent the judicial Authority from ordering seizures under judicial rules in force. In this case, the blocking ordered by the Agency shall become null and void.

Article 7 (Communication to the judicial Authority)

1. In case the Agency detects facts that might constitute an offence of money-laundering or terrorist financing, it shall transmit the documents and acts, including the report on the financial investigation conducted, to the judicial Authority without delay. If, upon completion of the financial investigation, no criminal conduct has been ascertained, the Agency shall close the case. The closure of the case does not prevent the carrying out of further investigations should new information be obtained.
2. The Agency may communicate the transmission of the documents or acts to the judicial Authority, or the closure ordered in compliance with the previous paragraph, directly to the obliged reporting party, except when the communication might prejudice the outcome of the investigation or the secrecy of the identity of the reporting person.

Article 8 (Access to information)

1. The Agency shall have access, also through electronic means, to the data and information available in public registries, archives, professional rolls kept by the Central Bank, Public administrations and Professional Associations.

2. Except as provided in the previous paragraph, the data and information held by the Central Bank, Public administrations and Professional Associations are immediately made available to the Agency, upon simple motivated request in relation to the purposes of preventing and combating money-laundering and terrorist financing.

3. For these same purposes foreseen in the previous paragraph, the Agency, upon simple request, shall have access to registries, archives, data or information kept by police Authorities or by the Single Court, including data regarding criminal record. The data and information regarding jurisdictional activity shall be provided to the Agency, upon authorization by the judge only for the purpose of preventing and combating money-laundering and terrorist financing.

4**.** The data and information acquired by the Agency may be used exclusively for the exercise of the functions set forth in this law.

Article 9 (Official secrecy)

1. All data and information acquired by the Agency are covered by official secrecy even in relations with the Public administrations, without prejudice to cases of communication or exchange of information set forth in this law. Official secrecy cannot be claimed for requests made by the criminal judicial Authority.
2. The Agency shall take steps, also including the use of computerized means, to ensure that the data and information acquired are not accessible by third parties.

Article 10 (Statistical data collection and presentation of annual reports)

1. The Agency shall collect annually the data regarding the activity carried out for the prevention and combating money-laundering and terrorist financing.

2. The Agency shall present an annual report through the Secretary of State for Finance and Budget to the Great and General Council [*Parliament*] every year on the activity carried out for the prevention and combating of money-laundering and terrorist financing.
3. The Agency shall propose to the Congress of State the adoption of measures intended to heighten the effectiveness of the prevention and combating of money-laundering and terrorist financing.

CHAPTER II
NATIONAL COOPERATION

Article 11 (Cooperation with other Authorities and Professional Associations)

1. The Public administrations, Police Authority, Central Bank and Professional Associations shall cooperate with the Agency in the prevention and combating of money-laundering and terrorist financing.

2. The Public Administration, Police Authority, Central Bank and Professional Associations shall provide**,** upon motivated request by the Agency, the data and information in their possession, useful for the prevention and combating of money-laundering and terrorist financing.
3. The Public Administration, Police Authority, Central Bank and Professional Associations shall provide the Agency with updated data on the obliged parties.

Article 12 (Cooperation with Police Authority)

1. The Agency shall cooperate with the Police Authority and the National Central Office of Interpol, also by exchanging information.
2. The Police Authority, in the fulfilment of its statutory role, may also conduct activities of preventing and combating money laundering and terrorist financing on its own initiative.
3. The information exchanged may be used exclusively for the purpose of preventing and combating money laundering and terrorist financing. The information cannot be communicated to third parties without prior written consent of the Agency and it is covered by official secrecy also regarding those who receive the information.

Article 13 (Competences of Professional Associations)

1. Professional Associations, in the fulfilment of their functions assigned by the respective statutes, shall promote and oversee the compliance with obligations under this law by their members.
2. Professional Associations shall promote the training of their members, employees and collaborators in order that the obligations set forth in this law are correctly observed.

Article 14 (Competences of the Central Bank)

1. The Central Bank, if during the course of its function of supervision over financial entities as referred to in article 18, letters a), d) and e) detects violations of this law or facts or circumstances that might be related to money-laundering and terrorist financing, shall inform the Agency in written form without delay.
2. The Central Bank shall provide the Agency with data regarding financial parties as well as information useful for carrying out financial investigations upon reports of suspicious transactions and for the study of financial movements.
3. The powers for verifying the adequacy of the organizational and procedural structures of the authorized parties remain within the competence of the Central Bank. The Central Bank may enact secondary legislation regarding these parties in accordance with Law N° 165 of November 17, 2005.

Article 15 (Cooperation with the judicial Authority)

1. Except as provided in article 5, paragraph 4, the judicial Authority, when it has reasonable grounds to believe that offences of money-laundering or terrorist financing have been committed through transactions executed by the obliged parties, shall inform the Agency.

CHAPTER III
INTERNATIONAL COOPERATION

Article 16 (Cooperation with foreign financial intelligence units)

1. The Agency shall cooperate with foreign financial intelligence units on the basis of reciprocity including the exchange of information. The foreign financial intelligence units shall guarantee the same conditions of confidentiality of the information, as assured by the Agency.

2. The Agency, with the aim of regulating the cooperation activity referred to in paragraph 1, may stipulate appropriate protocols of agreement [*Memorandum of Understanding*] and inform the Committee for Credit and Savings about them.
3. The information exchanged may be used by the foreign financial intelligence units for investigations aimed exclusively at combating money-laundering and terrorist financing. Furthermore, the information may not be sent to third parties without prior written consent by the Agency and is covered by official or professional secrecy.
4. The information exchanged cannot be used to initiate or continue administrative, police or judicial investigations without prior written consent by the Agency.
5. The protocols of agreement or conditions of reciprocity shall provide that the foreign financial intelligence unit informs the Agency whether international judicial assistance procedures have been initiated in relation to a fact being the subject of a request for information. In this case, the Agency shall not exchange the information, unless otherwise ordered by the judicial Authority of San Marino.

TITLE III
PREVENTIVE MEASURES

CHAPTER I
PERSONS AND ENTITIES SUBJECT TO OBLIGATIONS

Article 17 (Obliged parties)

1. For the purposes of this law, the following are defined as obliged parties:
a) financial parties;
b) non-financial parties;
c) professionals.
2. Those belonging to the categories referred to in the previous paragraph are specified in the subsequent articles in this chapter.

Article 18 (Financial parties)

1. Financial parties are defined as follows:
   a) the authorized parties on the basis of Law N° 165 of November 17, 2005 and subsequent amendments;
   b) the Central Bank, whenever in the field of its institutional functions, establishes business relationships or carries out occasional transactions that require the fulfilment of obligations set forth in this law;
   c) the post offices whenever they establish business relationships or carry out occasional transactions that require the fulfilment of obligations set forth in this law;
   d) the financial promoters as defined in article 24 and 25 of Law N° 165 of November 17, 2005;
   e) the insurance and reinsurance agencies as defined in article 26 and 27 of the Law N° 165 of November 17, 2005;
   f) the parties that provide professional credit recovery on behalf of third parties.

Article 19 (Non-financial parties)

1. Non-financial parties are defined as parties that provide professional services regarding the following activities:
   a) office of the co-trustee as defined by Law N° 37 of March 17, 2005;
   b) assistance and consultancy on matters of investment services;
   c) assistance and consultancy on tax, financial and commercial matters;
   d) credit brokerage;
   e) real estate brokerage;
   f) running of gambling houses and games of chance as set forth in Law N° 67 of July 25, 2000 and subsequent amendments;
   g) custody and transport of cash, securities or values;
   h) management of auction houses or art galleries;
   i) trade in antiques;
   j) purchase of unrefined gold;
   k) manufacturing, mediation of and trade in, including export and import of precious metals and stones.

Article 20 (Professionals)

1. Professionals are defined as follows:
   a) members of the Registry of Accountants (*holding a university degree or holding an high school certificate*) of the Republic of San Marino;
   b) members of the Registry of External Auditors and Auditing companies and of the Registry of Actuaries of the Republic of San Marino;
   c) members of the Bar Association of Lawyers and Notaries of the Republic of San Marino, when they carry out in name of or on behalf of their clients any financial or real estate transaction, or when they assist a customer in the planning or execution of related transactions, such as:
      1) the transfer of any title of real rights on properties or companies;
      2) the management of currency, financial instruments or other assets of customers;
      3) the opening or management of bank accounts, savings and securities accounts;
      4) the establishment, management or administration of companies, trusts or similar arrangements with or without legal personality;
      5) the organisation of all the steps required to establish, operate or manage companies.

CHAPTER II
OBLIGATION OF CUSTOMER DUE DILIGENCE

Article 21 (Field of application of customer due diligence)

1. The obliged parties shall fulfil the customer due diligence obligations in the following cases:
   a) when establishing a business relationship;
   b) when carrying out occasional transactions or professional services for an amount exceeding 15,000 euros, whether the transaction is carried out in a single operation or in several operations which appear to be linked;
   c) when there is a suspicion of money-laundering or terrorist financing;
   d) when there are doubts about the veracity or adequacy of the information and data previously obtained for the identification of the customer.

2. The financial parties referred to in article 18 shall also fulfil the customer due diligence obligations when they act as intermediaries or are at any rate part of the transfer of money or bearer negotiable instruments, in euros or foreign currency, carried out in any capacity among different entities for a total amount exceeding 15,000 euros.

3. The professionals referred to in article 20 and non-financial parties referred to in article 19 shall also fulfil the customer due diligence obligations when the transaction is of an undetermined or non-definable amount. The establishment, management or administration of a company, trust or other arrangements with or without legal personality constitutes in any case a transaction of a non-definable value.

4. Members enrolled in the Registry of Accountants (*holding a university degree or an high school certificate*) are not required to fulfil the customer due diligence obligations and registration in relation to the execution of the mere activity of drafting or filing income tax returns.

Article 22 (Customer due diligence measures)

1. The fulfilment of customer due diligence obligations shall comprise the carrying out, if needed through employees or collaborators, of the following measures:
   a) identifying the customer and verifying the customer's identity on the basis of a valid identification document or, where this is not possible, on the basis of documents, data or information obtained from a reliable and independent source;
   b) if necessary, identification of the beneficial owner and taking risk-based and adequate measures to verify the identity;
   c) obtaining information on the purpose and intended nature of the business relationship or occasional transaction;
   d) conducting ongoing monitoring of the relationship with the customer, including scrutiny of transactions undertaken throughout the course of that relationship to ensure that they are compatible with the data and information that the obliged parties have regarding the customer, its economic activities and risk profile, taking into consideration the source of the funds where necessary;
   e) updating documents, data and information acquired during the fulfilment of customer due diligence obligations.

2. Customers are obliged to provide, under their own responsibility, in written form, all data and information required and updated to permit the obliged parties to fulfil their obligations as set forth in this law.

Article 23 (Identifying and verifying the identity of the customer and beneficial owner)

1. The obliged parties shall identify and verify face-to-face, through their employees or collaborators, the identity of the customer and beneficial owner before establishing a business relationship or carrying out a transaction.
2. If the customer is not a natural person, the obliged parties shall verify the actual existence of the power of representation and acquire the data and information necessary to identify and verify the identity of the representatives who are authorized to sign for the transaction to be carried out.
3. The identification and verification of the identity of the beneficial owner is carried out at the same time as the identification of the customer and requires, for customers that are not natural persons, taking risk-based and adequate measures in order to understand the ownership and control structure of the customer. In order to identify and verify the identity of the beneficial owner, the obliged parties may make use of public registries, lists, acts or documents in the public domain, containing information on the beneficial owners, and request from its customers the pertinent data and information, or obtain information in other ways.
4. Verifying the identity of the customer and beneficial owner may be completed in the shortest time possible after the establishment of a business relationship if it is necessary not to interrupt the normal conduct of the business and when the risk of money-laundering or terrorist financing is low.

5. The non-financial entities that carry out activities set forth in article 19, paragraph 1, letter f) shall identify and verify the identity of the customer immediately on entry [*into gambling houses*], regardless of the amount of gambling chips purchased, sold or exchanged. They shall also register, according to the provisions of article 34, the transactions of purchase or exchange of gambling chips or other means of gambling with a value of 2,000 euros or more.

Article 24 (Obligations of abstention)

1. If the obliged parties are not able to fulfil the obligations of customer due diligence foreseen in article 22, paragraph 1, letters a), b) and c), they shall refrain from establishing business relationships or carrying out occasional transactions, and interrupt them, if already initiated, at the earliest opportunity and decide whether the situation should be reported to the Agency.

2. The members enrolled in the Registry of Lawyers and Notaries and Registry of Accountants (*holding a university degree or an high school certificate*) shall not be obliged to apply the provisions of the previous paragraph in the course of ascertaining the legal position for their client or performing their task of defending or representing that client in administrative or judicial proceedings, or concerning such proceedings, including advice on instituting or avoiding proceedings.
3. The obliged parties shall refrain from carrying out transactions when there are reasonable grounds to believe that these transactions could be related to money-laundering or terrorist financing. In these cases, a suspicious transaction report shall be promptly sent to the Agency. Where abstention is not possible because there is a legal obligation to receive the act, or the carrying out of the transaction by its nature cannot be postponed, or where the abstention might hinder ongoing investigations, the obliged parties shall inform the Agency immediately after the carrying out, taking every precaution to identify the destination of the funds transferred during the transaction.

Article 25 (Risk-based approach)

1. The obliged parties are required to fulfil the due diligence on all their customers.
2. The customer due diligence obligations are fulfilled by risk-based verifications which depend on the type of customer, business relationship, occasional transaction, professional service, product or transaction.
3. For the evaluation of the risk, the obliged parties shall evaluate at least the following aspects:
A) with reference to the customer:
    1) the legal status,
    2) the main business activity,
    3) the behaviour at the moment of establishing the business relationship, or carrying out the transaction or professional services,
    4) the residence or registered office of the customer or of the counterpart with particular attention to that do not require equivalent obligations to those set forth in this law;

B) with reference to any business relationship or occasional transaction:

1) the type and specific way of execution,
2) the amount,
3) the frequency,
4) the coherency of the transaction in relation to the whole of information available for the obliged party,
5) the geographic area of the execution of the transaction, with particular attention to that do not require equivalent obligations to those set forth in this law.

Article 26 (Simplified customer due diligence)

1. The obliged parties shall not be subject to the customer due diligence obligations, where the customer is one of the following:

a) a financial party referred to in article 18, letters a), b) and c);
b) a foreign institution that mainly carries out an activity which refers to the reserved activities mentioned in letters A), B), C), D) and E) of Annex 1 of Law N° 165 November 17, 2005, located in a State which requires obligations equivalent to those set forth in this law and imposes supervision and control over compliance with the requirements for the prevention and combating of money-laundering and terrorist financing;
c) a foreign institution that carries out an activity equivalent to that referred to in article 18, paragraph 1, letter c) located in a State which imposes requirements equivalent to those laid down in this law and provides supervision and control over compliance with the requirements for the prevention and combating of money-laundering and terrorist financing;
d) a company listed on a regulated market in a State, as long as this market is subject to regulations consistent with or equivalent to the European Union legislation;
e) domestic public authorities.

2. The obliged parties shall not be subject to the requirements of customer due diligence in respect of:

a) life insurance policies where the annual premium is no more than 1,000 euros or the single premium is no more than 2,500 euros;
b) complementary pension schemes if there is no surrender clause and the policy cannot be used as collateral for a loan under the schemes set forth in current legislation;
c) compulsory, complementary or similar pension schemes that provide retirement benefits, for which contributions are made by way of deduction from wages and the scheme rules do not permit the transfer of beneficiaries' rights unless after the death of the holder.

3. The Agency may indicate with instructions the categories of entities or products characterized by a low risk of money-laundering or terrorist financing for which customer due diligence does not apply.
4. In the cases described in the previous paragraphs, the obliged parties shall in any case collect data and information sufficient to establish if the customer falls into an exempted category.

Article 27 (Enhanced customer due diligence)

1. The obliged parties, on the basis of a risk assessment, shall take enhanced customer due diligence measures in situations which by their nature can present a higher risk of money-laundering or terrorist financing.
2. The obliged parties shall take enhanced customer due diligence measures when:

a) the customer is not physically present;
b) the customer is a politically exposed person. The obliged parties shall take adequate procedures in relation to the activity carried out in order to determine if the customer is a politically exposed person.

3. In the case foreseen in letter a) of paragraph 2, the obliged parties shall compensate for the higher risk by applying at least one of the following measures:

a) ensuring that the first transfer of funds in relation to the establishment of the business relationship or to the execution of the occasional transaction is carried out through an account opened in the customer's name with a financial entity referred to in article 26, paragraph 1, letters a) and b);
b) verifying the identity of the customer through supplementary documents or information in addition to those requested for a customer that is physically present;
c) taking supplementary measures to verify the documents supplied;
d) requiring certification in relation to the information or documents supplied;
e) requiring a statement of confirmation by a financial party referred to in article 26, paragraph 1, letters a) and b) that has already fulfilled customer due diligence obligations on the customer in question.

4. In the case foreseen in letter b) in paragraph 2, the obliged parties shall do the following:

a) when the obliged parties are organized in a company structure, they shall obtain the approval of the general director or an equivalent figure, or a person authorized by the general director, before establishing a business relationship or carrying out an occasional transaction;
b) they shall take any appropriate measure to establish the source of the funds used in the business relationship or in carrying out the occasional transaction;
c) they shall ensure an ongoing and enhanced control over the relationship with the customer.

5. The financial parties referred to in article 18, letters a), b) and c), that maintain business relationships or carry out occasional transactions with foreign financial institutions located in States which do not require obligations equivalent to those set forth in this law and do not impose supervision and control over compliance with such obligations, shall adopt the following enhanced customer due diligence measures:
a) collect sufficient information about a respondent foreign institution to fully understand the nature of the respondent's business and to determine, from publicly available information, the reputation of the institution and the quality of supervision;
b) assess the adequacy and effectiveness of controls applied by the respondent institution regarding matters of preventing and combating money laundering and terrorist financing;
c) obtain authorization by the general director or equivalent figure, or by a person authorized by the general director, before establishing a business relationship or carrying out an occasional transaction;
d) specify in written form the respective obligations and responsibilities regarding matters of preventing and combating money laundering and terrorist financing.

6. The financial parties referred to in article 18 letters a) and b) shall assure that the respondent institution located in a State which is not a member of the European Union (I) has verified the identity of customers having direct access to payable-through accounts, (II) has performed ongoing customer due diligence, and (III) is able to provide relevant customer due diligence data to financial party, upon request.
7. The obliged parties shall pay special attention to any money-laundering or terrorist financing threat that may arise from products or transactions that might favour anonymity, and take measures, if needed, to prevent their use for money-laundering or terrorist financing purposes.

Article 28 (Prohibition to operate with shell banks)

1. The financial parties are prohibited from establishing business relationships or carrying out occasional transactions with a shell bank or with a foreign institution that is known to permit its accounts to be used by a shell bank. Relationships that already exist on the date this law enters into force should be closed at the earliest opportunity.

Article 29 (Customer due diligence performed by third parties)

1. In order to fulfil the requirements laid down in article 22, paragraph 1, letters a), b) and c), the obliged parties may rely on third parties with which the customers have business relationships or which the customers have used to carry out an occasional transaction. For this purpose, the third-parties shall issue a suitable statement confirming that they have fulfilled customer due diligence obligations. However, the ultimate responsibility for the identification and verification of the identity of the customer shall remain with the obliged parties.
2. For the purposes of this article, the third-parties shall be financial parties referred to in article 18, paragraph 1, letters a), b) and c) and in article 26, paragraph 1, letters b) and c).
3. The third-parties shall immediately make available to the obliged parties all information required in fulfilling the customer due diligence obligations in accordance with the activities foreseen in article 22, paragraph 1, letters a), b) and c).
4. The information and documents regarding the identification of the customer or of the beneficial owner shall be forwarded, without delay, upon simple request by the obliged parties.
5. The Agency may identify, by means of instructions, other categories of third-parties upon which the obliged parties may rely on in order to avoid the repetition of obligations foreseen in article 22, paragraph 1, letters a), b) and c).

CHAPTER III
ADDITIONAL MEASURES

Article 30 (Prohibition to maintain anonymous accounts or accounts in fictitious names)

1. Except as provided in article 31, financial parties are prohibited to maintain anonymous accounts or accounts in fictitious names.

Article 31 (Limitations on the use of cash and bearer securities)

1. The transfer between different parties of cash and bearer securities referred to in the subsequent paragraphs, when the value of the transaction, also fractioned, is more than 15,000 euros, shall take place exclusively through a party authorized to conduct the reserved activity referred to in letters A), C) or I) of Annex 1 of Law N° 165 of November 17, 2005.
2. Cheques drawn on banks in San Marino or issued by these banks, for individual amounts exceeding that foreseen in the previous paragraph, shall bear the name and surname or the company name of the beneficiary and the clause "non-transferable".
3. The balance of bearer passbooks issued from the date on which this law enters into force shall not be more than 15,000 euros.
4. Bearer passbooks issued before the date on which this law enters into force, whose balance exceeds the 15,000 euro limit, shall be closed or converted into relationships consistent with the provisions of this law by December 31, 2010.
5. Starting on January 1, 2012, it will no longer be possible to issue bearer passbooks and those issued before that date shall be closed or converted.
6. Except as provided in the previous paragraphs, for each deposit or withdrawal, closure or conversion regarding bearer passbooks, banks shall carry out customer due diligence obligations as set forth in article 22, paragraph 1, letters a) and b).

Article 32 (Obligation of communication to the Agency)

1. The obliged parties that detect violations of the provisions referred to in article 31, in the course of their activities, shall inform the Agency without delay.

Article 33 (Special measures for the electronic transfer of funds)

1. The Agency regulates the following with its own instructions:
   a) the data and information that the financial parties, authorized to carry out reserved activity referred to in letter I) of Annex 1 of Law N° 165 November 17, 2005, are required to be obtained about those parties ordering the electronic transfer of funds;
   b) the ways for registering and maintaining these data and information.
2. The financial parties shall deny the transfer of funds when they are not provided with the information referred to in the previous paragraph. If the financial party having received the transfer order fails to provide the information, the financial party to which the transfer order is addressed shall request the information in written form. Where the request is not satisfied, the financial party shall implement the enhanced measures set forth in article 27 and evaluate whether to suspend relations with the financial party that has received the transfer order. The financial party shall forward to the Agency, without delay, a copy of the request for information sent to the counterpart.

CHAPTER IV
REGISTRATION AND REPORTING OBLIGATIONS

Article 34 (Obligations for registering and maintaining documents and information)

1. The obliged parties shall register the data and information required when fulfilling customer due diligence obligations and shall keep the records and copies of the documents obtained for at least five years from the closure of the business relationship or execution of the occasional transaction.
2. The obliged parties shall register and keep the records and registrations of the business relationships and occasional transactions or professional services provided. In particular, they shall register and maintain all original documents or copies admissible in court proceedings, for a period of at least five years from the closure of the business relationship or execution of the transaction or professional service.
3. The data and information referred to in the previous paragraphs shall be registered no later than five days after their acquisition.
4. All the data, information and documents registered and maintained by the obliged parties shall be made available to the Agency without delay for the carrying out of its functions of preventing and combating money laundering and terrorist financing.

Article 35 (Supplementary measures for financial parties)

1. The financial parties shall equip themselves with electronic systems that enable them to respond rapidly and completely to the Agency's requests that are intended to determine whether these financial parties have had business relationships with specific customers during the previous five years and the nature of these relationships.

Article 36 (Reporting obligations)

1**.** The obliged parties shall report the following to the Agency without delay:

a) any transaction - even if not executed – which, because of its nature, characteristics, amount, or in relation to the economic capacity and activity carried out by the customer to which it is referred, or for any other known circumstance, rouses suspicion that the economic resources, money or funds involved in the transaction may derive from offences of money laundering or terrorist financing or may be used to commit such offences;

b) anyone or any fact that, for any circumstance, known on the basis of the activity carried out, may be related to money laundering or terrorist financing.

2. If the report is made in a verbal form, the obliged party shall forward a written report to the Agency without delay, providing all the data and information required to conduct the financial investigation.

Article 37(Possibility to report)

1. Anyone can report to the Agency facts or circumstances relevant to the preventing and combating of money laundering and terrorist financing.

Article 38 (Safeguarding of professional secrecy)

1. Members of the Registry of Lawyers and Notaries and members of the Registry of Accountants (*holding a university degree or holding an high school certificate*) may invoke professional secrecy, in front of the Judicial Authority, the Financial Intelligence Agency and the Police Authorities, on the information they acquire while defending and representing their client during a judicial or administrative proceeding or in relation to that proceeding, including advice on the eventuality of prosecuting or avoiding a proceeding, where the information is received or obtained before, during or after such proceeding.
2. In the cases provided in the previous paragraph, lawyers and accountants have no reporting obligations.
3. Professional secrecy may not be invoked in front of the Judicial Authority, the Agency, and Police Authorities in pursuance of their functions on preventing and combating money laundering and terrorist financing, except for the case provided in the first paragraph.
4. Official secrecy may not be invoked in front of the Judicial Authority, the Agency, and the Police Authorities in pursuance of their functions on preventing and combating money laundering and terrorist financing.
5. Professional secrecy and official secrecy may not be invoked even when the data and information are necessary for the investigation of offences and administrative violations set forth in this law.

Article 39 (Exemption from responsibility)

1. The suspicious transactions reports and disclosures forwarded under this law do not constitute violation of any restriction to the communication of data or information resulting from contracts or legislative, statutory, regulatory or administrative provisions, nor of obligations of confidentiality and of professional, official or bank secrecy referred to in article 36 of Law N° 165 November 17, 2005. The suspicious transactions reports and disclosures made in good faith shall not entail liability of any kind.

Article 40 (Confidentiality of the identity of the reporting person and secrecy of the reports)

1. The obliged parties shall adopt suitable measures to ensure the maximum confidentiality of the person that has detected the suspicious transaction in accordance with article 36, paragraph 1, letters a) and b).
2. The acts and documents related to the suspicious transactions reports shall be kept under the responsibility of the obliged party, its legal representative or one of its delegates.
3. The Agency shall adopt appropriate measures to guarantee the confidentiality of the identity of the person that detected the suspicious transaction. Requests for information to the obliged party, and requests for further

investigation, as well as exchange of information related to suspicious transactions reported, shall be made with appropriate ways that guarantee the confidentiality of the person that has detected the suspicious transaction.
4. In case of communication, complaint or report to the Judicial Authority, the identity of the person that has detected this suspicious transaction, even if known, shall not be mentioned.
5. The identity of the person that has detected the suspicious transaction can be revealed only when the Judicial Authority, with a justified decree, declares it essential to the investigation of the offences for which it is proceeding.
6. The obliged parties shall not disclose to the customer reported and to third parties involved, beyond cases provided for under this law, the fact that a suspicious transaction report has been forwarded or that a money laundering or terrorist financing investigation is being or may be carried out.
7.The communication of the forwarded suspicious transaction reports is permitted among the financial entities located in the Republic of San Marino, belonging to the same group or having business relationships with the same customer, or having executed the transactions reported.
8. Furthermore, the communication is permitted between the obliged parties referred to in article 20 that carry out their professional services in an associated form.
9. Where obliged parties seek to dissuade a customer from engaging in illegal activity, this shall not constitute a violation of the obligation of confidentiality.
10. Where obliged parties disclose information to the party concerned by the freezing provisions ordered by the Agency, if the communication is necessary in connection with the prohibition of transfer, holding or use as referred to in article 6, paragraph 3**,** this shall not constitute a violation of the obligation of confidentiality.

CHAPTER V
PROCEDURES, CONTROLS AND STAFF TRAINING

Article 41 (Control obligations)

1. The obliged parties referred to in article 17 that carry out the activity subject to the obligations set forth in this law, as individuals or associates, as well as legal representatives and those persons that perform management, administration and control functions of the obliged parties organized in a company structure shall, according to their respective tasks and responsibilities, do the following:

a) fulfilling obligations set forth in this law;
b) making arrangements for and verifying the fulfilment of said obligations on the part of employees and collaborators.

Article 42 (Functions and powers of the compliance officer)

1. Financial parties, having company status, shall appoint an internal compliance officer in charge of receiving internal suspicious transaction reports, further analysing and forwarding them to the Agency, should he feels reports are grounded on the basis of all the elements in his possession, also inferred from other sources. The suspicious transaction reports shall be forwarded to the Agency without the name of the person who has detected the suspicious transaction in accordance with article 36, paragraph 1, letters a) and b).
2. The compliance officer shall have adequate professional skills and shall be given appropriate powers to carry out the functions referred to in the previous paragraph in full autonomy, including the power to access all information or documents also without authorization.
3. The act of appointment of the compliance officer shall include the specification and evaluation of the requirements of professionalism, as well as the powers conferred. The act of appointment shall be transmitted to the Agency.
4. Until the appointment of the compliance officer, or in case of his absence also temporarily, all his duties and responsibilities related to said function shall be assigned to the legal representative.
5. The compliance officer seeks and obtains information, also through employees and collaborators that at any title, come into contact with the customers or who at any rate know about the business relationships with the customers or the execution of transactions for their benefit.
6. Even in absence of internal suspicious transaction reports, the compliance officer shall analyse the transactions carried out, seek and obtain information and, in the cases set forth in article 36, forward the suspicious transaction report to the Agency.

Article 43 (Compliance officer at non-financial parties)

1. The auditing companies and other non-financial parties may appoint a compliance officer. In case of appointment, the provisions referred to in article 42 shall apply.

Article 44 (Procedures and internal controls)

1. The obliged parties shall adopt policies and procedures conforming to the obligations of this law and to the instructions issued by the Agency in order to prevent and combat money laundering and terrorist financing. In particular, they shall adopt policies and procedures to ensure that technological advancements, connected to the activity, are not used for the purpose of money laundering and terrorist financing.
2. The obliged parties shall inform all employees and collaborators of the obligations set forth in this law and of instructions issued by the Agency. The obliged parties shall inform all employees and collaborators of the measures and procedures adopted for the purpose of preventing and combating money laundering and terrorist financing.
3. The obliged parties shall foster the continuous staff training through participation in specific training programmes on matters of preventing and combating money laundering and terrorist financing.
4. The obliged parties shall develop and organize adequate internal controls for preventing and combating the involvement in business relationships or transactions relating to money laundering or terrorist financing.
5. The obliged parties shall be equipped with electronic systems suitable for ensuring the prompt, confidential reception of information sent by the Agency. The information sent by the Agency shall be accessible only to the obliged parties.
6. The financial parties shall extend the obligations referred to in this article to foreign branches.

Article 45 (Obligations of foreign branches and subsidiaries controlled by financial parties)

1. The financial parties shall ensure that their foreign branches or subsidiaries fulfil obligations equivalent to those set forth in this law.
2. In case the legislation of the foreign State does not provide for requirements equivalent to those set forth in the previous paragraph, the financial parties shall give notice to the Agency and Central Bank and adopt supplementary measures to effectively deal with the risk of money laundering or terrorist financing.

TITLE IV
MEASURES FOR PREVENTING, COMBATING AND REPRESSING TERRORIST FINANCING AND THE ACTIVITY OF STATES THAT THREATEN INTERNATIONAL PEACE AND SECURITY

Article 46 (Restrictive measures adopted by the Congress of State)

1. In compliance with the international obligations assumed by the Republic of San Marino to combat terrorism, terrorist financing and the activity of States that threaten international peace and security, the Congress of State, upon proposal by the Secretary of State for Foreign Affairs and the Secretary of State for Finance and Budget, shall adopt without delay a decision outlining restrictive measures, conforming to the resolutions of the United Nations Security Council or one of its Committees. The restrictive measures include the following:
   a) the freezing of funds and economic resources held or controlled, directly or indirectly, by persons, entities or groups included in the list drawn up by the appropriate United Nations Committee;
   b) commercial restrictions, including commercial restrictions on imports or exports and arms embargoes;
   c) restrictions of a financial nature, including financial restrictions or financial assistance and the prohibition of providing financial services;
   d) restrictions of any other nature, including restrictions on technical assistance, flight prohibitions, prohibition of entry or transit, diplomatic sanctions, the suspension of cooperation and the boycotting of sporting events.
2. The decision of the Congress of State can introduce additional restrictive measures or specific provisions related to the resolutions adopted by the United Nations Security Council or one of its Committees.
3. The decision of the Congress of State that orders the enforcement of restrictive measures can provide for derogations of or limitations to the United Nations Security Council resolutions for reasons of public order or interest.
4. Where a resolution of the United Nations Security Council or one of its Committees provides for the adoption, amendment or abrogation of restrictive measures, the Congress of State shall provide by means of a decision for their enforcement in the territory of the Republic of San Marino.

5. The decisions referred to in the previous paragraphs shall be immediately published *ad valvas Palatii* and at the Court, and from that moment they are expected to be known by every one.
6. The decisions are sent to the Agency that shall provide for their transmission to the Judicial Authority, the State Administrations referred to in article 48 and the obliged parties referred to in article 17.

Article 47 (Effects of the freezing of funds and economic resources)

1. Except as provided in article 49, the funds and economic resources subject to freezing cannot constitute the object of any transfer, holding or use.
2. It is prohibited to make funds or economic resources available, directly or indirectly, to subjects included in the lists drawn up by the appropriate Committees of the United Nations or to allocate them for their benefit.
3. The freezing is effective from the date of the adoption of the Congress of State decision.
4. Acts carried out in violation of the prohibitions referred to in the previous paragraphs are null and void.
5. The freezing does not prejudice the effects of any seizure or confiscation proceedings, adopted in the field of proceedings having the same funds or economic resources as their object.
6. The freezing of funds and economic resources, the omission or refusal of financial services deemed in good faith conforming to this law shall not imply any kind of responsibility for the natural person, legal person or entity without legal personality who applies it, neither for its directors nor employees.

Article 48 (Communication obligations)

1. The State Administrations that keep public registries, which have data or information relating to frozen funds or economic resources, shall immediately give notice to the Agency.
2. The Agency shall order to annotate in the public registries the freezing of registered movable and immovable assets.
3. The obliged parties referred to in article 17 shall do the following:
    a) notify the Agency of the measures applied in accordance with this law, indicating the subjects involved, the amount and nature of the funds and economic resources, within 15 days from the adoption of the Congress of State decision, or from the date of the possession of the funds and economic resources;
    b) notify the Agency of the transactions, business relationships, as well as any other data or information available with reference to subjects included in the lists;
    c) notify the Agency, on the basis of the information provided by it, of transactions and business relationships as well as any other data or information with reference to subjects that may be included in the lists in accordance with article 49, paragraph 5.

Article 49 (Functions of the Committee for Credit and Savings)

1. The Committee for Credit and Savings, under Law N° 96 of June 29, 2005 and subsequent amendments, has the competence to evaluate requests for unfreezing of funds and economic resources presented by the interested parties. The decision shall be adopted within four months from the presentation of the request.
2. In case of abrogation of a freezing measure under article 46, paragraph 4, the Committee for Credit and Savings shall take the necessary actions to return the assets to the rightful owner or, in cases involving registered movable or immovable assets, to annotate the unfreezing order in the public registries.
3. The Committee for Credit and Savings may authorize - upon completion of the procedure referred to in the following paragraph 4 - that the frozen assets or property be used to meet the fundamental needs be accessible of the subjects included in the list referred to in article 46, or of family member, including to pay for foodstuffs, medicines, housing, medical care and legal assistance. The Committee for Credit and Savings may similarly authorize that the frozen assets or property be used to pay taxes and other tax liabilities, mandatory insurance obligations and, bank fees for bank account maintenance.
4. The authorization requested, referred to in the previous paragraph, shall be notified to the competent United Nations Security Council Committee. The authorization cannot be granted if the United Nations Security Council Committee takes a contrary decision.
5. The Committee for Credit and Savings shall formulate proposals to the competent International Organisations for listing persons, entities or groups, on the basis of information provided by the Agency and other national authorities according to the criteria and ways established in the United Nations resolutions.
6. The Committee for Credit and Savings shall formulate proposals to the competent International Organisations, according to the criteria and ways established in the United Nations resolutions, for de-listing, also on the basis of requests presented by the interested parties.
7. The Agency, Police Authorities, Interpol National Central Office, and Public administrations shall communicate to the President of the Committee for Credit and Savings, by way of derogation from every provision in force on matters of official secrecy, information referring to the functions foreseen in paragraphs 5 and 6. The Judicial Authority shall send to the Committee all information deemed useful for the same purposes, when this communication does not prejudice the ongoing investigations.

8. Whenever, on the basis of information acquired in compliance with the previous paragraphs, there are sufficient elements to formulate proposals of designations to the competent International Organisations and in the meantime there is the risk that the assets to be frozen might be lost, concealed, or used for terrorist financing, the Committee for Credit and Savings shall inform the Agency of this fact, which, whenever there are the conditions foreseen in article 5, paragraph 1, letter d), shall order the freezing of said assets.

9. The Committee shall take action in the same manner also when foreign authorities communicate the adoption of measures of freezing in respect of subjects not included in the lists foreseen in article 46, paragraph 1, letter a). The information and documentation shall immediately be transmitted to the Agency.
10. The Agency shall take the actions set forth in article 5, paragraph 1, also on its own initiative, when it receives from national or foreign authorities evidence that assets derive from terrorist financing or may be used to finance terrorism or activities that threaten international peace or security.

Article 50 (Jurisdictional protection)

1. The interested subject can lodge personally or through a lawyer, an appeal against the restrictive measures ordered by the Congress of State decision and against the provisions adopted by the Committee for Credit and Savings. A jurisdictional appeal is also admitted against the same measures.
2. By way of derogation from article 3 of Law N° 5 of January 25, 1984, the interested subject, if he/she has not designated his/her own defence lawyer or has no defence lawyer, shall be assisted by the public defender also in proceedings before the administrative judge. No compensation shall be owed to the public defender for the professional services provided under this article.

TITLE V
STAFF OF POLICE FORCES
CHAPTER I
Detachment and training of police officials

Article 51 (Assignment of police officials)

1. For the fulfilment of the duties established by the law and international obligations, upon request by the Director and approval by the Congress of State, police officials, who have a specific attitude and preparation in relation to the functions envisaged by this law, may be assigned to the Financial Intelligence Agency, also for limited periods of no less than one year.
2. The police officials shall be selected by the Director of the Agency, in agreement with the investigating judges and the Commanders of the Police Forces, taking into consideration rank, educational degree and experience in the prevention and combating of financial offences.
3. The Commanders of the Police Forces shall guarantee the Agency an adequate number of qualified officials for the fulfilment of the duties assigned by this law.
4. Police officials assigned to the Agency shall be exonerated from duties and obligations deriving from regulations of the Corps to which they belong that are not inherent to judicial police functions, except for exceptional circumstances that shall be notified to the Agency.

Article 52 (Police officials training)

1. The Agency shall contribute to the training of the police officials on matters of financial investigations. For this purpose, it shall promote training through courses and internships of a duration no longer than six months, according to the specific agreement protocols undersigned with the Commanders of the Corps to which they belong.

TITLE VI
SANCTIONS

CHAPTER I
PENAL SANCTIONS

Article 53 (Violation of confidentiality of reports)

1. Except where the conduct amounts to a more serious crime, anyone subject to reporting obligations reveals - except for cases set forth in the law - that a report has been forwarded or is ongoing or an investigation may be initiated for money laundering or terrorist financing, shall be punished by terms of first-degree imprisonment and second-degree daily fine.
2. The same penalty applies to anyone who, knowing that a suspicious transaction report has been filed under article 7, informs the party concerned or a third party of the filing.

Article 54 (Omitted or false statements regarding customers)

1. Except where the conduct amounts to a more serious crime, anyone who bears false testimony when requested to provide information for applying customer due diligence obligations, shall be punished by terms of second-degree imprisonment and second-degree daily fine.

Article 55 (Disregard of the reporting obligation)

1. Except where the conduct amounts to a more serious crime, anyone who disregards the reporting obligations set forth in article 36, shall be punished by terms of first-degree imprisonment and second-degree daily fine.

Article 56 (Actions intended to prevent reporting)

1. Except where the conduct amounts to a more serious crime, anyone using violence, threatening or giving, offering or promising an advantage for the purpose of delaying or preventing that report of a suspicious transaction, even if not carried out, is transmitted to the Agency or Judicial Authority, shall be punished by terms of second-degree imprisonment and second-degree daily fine.
2. Anyone who uses violence, threatens, offers or promises an advantage, after that the report has been transmitted to the Agency or Judicial Authority, shall be punished by terms of imprisonment of second-degree.

Article 57 (Disregard of the orders and provisions issued by the Agency and Congress of State)

1. Except where the conduct amounts to a more serious crime, anyone who, without justified reason, disregards, delays or hinders the execution of an order, request or provision issued by the Agency under article 5, shall be punished by terms of second-degree imprisonment and second-degree disqualification.
2. The same penalty shall be applied to anyone who disregards the restrictive measures adopted by decision of the Congress of State under article 46.

Article 58 (False or omitted declarations to the Agency)

1. Anyone who, if required by the Agency to provide data or information useful for the investigation, bears false declarations or withholds, entirely or in part, what he/she knows about facts for which he/she has been summoned, shall be punished by terms of second-degree imprisonment.
2. The provisions referred to in the previous paragraph do not apply if the false or reticent declarations are borne by the person who is being investigated.

Article 59 (False information in acts intended for the Agency)

1. Except where the conduct amounts to a more serious crime, anyone who declares or states false information in acts or documents intended for the Agency, shall be punished by terms of second-degree imprisonment.
2. The same penalty shall apply to anyone who provides the Agency with documents containing false information.
3. If the action involves acts or documents to be provided to the Judicial Authority, the penalty shall be a third-degree imprisonment.

Article 60 (Evading measures for freezing funds)

1. Anyone who carries out actions intended to evade measures for freezing funds referred to in article 46, paragraph 1, letter a), shall be punished by terms of imprisonment, daily fine and disqualification of third-degree. Moreover, pecuniary administrative sanctions up to double of the value of the funds or economic resources object of the freezing shall be applied.

1. CHAPTER II

ADMINISTRATIVE VIOLATIONS

Article 61 (Violation of customer due diligence and registration)

1. The violation of the customer due diligence obligations established by this law shall be punished with pecuniary administrative sanctions from 2,000 to 40,000 euros.
2. If the violation of customer due diligence obligations is carried out using fraudulent means, the pecuniary administrative sanction shall be doubled.
3. The violation of the obligations of abstention set forth in article 24, shall be punished with a pecuniary administrative sanction from 5,000 to 50,000 euros.
4. Except as provided in article 54, the violation of the obligations to provide information for applying customer due diligence obligations, shall be punished with a pecuniary administrative sanction from 3,000 to 50,000 euros.

Article 62 (Violation of the obligation of registration and maintenance)

1. The violation of the obligations of registration and maintenance [of documents and information] set forth in article 34 shall be punished with a pecuniary administrative sanction from 2,000 to 40,000 euros.
2. If the violation of obligation of registration is carried out using fraudulent means, the pecuniary administrative sanction shall be doubled.

Article 63 (Violation of the prohibition to keep anonymous accounts and violation of the limits on the use of currency and bearer securities)

1. The violation of the prohibition to keep anonymous accounts or accounts in fictitious names, shall be punished with a pecuniary administrative sanction of 2,000 to 50,000 euros.
2. The violation of article 31, paragraphs 1 and 2 shall be punished with a pecuniary administrative sanction up to half the amount of each transaction.
3. The violation of the provisions set forth in article 31, paragraphs 3, 4 and 5 shall be punished with a pecuniary administrative sanction up to one half of the balance of the bearer passbook.

Article 64 (Violation of the provisions on matters of freezing funds)

1. Except where the conduct amounts to a more serious crime, the violation of the provisions referred to in article 47, paragraph 1, shall be punished with a pecuniary administrative sanction up to double of the value of the funds or economic resources object of the transfer, holding or use.
2. Except where the conduct amounts to a more serious crime, the violation of the provisions referred to in article 47, paragraph 2, shall be punished with a pecuniary administrative sanction up to double of the value of the funds or economic resources made available directly or indirectly to persons, entities or groups included in the list drawn up by the appropriate Committee of the United Nations or allocated in favour of such persons, entities or groups.

Article 65 (Violation of the obligation of communication regarding frozen funds and resources)

1. Except where the conduct amounts to a more serious crime, the violation of the provisions referred to in article 48 shall be punished with a pecuniary administrative sanction from 500 to 25,000 euros.

Article 66 (Other violations)

1. Except for the criminal and administrative violations referred to in the previous articles, the violation of other provisions envisaged in this law shall be punished with a pecuniary administrative sanction from 200 to 20,000 euros.

Article 67 (Violation of instructions)

1. Except for the administrative and criminal violations envisaged in this law, the violation of the instructions issued by the Agency shall be punished with a pecuniary administrative sanction from 200 to 20,000 euros.

CHAPTER III
RESPONSIBILITY FOR ADMINISTRATIVE VIOLATIONS

Article 68 (Subjective element for administrative violations)

1. In the administrative violations envisaged in this law, each person is responsible for his own actions or omissions, consciously and voluntarily, both fraudulent and negligent.

Article 69 (Complicity of persons)

1. Where one or more persons act in complicity in an administrative violation, each one of them shall be subject to the sanction prescribed for this action.

Article 70 (Joint liability)

1. If the violation is committed by a person subject to another authority, management or control, the person vested with the authority or having the responsibility for the management or control shall be held jointly liable for the payment of the amount owed by the perpetrator of the violation, unless the person proves that he could not have prevented the violation.
2. If the violation is committed by the representative or employee of a legal person or entity without legal personality, by an entrepreneur, or professional in the exercise of his own functions or commissions, the legal person, entity, entrepreneur or professional shall be held jointly liable for the payment of the amount owed by the perpetrator of the violation.
3. In the cases envisaged in the previous paragraphs, anyone who is held jointly liable has the obligation to claim against the perpetrator of the violation.
4. The joint liability referred to in paragraphs 1 and 2 exists even if the perpetrator of the violation has not been identified.

Article 71

(More violations of provisions subject to administrative sanctions)

1. Unless otherwise established by the law, anyone who, through actions or omissions, violates several provisions that set forth administrative sanctions or commits more than one violation of the same provision, shall be subject to the sanction envisaged for the most serious violation, increased up to three times the amount.

Article 72

(Criteria for the application of pecuniary administrative sanctions)

1. In determining the pecuniary administrative sanction established by the law between a minimum and a maximum limit, the seriousness of the violation, the behaviour subsequent to the violation aimed at aggravating or attenuating the consequences of the violations, the behaviour and economic conditions of the perpetrator of the violation shall be taken into account.

Article 73

(Voluntary settlement)

1. For the administrative violations set forth in this law, by way of derogation from article 33, paragraph 1, letter a) of Law N° 68 of June 28, 1989, the offender may exercise the right to voluntary settlement, consisting in the immediate payment of half of the sanction applied in accordance with article 72.

Article 74 (Application of the sanctions)

1. The Agency shall provide for the ascertainment of the administrative violations and application of the sanctions set forth in this law.

CHAPTER IV
INVALIDITY OF ACTS EVIDENCING TITLE TO ASSETS SUSCEPTIBLE TO CONFISCATION

Article 75 (Nullity of the acts evidencing title to assets susceptible to confiscation)

1. Any act - fulfilled in any capacity - evidencing title to assets, funds or economic resources that constitute directly or indirectly the price, product or profits from an offence is null and void, if the person who has received such assets, funds or economic resources knew or should have known that they derived from an offence.

2. "*I Sindaci di Governo*" [*authorities dealing with acts and deeds involving the State*] shall convene the assignor, assignee and any subsequent assignees that are jointly sentenced to the transfer of assets, funds or economic resources to the *Ecc.ma Camera* [*State*], or, if this is not possible, to the payment of an equivalent sum.
3. The assignee and any subsequent assignees have the onus of proving their good faith in accordance with the first paragraph of this article.
4. Any other reciprocal action between the assignor, assignee and any subsequent assignees is guaranteed.
5. Any action is guaranteed to the person damaged by the offence from which the assets, funds, or economic resources are derived.
6. This article shall apply by way of derogation from the general provisions in force regarding matters of contractual invalidity, with the aim of more effectively preventing and combating money-laundering and terrorist financing.

TITLE VII

AMENDMENT TO LEGISLATION IN FORCE

CHAPTER I

SUPPLEMENTS AND AMENDMENTS CONSEQUENT ON INTERNATIONAL CONVENTIONS

Article 76 (Criminal jurisdiction, extradition and confiscation)

1. In article 6 paragraph 1 of the criminal code, after "337 *bis*", introduced in article 2 of Law N° 28 of February 26, 2004, the term "337 *ter*," is added and after "347," the term "374 *ter*" is added.

2. In article 8 paragraph 3 of the criminal code, after the terms "in no case shall be deemed political", introduced in article 3 of Law N° 28 of February 26, 2004, the terms "crimes set forth in articles 337 *bis*, 337 *ter* as well" are added.
3. In article 140 of the criminal code, the following number: "6. Payments of sum in money set forth in article 147 paragraph 3" is added.
4. Article 147, paragraph 3 of the criminal code is replaced by the following:

> "In case of conviction, the confiscation of the instrumentalities that served or were destined to commit the offences referred to in articles 199 paragraph 1, 199 *bis*, 207, 305 *bis*, 337 *bis*, 337 *ter*, 371, 372, 373, 374 paragraph 1, 374 *ter* paragraph 1 and the for the purpose of terrorism or subversion of the constitutional order, and of the things being the price, product or profit is always obligatory. Where confiscation is not possible, the judge shall impose an obligation to pay a sum of money equal to the value of the instrumentalities and things referred above".

Article 77 (Property crimes)

1. Article 199 of the criminal code is replaced by the following:

> "*Sale of stolen property* – Apart from cases of complicity to commit an offence, anyone who buys or receives properties knowing that these are proceeds of crime, shall be punished by terms of second-degree imprisonment and second-degree daily fine and third-degree disqualification from public offices and political rights.

Where a bankruptcy procedure is initiated, the same penalty shall apply to anyone who, for profit making purposes, intervenes to lead others to buy or receive properties which are proceeds of crime, or receives properties owned by individuals or companies knowing that such individuals or company suffer insolvency or buys such properties at a much lower price.

2. After the fourth paragraph in article 199 *bis* of the criminal code, the following paragraphs are inserted:
"Anyone who commits crimes set forth in this article shall be punished by terms of fourth-degree imprisonment, a second-degree daily fine and third-degree disqualification from public offices and political rights.
The penalties may be decreased by one degree based on the amount of money or assets equivalent to them and by the nature of the transactions carried out. The penalties may be increased by one degree when the facts have been committed during the exercise of a commercial-professional activity subject to authorization or certification by the competent Public Authorities.
The judge shall apply the corresponding penalty for the predicate crime, if this is less serious."
3. The first paragraph of article 207 of the criminal code is replaced by the following:
"Anyone who takes or promises, in return for a professional services, an exorbitant interest rate or other advantages or intervenes to lead [someone] to receive or promise to others the aforementioned interests or advantages, shall be punished with a third-degree imprisonment, a second-degree daily fine and third-degree disqualification from public office and political rights.
4. In article 207 paragraph 2 of the criminal code, the terms "by the Office of Banking Supervision" are replaced by the following: "by the Central Bank of the Republic of San Marino."
5. After the third paragraph in article 207 of the criminal code, the following paragraph is added:
"The penalties may be decreased by one degree considering the amount of money or the amount of the interests. The penalties may be increased by one degree when the facts have been committed during the exercise of a commercial-professional activity subject to authorization or certification by the competent Public Authorities or if the offender is a usurer."

Article 78 (Terrorism crimes)

1. The first paragraph in article 337 *bis* of the criminal code is replaced by the following:
"Anyone promoting, establishing, organizing or directing associations that aim at perpetrating violent acts for purposes of terrorism or subversion of the constitutional order, against public or private institutions or bodies either of the Republic of San Marino, of a foreign State or an International Organisation, shall be punished by terms of sixth-degree imprisonment and fourth-degree disqualification from public offices and political rights."

2. After article 337 *bis* of the criminal code, the following article is inserted:
"Article 337 *ter*. *Financing of terrorism* – Anyone who by any means, even through another person, receives, collects, detains, gives up, transfers or conceals funds intended to be used, in full or in part, in order to carry out one or more terrorist acts or to economically support terrorist individuals or groups, or provides them with a financial service or other connected services, shall be punished by terms of sixth-degree imprisonment and fourth-degree disqualification from public offices and political rights."

Article 79 (Crimes against the public administration)

1. The first paragraph in article 373 of the criminal code is replaced by the following:
"A public official, who receives any undue advantage for himself or others, or accepts the promise of the advantages with the purpose of omitting or delaying or for having omitted or delayed an act of his office or of carrying out or having carried out an act contrary to his official duties, shall be punished by terms of fourth-degree imprisonment and fourth-degree disqualification from public offices and political rights as well as a third-degree daily fine."
2. After article 374 of the criminal code the following articles are inserted:
"374 *bis*. *Instigation of corruption* – Anyone who offers or promises any undue advantage to a public official or public employee, who does not have an official capacity, in order to lead him to omit or delay an act of his office, or to carry out an act contrary to his duties shall be punished, whether the offer or promise has been accepted or not, by terms of third-degree imprisonment and third-degree disqualification from public offices and political rights as well as a second-degree daily fine.
If the offer or promise has been made to lead a public official or public employee, who does not have an official capacity, to carry out an act of his office, whether the offer or promise has been accepted or not, the offender shall be subject to third-degree arrest and a second-degree daily fine.

The penalty referred to in the first paragraph shall be applied to the public official or public employee, who does not have an official capacity, that demands a promise or gift of any advantage from a private citizen for the purposes foreseen in article 373.
The penalty foreseen in the second paragraph shall be applied to the public official or public employee, who does not have an official capacity, that demands a promise or gift of any advantage from a private citizen for the purpose foreseen in article 374."
"374 *ter*. *Embezzlement, extortion, corruption and instigation to corruption of officials from foreign and international public organizations* – The provisions of articles 371, 372, 373 paragraphs 1, 2 and 3, 374 paragraph 1, and 374 *bis* paragraphs 3 and 4, shall be applied to those who exercise functions or activities equivalent to those of a public official or public employee, who does not have an official capacity in the field of foreign or international public organizations as well as officials and agents recruited by contract in foreign or international public organizations.
The provisions of articles 373 paragraph 4, 374 paragraph 2, 374 *bis* paragraphs 1 and 2, shall be applied even if the advantage has been given, offered or promised to persons foreseen in the first paragraph of this article."

Article 80 (Misuse of privileged information)

1. The fourth paragraph in article 305 *bis* of the criminal code is replaced by the following:
"Except as provided in article 147, in case of a conviction, the confiscation of the instrumentalities, including financial ones, that were used to commit the crime, shall always be mandatory, except where they belong to a person not involved in the crime."

CHAPTER II
PROVISIONS ON THE EXTRADITION AND TRANSFER OF PRISONERS OR PERSONS IN CUSTODY

Article 81 (Extradition for terrorist crimes)

1. For crimes of association for purpose of terrorism, terrorist financing as well as any crime committed for the purpose of terrorism, in the absence of specific international treaties, the extradition of a person who is in the territory of the Republic of San Marino is regulated by the International Convention for the repression of terrorism held in New York on December 9, 1999 and ratified with Decree N° 125 of December 10, 2001. The provisions set forth in article 8 paragraph 2, nos. 1, 2 and 3 of the criminal code shall apply.

Article 82 (Transfer of a person abroad)

1. Failing a specific International treaty, where a foreign judicial Authority request - for the purpose of fulfilling procedural requirements related to crimes of association for the purpose of terrorism, terrorist financing, or any other crime perpetrated for terrorist purposes - the presence of a person in custody or serving imprisonment as ordered by the San Marino judicial Authority, the judge may authorize the transfer of said person provided that:
a) the person to be transferred consent thereto freely and consciously;
b) the requesting State adopts the measures deemed as most appropriate for the transfer by the San Marino judicial Authority;
c) the State of destination commits itself to keeping the transferee in custody or prison, unless otherwise requested or allowed by the San Marino judicial;
d) the State of destination commits itself to restitution without delay, in accordance with what previously agreed or decided by the requesting authority and the San Marino authority;
e) the State of destination commits itself not to making restitution subject to extradition of the transferee;
f) the State of destination neither prosecutes, nor imprisons or deprives of liberty the transferee for convictions suffered prior to the date of transfer, unless otherwise allowed by the San Marino judicial authority;
g) the State of destination does not provide for the death penalty.
2. The San Marino judicial authority shall take into due account the imprisonment already served in the State of destination in order to determine the punishment to serve in the Republic of San Marino.

CHAPTER III
AMENDMENT TO THE LAW ON FOREIGNERS

Article 83 (Trafficking in migrants)

1. After article 3 of Law N° 22 of February 24, 2000, the following articles are added:
"3 *bis*. *Trafficking in migrants* – Anyone who, for the purpose of making a profit, direct or indirect, carries out acts intended to obtain the illegal entry of one or more persons into the territory of the Republic of San Marino in violation of the laws in force on foreigners or on residencies and permits of stay, shall be punished by terms of third-degree imprisonment and a second-degree daily fine.
The same penalty shall be applied to anyone who, for the purpose of making a profit, direct or indirect, carries out acts intended to obtain the illegal entry of one or more persons into a State of which the person is not a citizen or not a resident.
The penalties referred to in the previous paragraphs shall be increased by one degree upon the following conditions:
a) if, in order to obtain the illegal entry, the person has been exposed to a risk for his/her life or safety;
b) if, in order to obtain illegal entry or stay, a person has been subjected to inhuman or degrading treatment;
c) if the fact has been committed using counterfeit or altered documents, or at any rate illegally obtained.
If the facts referred to in paragraphs 1 and 2 are carried out for the purpose of recruitment for prostitution, or at any rate for sexual exploitation, or when the facts concern the entry of minors to be used in illegal activity, the imprisonment shall be increased by two degrees and a third degree fine shall be applied.
Apart from the cases envisaged in the previous paragraphs and except where the conduct amounts to a more serious crime, anyone who favours by illegal means the stay of a foreigner in the territory of the Republic of San Marino in order to obtain an undue profit, in violation of the laws in force on foreigners, on residences and permits of stay, shall be punished with imprisonment and a second-degree daily fine.
3 *ter*. *Falsification of travel and identity documents* – Except where the conduct amounts to a more serious crime, anyone who, for the purpose of committing the crime of trafficking in migrants or permitting the commission by third parties, counterfeits or alters a travel or identity document or purchases, receives, possesses, gives up or uses a travel or identity document counterfeited or altered shall be punished by terms of third-degree imprisonment.
3 *quater*. *Confiscation* - In the cases envisaged in articles 3 *bis* and 3 ter, the confiscation of the things that served or were destined to commit the offences shall be always mandatory as well as the things being the price, product or profits. Where confiscation is not possible, the judge shall order an obligation to pay a sum of money equal to the value of the things mentioned above.
Confiscated things or the equivalent sums, shall be allocated to the inland revenue or, where appropriate, destroyed.
3 *quinquies*. *Jurisdiction of San Marino* - Any citizen who commits offences envisaged in articles 3 *bis* and 3 *ter* outside the national territory, is subjected to the laws of San Marino.
The laws of San Marino shall also apply to any foreigner who commits the offences envisaged in articles 3 *bis* and 3 *ter* outside the territory of San Marino if he/she is present in the territory of the State and whenever extradition under the laws of San Marino, treaties and international conventions is not possible.
No proceedings shall be taken towards a citizen or foreigner when one of the following conditions is met:
1) the person has been tried abroad and found innocent;
2) the person who, sentenced abroad, has served the entire sentence handed down, even if less severe than that set forth in this law;
3) the person who, sentenced abroad, has served part of the sentence handed down whenever the sentence that has been served is no less than the minimum penalty set forth in this law."

CHAPTER IV
AMENDMENTS TO PROVISIONS REGARDING POWERS AND FUNCTIONS IN THE FIELD OF COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

Article 84(Special investigative measures and combating of terrorist financing)

1. In article 15, paragraph 1 of Law N° 28 of February 26, 2004, after "337 *bis*", the term: "337 *ter*" is added.
2. Article 17 of Law N° 28 of February 26, 2004 is replaced by the following:
"The Central Bank of the Republic of San Marino shall conduct financial investigations also in cooperation with the Police Forces - subject to the prior authorization of the Commissioner of the Law -

which shall report directly to the Central Bank. Where the reported facts might constitute an offence, the Central Bank shall report them to the Single Court."

Article 85 (Amendments to the statute of the Central Bank)

1. In article 12, paragraph 3 of Law N° 96 of June 29, 2005 and subsequent amendments, the terms "and combating money laundering" are repealed.
2. In article 15, paragraph 2 of Law N° 96 of June 29, 2005 and subsequent amendments, the terms "and as an anti-money laundering unit" are repealed.
3. In article 16, paragraph 3 of Law N° 96 of June 29, 2005 and subsequent amendments, the terms "and its anti-money laundering functions" are repealed.
4. In article 29, paragraph 3 of Law N° 96 of June 29, 2005 and subsequent amendments, after the term "penal sanctions" the following terms "and to the Financial Intelligence Agency in the exercise of its function of prevention and combating of money laundering and terrorist financing" are added.
5. In article 30, paragraph 3 of Law N° 96 of June 29, 2005 and subsequent amendments, the terms "and to the anti-money laundering unit" are repealed.
6. In article 33, paragraph 1 of Law N° 96 of June 29, 2005 and subsequent amendments, letter: "e. the anti-money laundering unit" is repealed.
7. Article 48, paragraph 2 of Law N° 96 of June 29, 2005 and subsequent amendments is replaced by the following:

"The Committee for Credit and Savings will be assigned the functions of directing and guiding the supervision over banking, financial and insurance activities and the promotion of national and international cooperation for effectively preventing and combating money laundering and terrorist financing."

8. After paragraph 3 in article 48 of Law N° 96 of June 29, 2005 and subsequent amendments, the following paragraphs are added:

"4. For the purpose of promoting national and international cooperation for effectively combating money laundering and terrorist financing, the Committee for Credit and Savings shall convene periodically.

5. A Magistrate appointed by the Judicial Council in an ordinary session, the director of the Financial Intelligence Agency or one of his delegates and a representative appointed by the Commanders of the Police Forces shall attend the meetings referred to in the previous paragraph.

6. The President of the Committee, according to items on the agenda, can invite to the meeting representatives of Professional Associations, Public administrations, and the obliged parties envisaged by the law on preventing and combating money laundering and terrorist financing."

Article 86 (Amendments to the law on companies and banking, financial and insurance services)

1. Article 36, paragraph 5, letter b) of Law N° 165 on November 17, 2005 is replaced by the following:

"to the supervisory authority in the exercise of its function of supervision, and to the Financial Intelligence Agency in the exercise of its functions of preventing and combating money laundering and terrorist financing."

2. In article 37, letter c) of Law N°. 165 of November 17, 2005, after the terms "financial nature" the following terms "in cooperation with other competent authorities" are added.

CHAPTER V
AMENDMENTS ON COMPANY LAW

Article 87 (Assembly of anonymous joint stock companies)

1. Paragraph 2 in article 44 *bis* of Law N° 47 of February 23, 2006 and subsequent amendments is replaced by the following:

"2. The notary shall:

a) identify the bearer of the shares and verify his/her identity;

b) acquire a copy of the identity document for each bearer;

c) draw up a separate act which indicates the date of the assembly, the identity of the participants and the capital represented by each participant;

d) keep copies of the acts and identity documents required for at least five years from the closure of the professional relationship with the company ."

2. Paragraph 4 in article 44 *bis* of Law N°. 47 of February 23, 2006 and subsequent amendments is replaced by the following:

"4. The information and documents referred to in paragraph 2 may be acquired by the Judicial Authority at the notary's offices in the context of criminal proceedings and by the Financial Intelligence Agency in the exercise of its functions of preventing and combating money laundering and terrorist financing.
5. The notary shall make use of the documents and information referred to in paragraph 2 to fulfil customer due diligence obligation set forth in the law on preventing and combating money laundering and terrorist financing.
6. The notary may release the information and documents referred to in paragraph 2 also to permit the fulfilment of the customer due diligence obligations by the obliged parties set forth in the law on preventing and combating money laundering and terrorist financing .
7. Apart from the cases set forth in paragraphs 4, 5 and 6, the notary who reveals the identity of the bearers of shares shall be punished according to article 377 of the criminal code."

Article 88 (Fulfilment of the customer due diligence obligations regarding anonymous joint stock companies)

1. Failing to release the documents and information by the notary, under article 44 *bis*, paragraph 6 of Law N°. 47 of February 23, 2006 as amended by article 87 of this law, shall not exonerate the obliged parties from fulfilling customer due diligence obligations.

TITLE VIII
TRANSITORY AND FINAL DISPOSITIONS

Article 89 (Abrogations)

1. The following are abrogated:
   a) article 9 of Law N° 41 of April 25, 1996 "Provisions on currency matters";
   b) articles 6, 8 and 16 Law N° 28 of February 26, 2004 "Provisions on anti-terrorism, anti-money laundering and anti-insider trading";
   c) article 39, paragraph 3 of Law N°. 165 of November 17, 2005 "Law on companies and banking, financial and insurance services";
   d) Decree N° 71 of May 29, 1996 "Provisions on the matter of anti-money laundering";
   e) Law N° 123 of December 15, 1998 "Law on the matter of anti-money laundering and usury";
   f) any provision in contrast with this law.

Article 90 (Delegated decree)

1. The following shall be regulated by delegated decree:
   a) the custody, administration and management of economic resources that are the object of freezing measures;
   b) the controls on the transport of money and similar instruments across transnational borders;
   c) the procedures of closing bearer passbooks that have not been converted within the terms set forth in article 31.

2. Upon proposal by the Agency, other entities and other activities may be identified, by a delegated decree, for being subjected to the obligations set forth in this law.

3. The amounts established in article 26, paragraph 2 may be modified by delegated decree.

Article 91 (Delegated decree for the regulation of the Agency)

1. Within one month from the publication of this law, the Congress of State shall regulate the following by delegated decree:
   a) the requirements of professionalism, independence, and respectability referred to in article 3, as well as the cases of non-compatibility;
b) the legal status and pay of the Agency staff;
c) the functions of the Director and Vice Director of the Agency;
d) the organizational, functional and financial structure of the Agency.

Article 92 (Beginning of effectiveness of the Agency)

1. The Director of the Agency, appointed under article 3, shall inform the Congress of State, through the Secretary of State for Finance and Budget, of the beginning of effectiveness of the Agency.

Article 93 (Transfer of functions regarding financial analysis activity)

1. On the entry into force of this law, the functions and powers on the matter of combating money laundering and terrorist financing assigned to the Central Bank of the Republic of San Marino by the provisions abrogated by this law, shall be transferred to the Agency.
2. Before the communication referred to in article 92, the functions and powers assigned to the Agency by this law shall be carried out by the Central Bank.
3. The information and documents, also in electronic format, regarding the suspicious transaction reports received, any financial analysis carried out and the exchange of information between financial information units, shall be sent in copy by the Central Bank to the Agency within 30 days from the communication referred to in article 92. The Director of the Agency shall confirm that the documents have been delivered.
4. The electronic systems used by the Central Bank for financial analysis and exchange of information, shall be transferred to the Agency within 30 days from the communication referred to in article 92.
5. The Central Bank shall continue to exercise its duties of financial analysis of reports on suspicious transactions received before the communication referred to in article 92, in accordance with the provisions set forth in this law and compatibly with the organizational structure of the Central Bank. For the ongoing analysis on that date, the Central Bank may make use of the electronic systems transferred to the Agency.
6. Within three months from the communication set forth in article 92, the Central Bank shall inform the Agency of the results of the financial analysis of the suspicious transaction reports received before that communication. To this end, the Central Bank shall transmit a copy of the relative documentation to the Agency.
7. The documents and information already acquired by the Central Bank in the exercise of its functions and powers for preventing and combating money laundering, may not be used for other purposes set forth in article 3 of Law N° 96 of June 29, 2005.

8. Until the recruitment of its staff is completed, the Agency shall rely on the employees and officials of the Central Bank, identified by the Director of the Agency, in agreement with the Director of the Central Bank, taking into consideration the operational and functional requirements of both the Agency and the Central Bank.

Article 94 (Technical Annex)

1. For the purpose of identifying the individuals referred to in article 1, paragraph 1, letter n) and the identification of “assets” or “funds” referred to in article 1, paragraph 1, letter e), reference shall be made to the provisions in the Annex to this law.
2. The Annex referred to in the previous paragraph may be modified or integrated by delegated decree.

Article 95 (Timeframe of fulfilments and instructions)

1. The obliged parties are required to fulfil the obligations of customer due diligence, registration and reporting starting from the entry into force of this law.
2. Within six months from the communication referred to in article 92, the Agency shall issue the following instructions:

a) on the ways for the fulfilment of the obligations referred to in article 22, paragraph 1, letter b);
b) on the risk-assessment and additional evaluations referred to in article 25;
c) on the identification to be carried out through third parties and on the way of transmission of documents and information referred to in article 29;
d) on the information that shall be acquired in case of transfer of funds referred to in article 33;
e) on the typologies of suspicious transactions and procedures for the examination of operations referred to in article 36;
f) on the data and information that shall be registered and maintained according to article 34, paragraph 1.

3. Except as provided in article 25, the obliged parties are required to fulfil the obligations referred to in the previous paragraph according to the way set forth in the instructions issued by the Agency.
4. The provisions referred to in the previous paragraphs shall apply also to occasional transactions and professional services which might be ongoing on the entry into force of this law, as well as relationships existing on that date.

5. The Agency shall suggest to the Congress of State, through the Committee for Credit and Savings, the identification of foreign jurisdictions whose system for preventing and combating money laundering and terrorist financing is equivalent to that set forth in international standards. The Congress of State, by decision, shall identify the equivalent jurisdictions.
6. The circulars and standard letters issued by the Central Bank on matters of preventing and combating money laundering and terrorist financing shall continue to be applied, in such that they are compatible, until the issue of the instructions referred to in paragraph 2.

Article 96 (Entry into force)

1. This law shall enter into force three months after its legal publication.

Issued from our Residence, on this day, June 17, 2008

THE CAPTAINS REGENT

Rosa Zafferani – Federico Pedini Amati

THE SECRETARY OF STATE
FOR INTERNAL AFFAIRS
Valeria Ciavatta

TECHNICAL ANNEX

Article 1 (Politically exposed persons referred to in article 1, paragraph 1, letter n)

1. It should be considered as "politically exposed persons":
   A) any natural person, foreign citizen, who is or has been entrusted with prominent public function abroad during the year preceding the establishment of the business relationship, transaction or professional service, including the following even if differently named:
      1) head of State, head of government, minister, vice minister, undersecretary of State, member of Parliament,
      2) member of judiciary bodies whose decisions are not generally subjected to further appeal,
      3) member of the board of directors of central banks or supervisory authorities,
      4) ambassador, chargé d'affaires, a high-ranking officer in the armed forces,
      5) member of the board of directors, management or supervisory bodies of companies owned by the State;
   B) any immediate family members of the persons foreseen in the previous letter or persons known to be close associates of such persons, including the following persons:
      1) spouse or partner considered equivalent to the spouse,
      2) children and their spouses,
      3) parents;
   C) any natural person who is known to have the beneficial ownership of companies or legal entity with a person referred to in letter A);
   D) any natural person who is the sole beneficial owner of companies or legal entities or legal arrangements which is known to have been set up for the benefit de facto of the person referred to in letter A).
2. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence obligations, where a person has ceased to be entrusted with a prominent public function for a period of the least one year, the obliged parties shall not be required to consider such a person as politically exposed.

Article 2 ("Assets" or "funds" referred to in article 1, paragraph 1, e)

1. The following are considered "assets" or "funds": property of any kind, tangible or intangible, movable or immovable, including means of payment and credit, any document or instrumentalities, even electronic or digital, evidencing title to or interest in such property. The following can be included as an example:
   a) cash, checks, bills of exchange, pecuniary credits and claims on money, payment orders and other means of payment;

b) deposits with banks or financial institutions or other entities, the balance on accounts, credits, bonds of any nature and negotiable securities at public and private levels as well as financial instruments as defined by Law N° 165 on November 17, 2005 and subsequent amendments;
c) interests, dividends and other incomes and increases of values generated by the assets;
d) credits, right of set-off (settlement and clearing), guarantee of any nature and other financial commitments, letters of credit, bills of lading and other certificates representative of assets or goods;
e) documents that demonstrate an interest in funds or economic resources;
f) all other instruments of exports-financing.

2. Annex 2 – Law no° 95 OF 18 June 2008 - Re-organization of the supervisory services over economic activities

REPUBLIC OF SAN MARINO

We the Captains Regent
of the Most Serene Republic of San Marino

Having regard to Article 4 of Constitutional Law no. 185 of 2005 and Article 6 of Qualified Law no. 186 of 2005;
Promulgate and order the publication of the following Ordinary Law approved by the Great and General Council during its session of June 11, 2008.

LAW N°. 95 OF 18 JUNE 2008

RE-ORGANIZATION OF THE SUPERVISORY SERVICES OVER ECONOMIC ACTIVITIES

TITLE 1
OBJECTIVES AND PURPOSES

Art.1
(Aims)

1. This Law regulates the services supervising and monitoring economic activities in order to prevent and counter tax fraud or "The like", frauds and distortions in trade exchange. It shall not apply to the activities referred to in Law No. 165/2005, as they are subject to specific control and supervisory bodies.
2. This Law shall also regulate the administrative cooperation with other States in compliance with the international agreements adopted by the Republic of San Marino.

Art.2
(The like)

1. "The like" shall only refer to the violations which present the same degree of illegality as tax fraud under San Marino legislation.
2. The single cases falling into the categories of "The like" shall be defined in the framework of the international agreements adopted by the Republic of San Marino.

TITLE II
SUPERVISION OF ECONOMIC ACTIVITIES

Art.3
(The Office for Control and Supervision of economic activities)

1. The Office for Control and Supervision of the economic activities exercised by a company shall be established.
2. Until the restructuring of the Public Administration, during which all the aspects concerning the organization and the modalities of recruitment, as well as the requirements, incompatibility and remuneration of the staff shall be defined, the Office shall be established with the following characteristics:
a) it shall be composed of two officials, one of whom being the Head of the Office, both appointed by the Congress of State. Their remuneration and work conditions shall be set upon their appointment;
b) their term of office shall last three years, unless the above mentioned reform occurs before, and they may be re-appointed only once for a further three year term;
c) the Office shall rely on the administrative staff referred to in Article 16 below.

Art.4

(Requirements and incompatibility)

1. The officials entrusted under the preceding Article shall hold a degree in Law, Economics or in Socioeconomic disciplines and have recognised professional experience to be confirmed by a specific curriculum vitae which shall be considered as integral part of the appointment.
2The appointment to the Office shall be incompatible with the position of parliamentarian or executive officer within political parties, trade unions or trade associations.
3. It shall also be incompatible with business activities as well as with positions held within any boards of companies working in the sectors supervised by the Office according to this Law.
4. Incompatibility envisaged in Law No. 41 of 22 December 1972 (Organic Law for State employees) and subsequent amendments and supplements shall also apply.
5. The official being in a position of conflict of interest in relation to an entity supervised shall refrain from covering the position.

Art.5

(Tasks and functions)

1. The Office for Control and Supervision referred to in Article 3 above shall conduct directly or through other Public Offices or State services the activities of preventing, identifying, investigating, countering tax fraud or "The like", frauds and distortions in trade exchange.

2. The Office for Control and Supervision of economic activities shall carry out the activity of controlling and supervising all economic operators organised in companies. In particular, it shall:

- propose actions and report to the competent Bodies and/or Offices on the economic operators having exercised arbitrarily an activity which is essentially different from the one envisaged in the corporate purpose;
- report and propose actions for those activities which, in any way, pursue an objective being in opposition to the State interests, as well as to international conventions and agreements;
- verify that investments in property, immovable goods and shares are aimed at achieving the objective of the business;
- check the amount of the corporate capital of the company with respect to its subscription, deposit and settlement of the losses;
- check that the corporate purpose complies with the laws of the State, as well as the International Conventions and Agreements adopted by the Republic, and report any difference or incompliance with the requirements envisaged to establish the company;
- report the operators which have not started any activity among those set forth in their corporate purpose.

3. The Head of the Office for Control and Supervision of economic activities shall submit every year a report on the activity carried out by the Office to the Great and General Council through the Secretary of State for Industry, Handicraft and Trade.

4. The Office for Control and Supervision of economic activities shall answer for its activity to the Congress of State through the Secretary of State for Industry, Handicraft and Trade and the Secretary of State for Finance and the Budget. Furthermore, it shall report the violations identified as a result of the controls referred to in paragraph 2.
5. If the violations reported are serious, the Congress of State may order the licence to be revoked and is competent to start the procedure for the compulsory winding-up for all companies at the Single Court, under Law No. 47 of 23 February 2006.

Art. 6

(Relations with Public Offices)

1. In order to perform its own functions, the Office for Control and Supervision of economic activities may rely on the cooperation with the Gendarmerie, the Civil Police and the Fortress Guard Uniformed Unit.
2. Public offices are required to provide any documents, information and cooperation requested.
3. The Office for Control and Supervision of economic activities shall have direct access to the data necessary to fulfil its functions, collected by the Tax Office and the Service for Import Supervision.
4. The functions assigned to the Assessment Bodies envisaged by the law on the general income tax shall not be prejudiced. To this end, the Office for Control and Supervision of economic activities shall report to these bodies all relevant information and data obtained while fulfilling its tasks.

Art.7

(Cooperation with the Court and the Supervisory Authorities)

1. Where the Head of the Office for Control and Supervision of economic activities recognises an alleged offence, he has the duty to forward to the Judicial Authority the information and data acquired while performing his function.
2. Where the violations identified concern matters the supervision of which falls within the competence of the Central Bank of the Republic of San Marino – Supervision Service, the Office shall make a relevant report.

Art. 8

(Relations with economic operators)

1. The Office for Control and Supervision of economic activities shall have the power to convene company representatives and request them to submit any documents which could be useful to the fulfilment of its functions.
2. While performing its functions, the Office shall inform the economic operators about the reasons having led to their convocation.
3. The economic operators shall cooperate by allowing the access, if necessary, to premises, means of transport and documents and providing all relevant information.
4. Besides the sanctions envisaged in the legislation in force, the economic operator obstructing the functions of the Office shall be punished with an accessory administrative pecuniary sanction applied by the Office of Industry, Handicraft and Trade amounting from € 1,000 to € 10,000 on the basis of the seriousness of the infraction.

TITLE III

INTERNATIONAL ADMINISTRATIVE COOPERATION

Art. 9

(Central Liaison Office)

1. A Central Liaison Office shall be established.
2. The Office shall be established according to the following features:

a) it shall include two officials, one of whom being the Head of the Office, both appointed by the Great and General Council upon proposal by the Congress of State, which shall establish the remuneration and work conditions;

b) the two officials shall be appointed for a three-year term and may be reappointed only once for a further three-year term;

c) the Office shall be assigned administrative personnel referred to in Article 16 below.

Art.10

(Requirements and incompatibility)

1. The officials appointed according to Article 9 above shall have a university degree in Law, Economics or Socioeconomic disciplines and have recognised professional experience to be confirmed by a specific curriculum vitae which shall be considered as integral part of the appointment.
2. The appointment to the Office shall be incompatible with the position of parliamentarian or executive officer within political parties, trade unions or trade associations.
3. It shall also be incompatible with free-lance or business activity within the Republic of San Marino as well as with positions held within any boards of companies working in the sectors supervised by the Office according to this Law.
4. The official who is in a conflict of interest in relation to an entity supervised by the Office shall refrain from covering the position.

Art.11

(Tasks and functions)

1. The Central Liaison Office shall be the body responsible for contacting the competent offices of other Countries for administrative cooperation with a view to implementing the international agreements adopted by the Republic of San Marino.

2. The Central Liaison Office shall access all the necessary information to prevent and contrast frauds, including tax frauds and "The like" as well as distortions in trade exchange.
3. The Central Liaison Office shall report to the Congress of State through the Secretary of State for Finance and the Budget and the Secretary of State for Industry, Handicraft and Trade.
4. The Head of the Central Liaison Office shall submit a yearly report regarding the activity carried out by the Office to the Great and General Council through the Secretary of State for Finance and the Budget.

Art.12

(Relations with the Office for Control and Supervision)

1. In carrying out its service the Central Liaison Office shall avail of the cooperation of the Office for Control and Supervision referred to in article 3 and, if necessary, directly to the bodies of the Public Administration.

Art.13

(Cooperation with the Central Bank)

1. In carrying out its functions the Central Liaison Office may request the cooperation of the Central Bank of the Republic of San Marino for investigations into banking and financial aspects, without prejudice to the provisions of Law no. 165 of 17 November 2005.

Art.14

(Relations with economic operators)

1. The Central Liaison Office shall have the power to convene company representatives and request them to submit any documents which could be useful to the fulfilment of its functions.
2. While performing its functions, the Office shall inform the economic operators about the reasons having led to their convocation
3. The economic operators shall cooperate by providing all relevant information.
4. The Economic operators may oppose the request by the Office by providing reasonable grounds according to the procedure described below.
5. The Central Liaison Office after receiving a request for administrative assistance shall inform the business who may access the relevant file as well as the request and the documentation transmitted by the competent foreign authority.
6. The information referred to in the previous paragraph is provided through service of notice to the interested party. If service is not possible in the Republic of San Marino, the Central Liaison Office shall request the foreign authority to serve it.
7. Fifteen days following service of notice referred to in the previous paragraph and the interested party failing to provide reasonable grounds for refusal to the Central Liaison Office, the Office shall immediately transmit the information acquired to the competent foreign authority.
8. The Central Liaison Office after receiving a refusal by an economic operator, shall take a well grounded decision informing the interested party about the conditions established by International Agreements providing that the information may be transmitted to the authority requesting it, including documents and records.
9. The interested party may appeal such decision before the Administrative Judge within fifteen days after receiving the decision referred to in the previous paragraph by refusing to provide information which could reveal a market, company, industrial, commercial or professional secret. If not otherwise provided for by the law the provision of Law no. 69 of 28 June 19879 shall apply. Intermediate actions of the proceeding including the decision taken by the Central Liaison Office may be appealed only with the final decision. The decision taken by the Administrative Judge in case of suspension cannot be appealed.
10. The Central Liaison Office shall immediately transmit the information acquired to the requesting State.

Art.15

(Suspension of use of debt declarations)

1. In the framework of the powers conferred upon it in Article 11 above the Central Liaison Office shall report to the relevant bodies of the Public Administration, which shall in turn take the necessary measures, the names of those economic operators against which there is clear and solid evidence that the ongoing transactions with foreign economic operators are fictitious or have been devised with the purpose to elude tax payments in the Republic of San Marino or abroad or to obtain undue tax rebate for export.

2. The Tax Office shall adopt measures to suspend the rebates for export with subsequent interruption of use of debt declarations and shall inform the Central Liaison Office and the Office for Control and Supervision of economic activities.
3. The Congress of State shall regulate the procedure of suspension of use of debt declarations by issuing a specific delegated decree.

TITLE IV
COMMON PROVISIONS

Art.16
(Administrative staff)

1. The Offices referred to in Article 3 and Article 9 are assigned administrative staff selected within the Department for Production Activities and specifically designated to cover the specific positions.
2. While waiting for a reorganisation of Public Administration which should assign specifically appointed staff to the Offices above, these positions will be covered by the personnel already employed within the Public Administration. Staff will be assigned to the Office through relocation from other sectors of the Public Administration.

Art.17
(Professional secrecy)

1. Members and employees of the Offices and all those who in any capacity cooperate with them are bound to professional secrecy and confidentiality on any matters regarding the activity of these Offices and its relations with third parties. All information and records filed with the Offices in the framework of the activities thereof are covered by professional secrecy. The obligation to respect professional secrecy shall not lapse after the end of working relations with the Offices.
2. All those who because of their relations with the Office willingly or unwillingly acquire information regarding the activity thereof shall also be bound to professional secrecy.
3. Professional secrecy cannot be opposed to the Judicial Authority when the information requested is necessary in the framework of investigations over possibly criminal cases.

TITLE V
FINAL PROVISION

Art.18
(Final provisions)

1. With the appointment of the office personnel referred to in Art.3 and Art. 9 above all the functions previously conferred upon the Company Control and Supervision Commission shall be transferred to the Office for Control and Supervision and all the functions previously conferred upon first and second level workgroups for administrative cooperation between Italy and San Marino shall be transferred to the Central Liaison Office.

Art.19
(Repeals)

1. All the provisions in contrast with this Law are repealed, in particular Art. 15 of Law no. 53 of 28 April 1999.

Art.20
(Entry into force)

1. This Law shall enter into force as of the fifteenth day following its legal publication.

Done at Our Residence, 18 June 2008

THE CAPTAINS REGENT
Rosa Zafferani – Federico Pedini Amati

THE SECRETARY OF STATE
FOR THE INTERNAL AFFAIRS
Valeria Ciavatta

3. Annex 3 - Law N° 47 of 23 February 2006 – Corporate law

CONSOLIDATED TEXT
as ensued after the amendments and/or integrations made with
DELEGATE DECREE N° 130 of 11 December 2006 and N° 33 of 20 February 2008

TITLE I

GENERAL PROVISIONS

SECTION I
DEFINITIONS AND GENERAL ASPECTS

Art.1 (most recently superseded with Delegate Decree no. 33 of 20 February 2008)

(Definitions)

11. The below listed terms have the following meanings in this law:
1) "Law" stands for this law, its successive amendments and integrations;
2) "Register" stands for the Register of Companies envisaged in article 6;
3) "Register of Auditors" stands for the register of Auditors established by Law N° 146 of 27 October 2004;
4) "Trust Company" stands for the company authorized to conduct the reserved business indicated by the letter C of Annex 1 to Law N° 165 of 17 November 2005;
5) "Holdings" stands for shares or equities;
6) "Registrar" stands for the Court Registrar who holds the Register;
7) "Subsidiary Companies" means companies controlled by another company, as established by article 11, sub-section 2), of Law N° 102 of 20 July 2004;
8) "Associated Companies" are companies over which another company exercises a considerable influence, this meaning when at least one fifth of the votes in the shareholders' meeting may be exercised;
9) "Unfit Party" stands for a an natural person who:

a) has been sentenced, with a definitive penal sentence, to a term of imprisonment of not less than three months for offences against property committed during the past fifteen years;

b) has been sentenced, with a definitive penal sentence, to a term of imprisonment of not less than two years for different offences from those indicated under the previous letter a), committed during the past fifteen years;

c) is subjected to a procedure for settlement with creditors or an equivalent procedure governed by foreign law that is either in progress or concluded less than fifteen years ago, or a legal entity that:

a) is subjected to a procedure for settlement with creditors or compulsory liquidation due to insolvency or equivalent procedures also governed by foreign law that are either in progress or concluded less than fifteen years ago;

b) is subjected to voluntary liquidation as a result of winding-up proceedings;.».

10) "Certification" means:

a) if the term refers to a juridical person, the "Certificate of Registration" of that party;

b) if the term refers to a natural person, the General Penal Record Certificate issued in accordance with Law 13 September 1906.

11) "Holding Companies" stands for companies authorized to conduct reserved business in accordance with Law N° 165 of 17 November and that are governed by this law.

12) "Formal control of documentation" by the Registrar means verification exclusively of the existence of the formal requirements in documentation, of the presence of documents containing administrative authorisations necessary according to the nature and the location in which the activity represented by the corporate purpose is

performed, of Certification, of the absence of the conditions for the integration of the definition of Unfit Party, and of the production of the other documents required specifically by the Law for the recording of records and data in the Register.

2. The Certification of non-resident parties or those without headquarters in the Republic of San Marino must be substantially equivalent to that indicated under number 10 of the previous sub-section

. With reference to natural persons, the certification that attests to the inexistence of the status of Unfit Party will be considered substantially equivalent. With reference to juridical persons, the certification showing the contents of the Certificate of Registration and that this certification has been issued by the party responsible for keeping the Register of Companies in the country in which the juridical person has its headquarters, will be considered substantially equivalent. The competent Commissioner of Law may issue circulars in order to identify the equivalences on a general scale or to give further details about the way the substantial equivalence of the Certification is evaluated.

The evaluation of the matters indicated in the Penal Record Certificate must take into account the causes for extinction of the offence, the causes for extinction of the penal effects of the sentence, rehabilitation and the provisions that are more favourable to the offender in the Penal Code, in the laws that implement and integrate the Penal Code and in the other laws and decrees of the Republic. In the case where the foreign State does not issue certificates with characteristics similar to those specified by the Law, the Certification is replaced by a declaration of the competent Consular Authority, which must also indicate the existence of any other replacement documents issued by the foreign State Authorities.

3. The natural persons who reside in the Republic of San Marino and the San Marinese citizens may substitute the Certification with a solemn affirmation issued in compliance with the formalities established by Law N° 105 of 21 October 1988. 105.

4. The Certification, in the form of an original or a conforming copy, must not bear a date more than six months prior to the date on which it is presented to the Registrar's office or exhibited to a notary when the company is established».

Art.2

(Types of Company)

1. Companies with registered offices in the territory of the Republic of San Marino are subject to San Marinese law and, if their scope is business esercised for the purpose of sharing the profits amongst the partners, they must be established in accordance with one of the types governed by the law.

2. The provisions concerning companies that exercise the activities indicated in Laws N° 165 of 17 November 2005 and N° 168 of 22 November 2005 remain valid, as do the provisions governing the cooperative companies and other companies governed by special laws for which this law cannot be applied in relation to the differently regulated part.

3. Participation by the State or by other Public Authorities in joint-stock companies established in the Republic does not lead to derogation from the provisions established by this law.

4. The companies governed by this law must be established in one of the following forms:
a) partnerships:
- unlimited partnerships;
b) companies with share capital:
- joint-stock companies;
- public limited companies;
- limited liability companies.

5. After issue of the authorization indicated in the following article 16, other types of company more able to achieve the business purpose are permitted so long as their aim is to accomplish interests that are worthy of being safeguarded and that are not in contrast with public order.

6. Both natural and juridical persons can be partners of companies with share capital.

Art.3

(Societies among professional persons)

1. Persons who exercise non-subordinate professions in accordance with Law N° 28 of 20 February 1991 and successive amendments and integrations, can establish a society so as to conduct together the professional activity for which they are authorized, to coordinate the intellectual activities of their different specializations and provide services and commodities connected or simply supplementary to the professional activities of the individual partners, without the need for the authorization indicated in the following article 16.

2. These societies and the activities of the partners are governed by the laws concerning unlimited partnerships, as well as the relevant provisions for conducting intellectual professions, in general, and individual professions, insofar as they are compatible.

3. The society can be established with a number of partners no higher than one fifteenth of the persons registered in the rolls to which the partners belong. In the case of interprofessional societies, the calculation is made in relation to all the rolls of all the partners.

4. The business name must contain the names of at least two of the partners, indicate the activity of the society and must be followed by the words "society among professional persons".

5. The names of all the partners must be indicated in the correspondence, documents and communications of the society.

6. The professional assignment is understood to have been undertaken by the society even when entrusted to a single partner and the partners must make the fact that they belong to the society known when they accomplish their professional assignments. Professional secrecy and confidentiality are the duties of all the partners, who must make sure that they are also complied with by the collaborators, subordinates and the employees of the society.

7. The customers, opposite parties and the public administration authorities must be informed that the professional persons belong to a society among professional persons.

8. When it comes to the professional assignments already in progress when the society is established, notification must be made the first time the office is exercised after the society has been established.

9. The laws governing the tariffs of the profession of the party who performed the assignment apply to the work supplied by the society in relation to fees, allowances and expenses. If the work is carried out by several partners, the fee established for one single professional person is applied unless different agreements are reached with the customer. Indications for determining the fees the society is due are given by the Council of the Order or by the professional Board to which the professional person who carried out the work belongs. Interprofessional jobs must be explicitly requested or established with the customer. In this case, the work is evaluated separately and is entitled to separate fees, otherwise the fee for a single professional person is due and with application of a single tariff.

10. The professional activities conducted by the partners give rise to all the obligations and rights established by the social security and fiscal laws governing the various different professions. Contributions of an objective nature are due to the same extent as applied to the jobs done by single professional persons.

11. The services rendered by societies among professional persons must be carried out personally by the partners aided, if necessary, by collaborators and assistants.

12. The civil liability deriving from the professional activities conducted by the individual partners is at the charge of the society among professional persons, without prejudice to the internal relations with regard to any recourse, if applicable.

13. The society must stipulate an adequate insurance contract to cover the damages indicated in the previous sub-section and must notify the details to customers who so request.

14. The professional persons who are part of a society among professional persons must only render their services on behalf of the society. They are not allowed to take part in more than one society among professional persons.

15. The rolls of the orders and professional boards established and governed in accordance with Law N° 28 of 20 February 1991 and successive amendments and integrations contain, for the registered persons involved, indications about the capacity as member of a society among professional persons.

16. In relation to registered persons who are members of societies among professional persons, the professional orders and boards exercise the powers and functions esablished by Law N° 28 of 20 February 1991 and successive amendments and integrations, concerning the individual professional persons themselves. In particular, they safeguard the dignity of the profession and ensure compliance with the principles of professional deontology applicable to the accomplishment of the activity as a society.

17. Violation of the terms of the partnership can lead to disciplinary measures.

18. A partner who is cancelled or struck off from his rolls will be automatically excluded from the society.

19. If a partner is suspended from exercising his profession, or if a partner is guilty of serious breach or is incapable of carrying out his tasks, his exclusion from the society, in the absence of explicit indications in the articles of association, is deliberated by the majority of the partners, not counting the partner to exclude amongst these, and comes into effect once thirty days have elapsed from the date on which the excluded partner is notified of the decision.

20. Unless established differently by the deed of partnership, the provisions laid down by the following article 38 governing the withdrawal of partners are applied, insofar as they are compatible, when a partner is turned out of a society and the relative share capital is liquidated.

21. If the society comprises two partners, the exclusion of one is pronounced by the Commissioner of Law upon the request of the other partner, without prejudice to the fact that procedures for winding up the society must begin should the number of partners fail to be re-established within three months.

22. The partner may withdraw from the society, even when established for a fixed term, with no less than six months prior notice in agreement with the other partners.

23. Unless established differently by the deed of partnership, the provisions laid down by the following articles 37 and 38 are applied when a partner withdraws from a society and the relative share capital is liquidated.

24. Business or entrepreneurial activities cannot be conducted by societies among professional persons. The society can invest in securities and can possess registered real estate and movable property directly used for running its activity. Transfer, in favour of the society, of instrumental contracts drawn up by the individual professional persons during the accomplishment of their professions prior to becoming a partner of a society, may take place within one year from the partner in question having entered the society or from the establishment of this latter, by means of simple notification sent by the society by registered letter to the contracting party without this latter being entitled to object.

25. The society among professional persons must keep the accounts envisaged in article 72.

Art.4

(Liability for the obligations of the company)

1. In unlimited partnerships, all the parners are answerable jointly, severally and unlimitedly for the company’s obligations and agreements to the contrary are of no effect in relation to third parties.

2. Only the company is answerable with its proprietory equities for the obligations of joint-stock companies.

Art.5

(Business name)

1. The type of undertaking must always be indicated in the business name.

2. The business name of ordinary partnerships must contain the name of one or more of the partners.

Art.6 (most recently superseded with Delegate Decree no. 33 of 20 February 2008)

(Register of Companies)

1. A Register of Companies is instituted, held by the Court Registrar, for entering the below-listed details of each company:
- details of the memorandum of association and the authorization of the State Congress when required by special laws and by any subsequent authorization measures or their revocation;
- registered office and any successive variations;
- subscribed and paid-up capital, and any variations;
- corporate purpose and any successive variations;
- the personal particulars of the legal representatives of the company, of the directors, the auditors, any external auditing parties that may have been nominated and the liquidators, along with a list of their powers;
- the date on which the balance sheet was approved;
- details of measures concerning any transformations, mergers or divisions;
- measures taken by the judicial authorities concerning the liquidation of the company, granting of periods of grace, or opening of proceedings for composition with creditors, as well as all other measures that the Judicial Authorities consider it necessary to indicate;
- existence of a sole partner, if the company has not issued bearer shares;
- existence of company holdings lodged as collateral;
- existence of seizures or distraints on shares.

2. Unless different provisions have been established by law, the details indicated in the previous sub-section are entered in the Register upon the request of the directors or liquidators, provided with the relative documents.

3. All the minutes of the meetings of the companies must also be filed with the Registrar's office that deal with the resolutions relating to approval of the financial statements, the introduction of changes to the articles of association and charter and to appointments of company offices or the conferring of assignments to statutory auditors and auditing firms, within the term of thirty days from the registration or, if the deliberations are not subject to this formality, from the date of the meeting, without prejudice to the different terms established by the law.».

4. Until they have been entered in the Register, modifications made to the details indicated in sub-section 1 cannot prevail against third parties unless proof is given that these latter were aware of the same. The minutes of meetings, applications, certificates, registration provisions and in general all the corporate documentation contained in the company folder at the Court can be created, transmitted, deposited, communicated, notified, held and safeguarded in electronic format, in the manner and with the guarantees that will be established with an appropriate regulation of the Congress of State.

5. The Register can also be held with computer instruments, according to the methods that will be established by appropriate regulations.

6. The Register is public and can be freely examined by anyone.

7. In order to register the company in the Register, Certifications concerning partners, directors, auditors, external bodies charged with auditing nominated at the moment of the company formation must in any case be deposited at the Registrar's office.

8. The Certifications of those who hold offices in the company, as well as the external party charged with auditing and possibly nominated, must be filed with the Registrar's office if the office is confirmed or if a replacement has been made, and is the condition for obtaining registration in the Register.

9. Where registration with professional rolls or orders or special registers is required in order to take office, a certificate of registration issued by the organization that holds the rolls or register must also be filed with the Registrar's office.

10. The directors, statutory auditors, external auditors and auditing enterprises must declare, in the annual balance sheet statement of their respective competence or attached to the same and under their personal responsibility, that they still possess the subjective and objective statuses envisaged by the law for taking up their respective offices.

Art.7

(Indications in correspondence and announcements)

«1.[1] The following details must appear in the correspondence, documents, announcements and securities issued or drawn up by each undertaking:

- the corporate name, type and registered offices of the company;

- the date and registration number in the Register;

- the subscribed and paid-up capital;

- if the company is being wound up;

- if there is a sole partner.».

Art.8 (most recently superseded with Delegate Decree no. 33 of 20 February 2008)

(Registered Office)

1. The registered office of the company must have been established in the territory of the Republic of San Marino.

2. All notifications and communications are considered to have been made with full effect to the registered office indicated in the articles of association; in the event of the impossibility of contacting the registered office, ascertained by the Legal Official, notification is validly given through affixing *ad valvas Palatii* (on the doors of the Government Building).

Art.9 (most recently superseded with Delegate Decree no. 33 of 20 February 2008)

(Corporate purpose)

1. The corporate purpose must be lawful, possible, determined, and must include activities that are consistent with each other.

Art.10 (most recently amended by Delegate Decree no. 33 of 20 February 2008)

(Contributions and payments)

1. In joint-stock companies, the value of the contributions cannot be less, as a whole, than the total amount of the corporate capital.

2. The contributions must be made in money, unless specified differently in the articles of association.

3. At least half of the company's initial corporate capital contributions must be made within sixty clear days from the date of registration in the Register and, if in money, must be paid into a San Marinese banking establishment. If the company is established with a unilateral deed, all the contributions must be made in money and be paid within sixty clear days after the date of registration in the Register.

4. The effective payment of the contributions is certified by a declaration issued by the legal representative according to the formalities and in compliance with the comminatory clauses envisaged by article 3 of Law N° 105 of 21 October 1988, to be filed with the Registrar's office by the directors within thirty days of the actual payment.

5. In any case, the payment of all the contributions must be requested by the directors and fulfilled within three years following the date on which the company is entered in the Register.

6. Failure to pay the contributions within the terms envisaged herein represents a cause for dissolution of the company, which must be wound up, without prejudice to the matters established by the following article 11. If the directors fail to act, liquidation can be arranged as of right. For this reason, the Commissioner of Law

[1] As superseded by Art. 5 of Delegate Decree No. 130 of 11 Dec. 2006.

previously gives the directors a term of not more than sixty days in which to file the documentation attesting to payment of the contributions, or for calling a special meeting in order to adopt the necessary decisions.

7. Besides money, all assets susceptible to economic evaluation can be conferred, but not work or services or personal rights of enjoyment. Such contributions must in any case be declared at the same time as the memorandum of association is executed or when a resolution to increase the capital is passed.

8. The partner who confers a credit is answerable for the insolvency of the debtor.

9. The partner is liable to the same obligations for the conferred assets as he would have been had he had sold them.

10. Those who confer contributions in kind or credits must present the sworn report of an auditor or an auditing company registered in the register of auditors, or of a professional person registered with a San Marinese professional order. The sworn report cannot be compiled by persons who are ineligible as auditors according to the matters established by article 60. The report must contain a description of the assets or credits conferred, an indication as to the evaluation criteria used and a declaration that their value is at least equal to the value for which they were conferred. The report must be attached to the memorandum of association or to the resolution to increase the capital.

11. Besides the contribution, to be made in compliance with the memorandum of association or the resolution to increase the capital, each partner is debtor towards the company for accessory services other than money. The articles of association determine the contents, duration, formalities and fees for such services, and establish particular sanctions in the case of non-compliance Holdings for which accessory services are obligatory cannot be transferred without the directors' consent and, if they are shares, they must be registered.

Unless provided for otherwise by the memorandum of association, the previous obligations can only be modified with the consent of all the partners.

12. In partnerships, the partner is obliged to make the contributions established in the partnership agreement. Failing this, it is to be presumed that the partners are obliged to confer, to an equal extent amongst them, such as is necessary for achieving the business purpose."

Art.11

(Default of the partner)

1. If the partner fails to fulfil the payments due after thirty days have elapsed from the request, the directors, if they do not consider it worthwhile to bring an action for performance against the partner, offer the share of the defaulting partner to the other partners who have fulfilled their obligations, in proportion to their own share, for a corresponding amount no less than the contributions still due. In the absence of offers from the other partners who are not in arrears, the directors must declare the defaulting partner excluded by right, withholding the encashed sums, without prejudice to reimbursement of the greater damages.

2. The unsold shares must be written off by means of a corresponding reduction of the company's capital.

3. The director's request to fulfil the payment must be made at the same time and under the same conditions to all the partners in default.

4. The partner who is in arrears with the payments may not exercise the right to vote.

5. Insofar as it is compatible, this article also applies to partners who have not fulfilled the accessory services.

Art.12 [2]

(Sole partner)

«1. Joint-stock companies may have a sole partner when they are established, as may all the holdings be accumulated by a single party. In joint-stock companies, the accumulation of all the holdings under a single party does not imply their release.

2. The sole partner exercises the powers and rights ascribed by the law or the articles of association to the partners or to the meeting.

3. The existence of the sole partner of a joint-stock company that has not issued bearer shares must be entered in the Register.

[2] As superseded by Art. 7 of Delegate Decree No. 130 of 11 Dec. 2006.

4. If the company is insolvent, the sole partner is unlimitedly answerable for the obligations of the company that arise during the period in which he alone possesses all the shares when:

a) the request for registration of the existence of the sole partner in the Register has not been submitted within the terms established by article 20 of the Law for filing the memorandum of association if the undertaking is established with a unilateral deed, or

b) the request for registration of the existence of the sole partner in the Register has not been submitted within the terms established by articles 26, sub-section 2, and 28, sub-section 3 of the Law, if all the holdings are successively accumulated by one single party, or

c) the corporate capital has not been entirely paid up within the term of sixty days from the date on which the company established with a unilateral deed is entered in the Register or within the term of sixty days from the date on which all the holdings are successively accumulated by one single party.

5. In partnerships, failure to maintain the number of the partners is a cause for winding up the society unless the number is re-established within the successive three months.».

Art.13 [3]

(Total corporate capital)

«1. The total corporate capital cannot be less than:

1) € 25,500.00 (twentyfivethousandfivehundred euros) in limited liability companies;

2) € 77,000.00 (seventyseventhousand euros) in joint-stock companies;

3) € 256,000.00 (twohundredfiftysixthousand euros) in public limited companies.».

Art.14 (most recently amended by Delegate Decree no. 33 of 20 February 2008)

(Reduction of the corporate capital)

1. If the corporate capital has been reduced by more than one third, the directors and, in their default, the board of auditors or the sole auditor, must call the meeting without delay in order to take the appropriate measures and, if the losses are not promptly made good, the meeting must reduce the corporate capital without prejudice to the limits established by law.

2. Reduction of the corporate capital must also be deliberated if the shares of partners who exercise their right of withdrawal must be reimbursed, if envisaged by the articles of association or by the law, or also if a defaulting partner is turned out.

3. Moreover, a reduction of the corporate capital can be deliberated when it is in excess in relation to the business purpose. The deliberation can only be made once ninety days have elapsed from the date on which the measure was entered in the Register, so long as no creditor has opposed the measure within that term

4. The meeting that must deliberate upon reducing the corporate capital, when this is obligatory, may be called by the Commissioner for Law by right or upon the request of anyone to whom it may be of interest, when the party obliged to do so in accordance with sub-section 1, fails to take the necessary steps.

5. If the meeting, called in compliance with the preceding sub-sections, fails to adopt the measures established by law, the Commissioner for Law, upon the request of the directors, the auditors, of anyone interested or by right, will reduce the capital to the extent of the losses resulting from the balance sheet, with a decree to be entered in the Register.

6. If, owing to a loss exceeding one third of the capital, this is reduced to below the minimum allowed by law, the directors must call the meeting for the measures indicated in article 106, sub-section 1, point 4), within the term established therein within the term established therein.

[3] As superseded by Art. 8 of Delegate Decree No. 130 of 11 Dec. 2006.

Art.15

(Capital increase)

1. A capital increase, or issue of convertible bonds, cannot be deliberated until the previously subscribed corporate capital has been entirely paid up.

2. In the case of breach of the previous sub-section, the directors are jointly and severally responsible for the damages sustained by the partners and third parties. This without prejudice to the obligations undertaken by subscribing the shares issued in violation of the previous sub-section.

[4]«3. The meeting may increase the corporate capital by entering as capital, the reserves and other funds entered in the balance sheet, insofar as they are available. In this case, the newly issued holdings must have the same characteristics as those in circulation and must be assigned free of charge to the partners in proportion to those they possess. In public limited companies and joint-stock companies, the capital can also be increased by increasing the face value of the shares.».

SECTION II

ESTABLISHMENT AND MODIFICATIONS TO THE ARTICLES OF ASSOCIATION

Art.16 (most recently amended by Delegate Decree no. 33 of 20 February 2008)

(Authorizations and conditions for establishment)

«1. The following conditions are required in order to establish a company with share capital:
1) the capital must have been entirely subscribed;
2) the authorizations must have been obtained, and the conditions required by the special laws for establishing the company in relation to its particular scope must have been complied with;
3) the provisions established by Law concerning contributions must have been complied with;
4) none of the partners who are natural persons must be Unfit Parties.
2. Sub-section 1 is applied for the establishment of a partnership, insofar as it is compatible.
3. An irrevocable prior official authorization, namely authorization from the State Congress, must be obtained in order to establish public limited companies, the companies indicated in article 2, sub-section 5, companies for which it is explicitly envisaged by special laws, companies whose business contains activities or commodity sectors envisaged in the decree described in the successive sub-section 6.
4. Notwithstanding compliance with article 9, the companies mentioned in the previous sub-section, with the exception of public limited companies, may modify their business purpose without authorization as long as the modification does not concern economic activities or product sectors included in the decree mentioned in the following sub-section 6.
5. Authorization must be requested from the State Congress by means of an application accompanied by a rough business plan that is convincing, from the objective and subjective aspects, as to its reliability and compatibility with the economic-social requirements of the Republic. When it grants the authorization, the State Congress has the right to impose limits and conditions so as to guarantee that the business plan is correctly executed.
6. If the matter is urgent, or to prevent the social-economic context of the Republic from becoming distorted, the need for authorization from the State Congress can be established by official decree so as to establish companies whose corporate purpose comprises particular business activities or commodity sectors.
7. The official decree can dictate specific rules for the business activities and commodity sectors indicated in the decree envisaged in the previous sub-section».

Art.17 (most recently amended by Delegate Decree no. 33 of 20 February 2008)

(Participation of Trust Companies)

«1. Upon acceptance of the trust assignment, those Trust Companies which, on the basis of this trust assignment, establish undertakings and acquire or possess their holdings, must obligatorily procure prior Certification with

[4] As superseded by Art. 10 of Delegate Decree No. 130 of 11 Dec. 2006.

regard to the grantors and declare, respectively in the articles of association of the company or during purchase of the holding, the trust nature of their intervention, referencing the details of the authorisation to exercise the reserved activity.
2. Trust Companies may not establish undertakings, acquire or possess their holdings on the basis of a trust assignment if the Certification shows that the grantor is an Unfit Party.
3. Since this activity is reserved to holding companies, it remains subject to the regulatory and surveillance powers of the Central Bank of the Republic of San Marino.
4. In the cases in the first subsection, the existence of the sole partner and the related regulations as in article 12, are to be understood as referring to the grantor and not to the trust company.

Art.18

(Form of the memorandum of association)

1. The memorandum of association of an undertaking must be in the form of a public deed.

Art.19

(Contents of the memorandum of association)

1. The memorandum of association must indicate:
1) the type of company;
2) the corporate name;
3) the duration;
4) the registered offices;
5) the business purpose;
6) the total corporate capital;
7) the surname and first name, date and place of birth, residence and citizenship of all the natural persons, or the corporate name, date and place of estabishment, registered offices and number of registration in the company register for the juridical persons who have taken part as partners in drawing up the memorandum of association or in the name of whom it has been drawn up;
8) the share allocated to each partner;
9) the subscription of the entire capital;
10) the contributions of each partner;
11) the value ascribed to contributions in kind and the relative evaluation criteria;
12) the regulations concerning the composition and powers of the bodies of the company, indicating those concerning the administration and those that represent the undertaking;
13) the rules according to which the profits must be distributed;
14) the nomination of the first members of the bodies of the company;
15) an indication of the regulations governing the way the company is run;

2. In joint-stock companies and public limited companies, the memorandum of association must also contain the number and face value of the shares, whether they are registered or bearer shares, their characteristics and the formalities according to which they are issued and circulated.

3. For unlimited partnerships, the memorandum of association must also indicate the rules according to which the profits must be distributed and each partner's portion of the profits and losses.

4. The articles of association contain the regulations governing the bodies of the company and the company itself. Even when they are a separate deed, the articles of association are an integral part of the memorandum of association.

Art.20 [5]

(Filing of the memorandum of association and registration in the Register)

«1. The notary who has received the memorandum of association of the company and has checked to make sure that the conditions established by Law have been fulfilled, must file an authentic copy of the document with the

[5] As superseded by Art. 14 of Delegate Decree No. 130 of 11 Dec. 2006.

Registrar's office within thirty days from the date of registration, attaching the documents that attest to the existence of the conditions envisaged by the Law.

2. If the notary fails to file the document within the aforementioned term, each partner or director may do so at the company's charge.

3 . The company must be registered in the Register at the same time as the memorandum of association is filed.

4. Having solely checked to make sure that the documentation is regular from the formal aspect, the Registrar enters the company in the Register within 10 days from the requested registration, or issues a motivated refusal to be notified to the party who requested the registration.

5. If the Registrar refuses to enter the company in the Register, or fails to register it within the term indicated in the previous sub-section, the notary or, failing this, the director or each partner, may apply to the Commissioner of Law within thirty days from haing received notification of the refusal, or from the expiry of the term within which the Registrar should have issued the measure. In this case, the Commissioner of Law, having checked to make sure that the conditions required by Law have been fulfilled, issues a decree that orders the company to be entered in the Register. In the event of a refusal to enter the company in the Register, the decree issued by the Commissioner of Law is subject to a claim before the Justice of Appeal within the thirty days following the notification.

6 . Registration of the company in the Register is notified to the Office of Industry, Commerce and Crafts by the Registrar within 15 days from the date on which the formality takes place.».

Art. 21

(Effects of the registration and acquisition of the legal status)

1. Once it has been registered in the Register, the undertaking acquires a legal status that lasts until it is cancelled.

2. Those who acted are unlimitedly, jointly and personally responsible towards third parties for the operations accomplished in the name of the company prior to its registration. The promoting sole partner and those amongst the partners who, in the memorandum of association or with a separate deed, have decided, authorized or allowed the operation to be accomplished are also jointly, unlimitedly and personally responsible. Different agreements cannot prevail against third parties.

3. Issue of shares or transfer of holdings before the company has been registered are null.

4. Once the legal status has been acquired, the equities of the company become separate from the estate of the partners.

5. The company's creditors cannot act on the estate of the unlimitedly and jointly responsible partners without having first acted on the company's equities.

6. In partnerships, the particular creditors of the unlimitedly responsible partners cannot act on the company's equities but if the assets of the debtor partner are unable to cover the personal debts incurred, the creditor may ask for the debtor's share to be liquidated and the share must be liquidated within three months from the request, without prejudice to the deliberation to wind up the company.

[6]«7. Without prejudice to the matters established by article 148 of Law N° 165 of 17 November 2005, acquisition of the legal status does not authorize the purchase of real estate in the territory of the Republic, the acceptance of donations or inheritances or the obtainment of legacies without authorization from the Council of XII.».

Art.22 (most recently amended by Delegate Decree no. 33 of 20 February 2008)

(Modifications to the articles of association)

1. Resolutions that modify the articles of association must be made in a public deed. Within thirty days from the date on which the deed is registered and having ascertained that the conditions established by law have been complied with, the notary who draws up the need applies for it to be registered in the Register and attaches any

[6] As superseded by Art. 15 of Delegate Decree No. 130 of 11 Dec. 2006.

authorizations and documents required at the same time as it is filed. Having solely checked to make sure that the documentation is formally correct, the Registrar enters the resolution in the Register.

2. If the notary considers that the conditions established by the law have not been fulfilled, he will notify the directors of the matter immediately and in any case, not beyond that term. Within the following thirty days, the directors and, in their absence, each partner at the company's charge, may apply to the Commissioner of Law. In this case, the Commissioner of Law, having checked to make sure that the conditions required by Law have been fulfilled, approves the resolutions and orders their registration in the Register. The decree issued by the Commissioner of Law is subject to a claim before the Justice of Appeal within the thirty days following the notification.

3. When a company is established, the partners may decide that one or more of the clauses in the articles of association may only be modified unanimously.

4. Modifications to the partnership agreement in partnerships may only be made with the consent of all the partners, unless different agreements have been reached.

«Art.22 bis [7]

(Invalidity of the company)

1. Once it has been entered in the Register, the invalidity of a company can only be declared, upon the request of anyone to whom it may be of interest, in the following circumstances:

a) failure to draw up the memorandum of association in the form of a public deed;

5) illegality of the business purpose;

c) failure to obtain authorization from the State Congress, in the cases where it is required by law;

d) absence, in the memorandum of association, of all indications concerning the business name of the company, the contributions, the total capital, the business purpose.

2. The declaration of invalidity does not impair the efficacy of the actions accomplished in the name of the company after it has been entered in the Register and the partners are not released from their obligation to contribute until all the company's creditors have been satisfied.

3. Invalidity cannot be declared when its cause has been eliminated and this elimination has been published by an entry in the Register.

4. The sentence that declares invalidity contains the order to terminate and liquidate the company and must be entered in the Register.».

SECTION III

SHARES AND BONDS

IN COMPANIES WITH SHARE CAPITAL

Art.23
(Principles)

1. In limited liability companies, the holding ascribed to each partner represents the extent to which he participates in the company capital and includes the body of rights to which the partner is entitled.

2. In public limited companies and joint-stock companies, participation is represented by shares, which must be of equal value and which grant their possessors equal rights for homogeneous categories of shares.

[7] As supplemented by Art. 17 of Delegate Decree No. 130 of 11 Dec. 2006.

Art.24
(General provisions)

1. The articles of association may envisage different categories of holdings. When different categories of holdings or shares are created, the company may freely determine their contents in accordance with the limits established by law, but all the holdings or shares belonging to the same category must grant equal rights.

2. Participation in companies with share capital is freely transferrable, unless established differently by the articles of association. The articles of association may also limit the extent to which they can be transferred and in that case, if the provisions they establish actually prevent the share capital from being transferred, the partner may exercise the right to withdraw in accordance with the formalities established by article 37.

3. If the holdings or shares are transferred, the transferor is responsible, jointly and severally with the purchaser, for the payments still due, for a period of three years from the date on which the transfer transaction is registered in the stock ledger.

4. If a holding is subject to joint ownership, the rights of the owners are exercised by a common representative. If the common representative has not been nominated, the declarations and communications made by the company to one of the joint owners are efficacious in relation to both. The joint owners of a holding are jointly and severally answerable to the obligations deriving from the holding itself.

5. [8] The holdings and the shares may be pledged and enjoyed in usufruct. In these cases and unless agreed differently, the right to voting belongs to the secured creditor and to the beneficial owner, while the right of option belongs to the partner, who must pay the necessary sums. If payments are requested in relation to the holding, in the case of pledging, the partner must pay the necessary sums and, in default, the arrearage rules are applied; the beneficial owner must fulfil the payments, without prejudice to his right to restitution when the period of usufruct terminates. The directors enter the pledge or usufruct in the stock ledger without delay upon the request of the secured creditor, or the beneficial owner, or the partner. In relation to issued registered shares, the pledge is lodged by consigning the relative share certificates to the creditor and by virtue of a public deed or private agreement with authenticated signatures, duly noted on both the share certificate and in the Register. In relation to holdings and shares that have not yet been issued, the pledge is lodged by noting it in the stock ledger and in the Register by virtue of a public deed or private agreement with authenticated signatures. Usufruct of shares or holding is established according to the respectively envisaged formalities, so long as they are valid in relation to the company.

6.[8] Holdings and shares can be sequestered and expropriated; the Judge's provision is entered in the Register. The holding is attached by notifying the debtor and the legal representative while seizure of issued shares must also include dispossession. The directors will note down the matter in the stock ledger without delay. The provision of the Judge who orders the holding to be sold must be notified to the company.

7.[8] If the holding or shares are sequestered or seized, the right to vote and the other administrative rights are exercised by the party indicated in the relative measures established by the Judge.».

8. Unless there are different indications in the measures established by the judge or on the document, administrative rights differing from the ones indicated in this article belong, in the case of pledge or usufruct, to the secured creditor or beneficial owner, while they are exercised by the keeper in the case of sequester or seizure.

Art.25
(Holdings)

1. The face value of the holding is determined in Euros and in a percentage of the company capital. Unless established differently by the articles of association, the holding is determined in proportion to the partner's contribution.

Art.26
(Transfer of the holding)

[8] Par. 5, 6 and 7 as superseded by Art. 18 of Delegate Decree No. 130 of 11 Dec. 2006.

1. Transfer of holdings between living parties either free of charge or by sale, must be stipulated in the form of a public deed o authenticated private agreement.

2.[9] An authentic copy of the deed of assignment of the holding must be filed with the Registrar's office within thirty days of its registration and in any case, no later than sixty days from the date of stipulation, by and under the responsibility of a notary who has received the deed itself or who has authenticated the signatures. When not attached, the Certification of the transferee must be filed with the Registrar's office along with the transfer deed, and must bear the same date as this latter or a prior date. Transfers in favour of Unfit Parties are null.».

3. Transfer of holdings is of effect in relation to the company from the moment it is entered in the stock ledger, as established in the following sub-section.

4. Registration of the transfer in the stock ledger takes place, upon request of the entitled party, after the deed of transfer has been exhibited.

Art.27
(Shares)

1. The shares can be represented by multiple share certificates.

2. The share is indivisible.

3.[10] The shares must indicate:

1) the corporate name, the registered offices and duration of the company;

2) the date of the memorandum of association and the registration number in the Register;

3) the face value of the shares and the total corporate capital.».

4. The shares must be undersigned by the legal representative of the company and by the auditors. Undersigning by mechanical reproduction is considered valid so long as the original has been filed with the Registrar's office.

5. The face value of each share issued by the company must correspond to an arithmetical fraction of the company capital.

6. The shares cannot be issued for a lower amount than their face value.

7. Bearer shares may not be issued nor may registered shares be converted into bearer shares before the entire company capital has been paid up.

8. Lost or stolen registered shares are written off in compliance with the laws governing written off bills of exchange.

Art.28 [11]
(Transfer of registered shares)

«1. Registered shares must be transferred by means of a public deed or authenticated private agreement. If the shares have been issued, they must also be endorsed and the endorsement authenticated by a notary, without prejudice to the fact that the transfer has effect on the company when it has been registered in the stock ledger.

2. The endorsee who proves to be the owner according to a continual series of endorsements is entitled to have the transfer entered in the stock ledger.

3. An authentic copy of the deed of assignment must be filed with the Registrar's office within thirty days of its registration and in any case, no later than sixty days from the date of stipulation, by and under the responsibility of a notary who has received the deed itself or who has authenticated the signatures. When not attached, the

[9] As superseded by Art. 19 of Delegate Decree No. 130 of 11 Dec. 2006.
[10] As superseded by Art. 20 of Delegate Decree No. 130 of 11 Dec. 2006.
[11] As superseded by Art. 21 of Delegate Decree No. 130 of 11 Dec. 2006.

Certification of the transferee must be filed with the Registrar's office along with the transfer deed, and must bear the same date as this latter or a prior date. Transfers in favour of Unfit Parties are null.

4. Registration of the transfer in the stock ledger takes place, upon request of the entitled party, after the deed of transfer has been exhibited.

5. Usufruct of registered shares only prevails against third parties if noted on the shares themselves and in the stock ledger.».

Art.29

(Transfer of bearer shares)

1. Bearer shares are transferred by consignment.

«Art. 29 bis [12]

(Loss, destruction or theft of bearer shares)

«1. If bearer shares are lost, stolen or destroyed, the owner, after reporting the matter to the Police, may apply to the Commissioner of Law to have this latter, with a measure posted *ad valvas* and notified to the legal representative of the company, ask the current bearer to bring the documents to the Court Registrar's office within the term of thirty days from the date of posting. Should no one have brought back the share documents within that term, the directors may issue new certificates in favour of the claimant without any responsibility in relation to the current possessor who may only assert his rights in relation to the claimant in the ordinary judicial forms, without prejudice to the fact that, in that case, and unless established differently by the Judge, the claimant exercises shareholder rights.».

Art.30

(Own holdings or shares)

1. Limited liability companies can in no way underwrite or purchase their own holdings.

2. Public limited companies and joint-stock companies cannot underwrite their own shares.

3. As long as they have been entirely released, the purchase of own shares is only allowed within the limits of the distributable profits and the available reserves resulting from the last, regularly approved, balance sheet.

4. The purchase must be authorized by a resolution by the meeting, which establishes the relative formalities, particularly indicating the maximum number of shares to purchase, the maximum term for which the authorization remains valid, the minimum consideration and the maximum consideration.

5. In no case may the face value of the shares purchased as indicated in the previous sub-sections exceed one fifth of the company capital.

6. The directors may only dispose of the purchased shares after obtaining authorization from the meeting, which must establish the relative formalities.

7. So long as the shares remain the property of the company, the right to the profits and the right of option are ascribed in proportion to the other shares. The right to voting is suspended, but the own shares are still computed in the capital for the purpose of calculating the meeting's constitutive and decisional quorums.

8. An unavailable reserve, equal to the amount of own shares entered as assets in the balance sheet, must be formed and maintained until the shares are transferred or annulled.

9. In no case may companies grant loans or provide guarantees for purchasing or underwriting their own holdings. Neither may their own holdings be accepted as guarantees through trust companies or third parties.

[12] As supplemented by Art. 22 of Delegate Decree No. 130 of 11 Dec. 2006.

10. Actions accomplished in breach of sub-sections 1, 2, 3, 4, 6 and 8 are invalid. Should own shares exceeding the limit established in sub-section 5 be purchased, the invalidity is limited to purchase of the excess shares.

Art.31

(Bonds)

1. The meetings of public limited companies and joint-stock companies may resolve to collect fresh capital by issuing registered bonds or bearer bonds.

2. Bonds are credit instruments that include the right to restitution of the capital and payment of the interests without attributing any of the rights ascribed to the partners. The companies may issue subordinate bonds which, in certain circumstances, are only reimbursed after the rights of all the company's other creditors have been satisfied; unredeemable bonds without expiry that ascribe the mere payment of interest to the underwriter and not restitution of the capital; cum warrant obligations whereby, in addition to the right to restitution of the capital and payment of the interests, the underwriter is also entitled to purchase or underwrite other securities under previously established conditions and to grant the right itself to third parties.

3. The meeting's deliberation concerning the issue of bonds cannot be made until authorization has been obtained from the Central Bank of the Republic of San Marino.

4. The overall value of all the issued bonds cannot exceed double the company capital and the available reserves as shown by the last balance sheet approved.

5. The meeting can decide to issue bonds convertible into shares, determining the exchange ratio, the period and method of conversion. The company must contextually resolve to increase the company capital for the amount corresponding to the shares to which the conversion applies.

6. During the first month of each six-month period, the directors will issue the shares due to the bond-holders who requested the conversion during the previous half-year. Within the next month, the directors must file a certification attesting to the increase in the company's capital corresponding to the face value of the shares issued, for entry in the Register.

7. Until the terms established for the conversion have elapsed, the company may neither decide to voluntarily reduce the company capital nor to modify the provisions in the articles of association concerning distribution of the profits unless the possessors of convertible bonds have been given the right, by means of a registered letter sent at least ninety days prior to convocation of the meeting, to exercise the right of conversion within the term of thirty days from receipt of the registered letter itself.

8. If the capital is increased by appropriation to reserves and reduction of capital through losses, the exchange ratio is modified in proportion to the extent of the increase or reduction.

Art.32

(Contents of the bonds)

1. The bonds must be undersigned by the legal representative of the company and by the auditors and must indicate:
1) the corporate name, the business purpose and registered offices of the company and the registration number in the Register;
2) the corporate capital;
3) the date of the meeting's resolution and details of the authorization from the Central Bank of the Republic of San Marino;
4) the overall amount of the issued bonds, the face value of each, the rate of interest and the payment and reimbursement formalities;
5) whether the bonds are guaranteed and if so, how;
6) a description of the type of bond, with an indication of its main characteristics.

2. In addition to the matters established in the previous sub-section, bonds that can be converted into shares must indicate the exchange ratio and the conversion formalities.

SECTION IV

PARTNERS RIGHTS AND DUTIES

Art.33 [13]

(Right to profits and liquidation quota)

«1. Every holding ascribes the right to a proportional part of the really obtained profits, distribution of which has been approved by the meeting, and of the net equity resulting from the liquidation; participation in the losses should be calculated to the same extent.

2. The agreement by which a partner is totally excluded from the profits or losses is invalid.».

Art.34

(Voting right)

1. Ordinarily, each share entitles the legitimate bearer to voting rights. The holdings entitle the possessor to at least one vote at the meeting; if the holding is a multiple of a Euro, the partner is entitled to one vote for each Euro.

2. Voting rights can be excluded at the time of issue for particular categories of shares or holdings.

Art.35

(Rights to information)

1. All partners are entitled to receive information about the economical-financial and operational progress of the company and, in companies without a board of auditors or single auditor, each non-director partner is entitled to freely consult the relative documents, also with the assistance of his experts.

«2.[14] In any case, the partners are always entitled to examine the stock ledger and the book of minutes and resolutions of the meeting, and to obtain a copy.».

3. If the director fails to allow the partner to exercise the right, this latter is entitled to apply to the Commissioner of Law, who will adopt the measures indicated in article 66, in compliance with the cross-examination principle.

Art.36

(Right to manage)

1. The administration of partnerships is the responsibility of each partner, severally from the others, without prejudice to different provisions established by the articles of association which, unless brought to the knowledge of third parties, cannot prevail against them.

2. Non-partners can also be nominated as directors in joint-stock companies.

Art.37

(Partner's right to withdrawal)

1. Unless established differently by the articles of association, in partnerships, each partner may withdraw at any time from the company when this is not established for a fixed term, or when he has a just cause for withdrawing.

2. The right to withdrawal exists in joint-stock companies and partnerships when:
- the company decides to transform its type or when there is a substantial modification to the business purpose;

[13] As superseded by Art. 23 of Delegate Decree No. 130 of 11 Dec. 2006.
[14] As superseded by Art. 24 of Delegate Decree No. 130 of 11 Dec. 2006.

- it is envisaged by the articles of association;
- it is envisaged by law or by special laws.

3. Withdrawal is notified to the directors or, in partnerships, to the other partners, by means of a registered letter with return receipt attached and, in the cases indicated in the first sub-section in relation to partnerships alone, with 3 months prior notice. Unless established differently by the articles of association, the share must be liquidated within the successive thirty days.

Art.38

(Liquidation in the case of withdrawal)

1. The withdrawing partners are entitled to receive a sum of money equivalent to the value of the holding they possess.

2. Unless established differently by the articles of association, this value is determined by taking into account the market value at the time withdrawal is declared. In the event of disagreement, the value is determined with reference to the average net equity resulting from the balance sheets of the part three years or, if the company has been established for less than three years, from the balance sheets approved since its establishment.

Art.39

(Death and exclusion of partners in partnerships)

1. Unless established differently by the articles of association, if one of the partners in a partnership dies, the surviving partners must liquidate the share to the heirs unless they prefer to terminate the company or continue it with the heirs and these latter agree.

2. A partner may be excluded owing to serious non-fulfilment of the obligations deriving from law and the partnership agreement, owing to interdiction and incapacitation of the partner. The partner who has worked for the company or conferred something to the benefit of this latter may also be excluded owing to sudden unfitness to carry out the work or owing to deterioration of the thing due to causes not ascribable to the directors. Lastly, a partner who undertakes to transfer the property of something with a contribution may be excluded if this something has spoilt before ownership has been acquired by the company.

3. Exclusion is deliberated by the majority of the partners, the partner to be excluded not being amongst these, and comes into effect once thirty days have elapsed from the relative notification to the excluded partner. Within this term, the excluded partner may present an appeal against the decision to the Commissioner of Law, who may suspend its enforcement. If the society consists of two partners, the exclusion of one of them is pronounced by the Commissioner of Law, upon the request of the other partner.

4. The partner in relation to whom proceedings for composition with creditors have been opened is excluded by right as is one whose particular creditor has obtained liquidation of the holding.

5. The provisions established by article 38 apply to liquidating the deceased partner’s share to the heirs and to the excluded partner.

Art.40

(Right of option)

1. In order to deliberate a capital increase by issuing new holdings, the partners’ meeting must offer the newly issued or underwritten holdings as an option to the partners, in proportion to the holdings that each partner possesses. This same meeting also establishes the terms and formalities for exercising the right of option, without prejudice to the fact that the terms for exercising this right must run from the day on which the minutes of the meeting are filed with the Registrar’s office and cannot be less than ten days.

2. So long as they make a contextual request, those who exercise the right of option have a right of pre-emption to purchase the holdings for which the option has not been exercised.

3. The right of option does not include newly issued holdings which, according to the deliberation to increase the capital, must be released by means of assets in kind.

4. When the right of option is excluded, the issue price of the holdings must be determined according to the value of the net assets.

5. The sums received by the company for the issue of holdings at a higher price than their face value, thereby including those deriving from the conversion of bonds, must be put to a dedicated reserve.

Art.41
(Veto on competition in partnerships)

1. The partner of a partnership may neither, without the permission of the other partners, exercise, on his own behalf or on the behalf of others, an activity that is in competition with that of the company nor take part as an unlimitedly responsible partner in another competitor company.

2. Permission presumes that accomplishment of the activity or participation in another society already existed and that the other partners were aware of the matter.

TITLE II

ORGANIZATION OF JOINT-STOCK COMPANIES

SECTION I

THE MEETING

Art.42

(The Meeting)

1. The partners' meeting is the decision-making body in which the company's intentions are formed.

2. The resolutions adopted by the meeting in accordance with the law and the provisions established by the articles of association, bind all the partners even those not present at the meeting or dissenters.

Art.43
(Competences of the meeting)

1. The meeting meets at least once a year, within five months from the closure of the business year, and possesses competence in relation to:
1) approving the balance sheet;
2) modifying the memorandum of association and the articles of association;
3) nominating and annulling the directors, statutory auditors, external auditors and auditing companies;
4) determining the remuneration of the directors, statutory auditors, external auditors and auditing companies;
5) exercising an action relating to liability in relation to the directors, statutory auditors, external auditors or the auditing company;
6) issuing bonds;
7) transforming, dividing, merging and liquidating, as well as nominating, annulling and determining the powers of the liquidators;
8) all other matters pertaining to company management reserved to its competence by law, by the articles of association or submitted to it by the directors for examination.

Art.44
(Operation of the meeting)

1. The meeting is called by the directors of the company.

2. The articles of association establish the regulations that govern the formalities, convocation procedures and operation of the meeting, thereby including the voting formalities.

3. In any case, the articles of association must establish that:
1) the meeting must be held in the territory of the Republic;
2) the convocation must contain the complete list of subjects on the agenda;
«3)[15] the convocation to the meeting must be sent to the partners' domicile by registered letter at least eight days before the meeting itself. For public limited companies with bearer shares, the meeting is called by means of a notice posted *ad valvas* at the Court at least twenty days prior to the date fixed for the meeting. In joint-stock companies, the articles of association can provide for the meeting to be called by means of a convocation notice posted *ad valvas* at the Court at last twenty days prior to the date fixed for the meeting. Without prejudice to the convocation formalities established by law, the articles of association can establish that the partners also be informed of the convocation by other means of communication. Convocation to the meeting by posting the notice *ad valvas* may only occur in the cases authorized by law.».

4) the meeting must also be called upon the request of a minority of al least 1/5 of the company capital;
5) there must be at least two different convocations to each meeting and the quorum for constituting the meeting and for the validity of the resolutions made must be indicated for each;
6) the resolutions made by the meeting are validly adopted by this latter in second convocation with the favourable vote of as many partners as represent at least the majority of the company capital present at the meeting. The articles of association may provide for a larger legal number for adopting determined deliberations;
7) all partners who have been registered in the Stock Ledger at least five days before the date of the meeting are entitled to come to these latter and, if bearer shares are issued, this right also extends to all those who produce the shares at the meeting;
8) the partners' ability to have themselves represented is conditioned by the issue of a written personal proxy valid for single meetings, that cannot be granted to directors, statutory auditors, external auditors or employees of the company;
9) all the resolutions must appear in the minutes which, if not drawn up by a notary, must be undersigned by all the partners present;
10) voting concerning persons can be made by secret ballot if this is requested by a number of partners to be determined;
11) the meeting is in any case validly constituted and authorized to deliberate even on subjects that are not on the agenda, or without the convocation formalities and with the exclusion of approval of the balance sheet, when all those who are entitled to vote are present so long as no one objects to dealing with the subjects;
12) if the directors fail to call the meeting upon the request of the minority indicated under N° 4), each partner may ask the Commissioner of Law to call the meeting itself and to designate the person who must act as its chairman;
13) the right to vote cannot be exercised by partners who, on their own behalf or that of third parties, have interests in conflict with those of the company.

«Art 44 *bis* **(most recently superseded by Delegate Decree no. 33 of 20 February 2008 and by Art. 87 of Law no. 92 of 17 June 2008)**

(Meeting of the public limited company with bearer shares)

1. Notwithstanding the provisions indicated in art. 44, sub-section 2, number 9, the minutes of the meetings of public limited companies with bearer shares must be drawn up by a San Marinese notary. The minutes must identify the shares or multiple certificates present by indicating the number as shown by the register of shareholders, unless all of the share capital is present; apart from unanimous votes, they must also indicate the shares or multiple certificates that expressed an opposing vote, by indicating the number as shown in the register of shareholders.
*2.The assigned notary must**:**
a) identify the bearer of the shares and verify his identity;
b) acquire a copy of the identity document of each bearer of the shares;

[15] As superseded by Art. 25 of Delegate Decree No. 130 of 11 Dec. 2006.

c) draw up a separate deed that indicates the date of the meeting, the identity of the participants and the capital represented by each;

d) keep a copy of the deed and identity documents for at least five years from the cessation of the professional relationship with the same company.».

3. The duties indicated in sub-section 2 are official deeds for the notary, in accordance with article 378 of the penal code.

*4. **The information and documents mentioned in sub-section 2 can be acquired from the notary by the Legal Authority in the context of criminal proceedings and by the Financial Information Agency in carrying out functions for the prevention and combating of money laundering and financing of terrorism.**

5. The notary is responsible for keeping the documentation even in the case of cessation of the activity. In the event of the death of the notary, if another colleague has not been appointed, the President of the Order of Lawyers and Notaries shall appoint a notary, who shall take responsibility for keeping the documents for the remaining term."

*as superseded by article 87 par. 1 of Law no. 92 of 17 June 2008.

Art.45 (most recently superseded by Delegate Decree no. 33 of 20 February 2008)

(Objections to the meeting's resolutions)

1. The absent or dissenting partners, the directors and the auditors may apply to the Commissioner of Law against illegitimate resolutions made by the meeting in order to ask for them to be annulled of have the impugned deliberations urgently suspended. The petition must be filed with the Registrar's office within the term of ten days from the date on which the copy of the minutes of the meeting is filed; in the absence of filing, the petition must be proposed within ten days from the moment at which the petitioner became aware of the resolution, as long as this is not more than two years after the same resolution.

2. If the objection appears to be seriously founded prima facie the Commissioner of Law may issue a decree to temporarily suspend the resolution, possibly demanding the objecting partner or partners to pay a sum for the expenses and, if necessary, a guarantee deposit

3. The decree is officially notified at the expense of the objecting parties, the directors and the auditors, and note of it is made in the Register

4. Within thirty days of the notification and so long as the company has not commenced proceedings for confirmation of the challenged resolution, the objecting parties must start an accusatory procedure in order to have the resolution annulled; otherwise the objection will be considered to have definitively become void.

5. All the reasons for the impugnment of the same resolution are decided with the same ruling.

6. The annulment cannot be pronounced if the impugned deliberation is substituted with another resolution conforming to the law, without prejudice to the fact that the expenses for the impugnment proceedings are at the charge of the company

7. Annulment of the resolutions does not damage the right of third parties in good faith.

Art. 46

(Invalidity of the meeting's resolutions)

1. The meeting's deliberations whose subject is impossible or unlawful are invalid.

«2.[16] Invalidity can be asserted by anyone who has interest in the matter.».

3. The provisions of the ordinary cognizance process apply.

[16] As superseded by Art. 27 of Delegate Decree No. 130 of 11 Dec. 2006.

SECTION II

DIRECTORS

Art.47

(Powers of the directors)

1. The directors are empowered to accomplish all the actions that are necessary or useful for pursuing the business purpose, with the exception of those for which the law or the articles of association require the deliberation of the meeting.

Art.48

(Causes of ineligibility and annulment)

1. The following parties cannot be elected to the office of director and, if elected, fall from office:
1) Unfit Parties, or
2) parties who have been sentenced for the facts envisaged by article 56, sub-section 9.

2. The articles of association can also envisage causes of incompatibility, limits and criteria for plurality of offices.

Art.49

(Nomination of the directors and administration formalities)

1. In partnerships, each partner possesses administration powers, which are exercised severally, without prejudice to different agreement that ascribes these powers to one or more of the partners which, in order to prevail against third parties, must be made public by an entry in the Register.

2. In joint-stock companies, the directors are nominated by the meeting and, for the first period of office, are nominated in the memorandum of association.

3. If the administration of joint-stock companies is ascribed to several persons, these form the board of directors, the operation of which must be governed by dedicated statutory regulations as established by the successive article 50.

4. If the articles of association or the meeting so allow, the board of directors may delegate part of its powers to an executive committee formed by some of its members or by one or more managing directors. In any case, the proxy may not include powers concerning the drawing up of the balance sheet and the fulfilments required if the company capital is reduced owing to losses.

Art.50

(Operation of the board of directors)

1. The articles of association must contain the regulations that govern the formalities, convocation procedures and operation of the board of directors. In any case, they must ensure:
«1) [17] that the board is validly constituted with the absolute majority of its members and that the resolutions are made with the favourable vote of the majority of the directors present, without prejudice to the fact that the articles of association can envisage larger constitutive and decisional quorums, also for single resolutions;».

2) that proxies are not allowed;
3) that the resolutions must appear in minutes drawn up and signed by the chairman and by the compiling secretary;
4) that deliberations concerning persons must be adopted by secret ballot if this is required, in compliance with procedures to be established by the articles of association.

[17] As superseded by Art. 28 of Delegate Decree No. 130 of 11 Dec. 2006.

2. The articles of association may envisage board of directors' meetings by means of videoconferences or teleconferences, if the minutes are drafted by a notary. In this case, the articles of association must also require that:

1) the chairman and the compiling secretary be in the Republic of San Marino;
2) each of the participants be able to identify the others, and to take part in real time in the discussion;
3) each of the participants be able to examine, receive and transmit documentation concerning the meeting.

Art.51

(Duration of the office of director)

«1.[18] In joint-stock companies, the office of director may be granted for a period of up to three years, renewable.».

2. The directors can also be annulled before the term expires, without prejudice to the director's right to reimbursement of damages if the annulment takes place without just cause.

«3.[19] The directors may waive their office by giving written notification to the other directors or, failing this, to the board of auditors, if nominated, or to the partners.».

4. If the resigning director is a member of the board of directors, his waiver may have immediate effect if the majority of the board remains in office.

5. If the majority of the directors no longer remain in office during of business year, the remaining ones must immediately call the meeting in order to replace the missing ones.

6. If the sole director or all the directors no longer remain in office, the meeting for nominating the director or the entire board must be urgently called by the board of auditors or by the sole auditor, when nominated, or can be called by each partner.

7. The nomination of new directors is limited to the date on which the re-integrated board expires.

8. Expiry of the directors due to the end of their term of office takes effect from the time at which the administration body was reconstituted.

Art.52

(Power of representation)

1. The power of representation through which the company acquires rights, undertakes obligations and goes to law, belongs to the directors within the limits established by the articles of association.

2. In companies administered by a board of directors, the power of representation belongs to the chairman, unless established differently by the articles of association.

«3.[20] The power of representation also belongs to the managing directors or to the Chairman of the Executive Committee if nominated, within the limits of the proxy granted him.».

Art.53

(Extension of the power of representation)

1. The directors who represent the company may accomplish all actions that are part of the business purpose except for the limitations established by law or by the articles of association.

2. Failure to comply with the limits deriving from the business purpose or the articles of association cannot prevail against third parties in good faith.

[18] As superseded by Art. 29 of Delegate Decree No. 130 of 11 Dec. 2006.
[19] As superseded by Art. 30 of Delegate Decree No. 130 of 11 Dec. 2006.
[20] As superseded by Art. 31 of Delegate Decree No. 130 of 11 Dec. 2006.

Art.54

(Veto on competition and conflict of interests)

1. The directors may not become unlimitedly responsible partners in competitor companies. Neither may they exercise an activity that is in competition on their own behalf or on behalf of third parties without authorization from the meeting.

2. The director must inform the other directors and the auditors of all interests that, on his own behalf or on behalf of third parties, he may have in a determined operation of the company, indicating their nature, the terms, the origin and the extent; if he is the managing director, he must also abstain from accomplishing the operation and assign it to the board of directors; if he is the sole director, he must provide information about it during the first meeting to be held.

3. In the cases envisaged by the previous sub-section, the deliberation of the board of directors must adequately motivate the reasons why the operation is convenient for the company.

4. Resolutions made with the determinant vote of the director in conflict of interests that may damage the company may be impugned by absent or dissenting directors and by the auditors within ten days from the date of the resolution itself. All this without prejudice to the rights acquired in good faith by third parties in relation to actions accomplished in order to execute the deliberation.

5. Contracts concluded by directors who represent the company, on their own behalf or on behalf of third parties, in conflict of interests with the company, can be annulled upon the request of the company if the conflict was known or recognizable by the third party.

Art.55

(Impugnment of the resolutions of the board of directors)

1. The absent or dissenting director, the board of auditors or the single auditor, may impugn resolutions of the board of directors that have not been made in accordance with the law; article 45 applies insofar as it is compatible.

Art.56

(Directors' liabilities)

1. The directors must fulfil the obligations imposed by the law, the memorandum of association and the articles of association, and are jointly and severally responsible for managing the company in compliance with the rules governing the assignment, without prejudice to the provisions established in the next article and without detriment to the penal sanction.

2. In particular, they are answerable for:
1) regular accounting and keeping of the corporate books;
«2)[21] prudent supervision of company management;».

3) ensuring that the financial statements comply with the principles established by article 75;
4) ensuring that the dividends comply with the provisions established by article 33;
5) diligent implementation of the resolutions taken by the meeting and any provisions established by the Judicial Authorities;
6) damages to the company caused by use, to their own advantage or that of third parties, of data, information or business opportunities of which they may become aware during the accomplishment of their duties.

3. Equal liabilities belong to the managers of the company within the scope of their tasks.

4. The directors are liable towards the company's creditors for failure to comply with obligations concerning the preservation of the entirety of the corporate equities. The creditors' action relating to liability can be exercised when the corporate equities are insufficiently able to pay off their credits.

[21] As superseded by Art. 32 of Delegate Decree No. 130 of 11 Dec. 2006.

5. The directors are also personally liable towards the partners and towards third parties who have been damaged by their culpable or fraudulent actions.

6. The company's action relating to liability promoted against the directors with a deliberation by the meeting can be adopted when the financial statements are presented even when not indicated in the order of business.

7. Deliberation of the liability action leads to revocation of the office of the directors against whom it is proposed, so long as the resolution is made with the favourable vote of at least one fifth of the company capital. In this case, the meeting will arrange for their substitution.

8. The company may abstain from exercising the action relating to liability and may come to terms, so long as the waiver and transaction are approved by an explicit resolution by the meeting and provided that as many partners as represent at least one fifth of the company capital do not vote against the motion. The waiver cannot prevail against the company's creditors, while the transaction can only be impugned by these if the essential elements of the Paulian action.

9. Directors, statutory auditors, external auditors, liquidators and executives subjected to criminal proceedings for facts pertaining to their office or for other facts of serious penal importance, may be suspended from their tasks by a provision from the same authority or office responsible for the assignment of tasks. Condemnation for the facts indicated in the previous sub-section leads to the definitive fall from office and the inability to carry out the functions of director, liquidator, statutory auditor, external auditor or executive for the term established by the sentence.

Art.57 (most recently superseded with Delegate Decree no. 33 of 20 February 2008)

(Limits to the directors' liability)

1. The liability of the directors concerns the actions or omissions they make from the day they take office to the one in which they are substituted by other directors or liquidators.
2. The director who, being blameless, does not take part in the deliberation or who had his motivated disagreement with the decisions resulting from the minutes registered in these latter without delay, is not responsible for the decisions of the board
3. The directors are not liable towards the company for damages deriving from failure to fulfil the duties imposed by written delegation on the managing directors and the executive committee.

SECTION III

AUDITORS

Art.58

(Nomination, termination and revocation)

1. Nomination of the sole auditor is obligatory:
- in public limited companies;
- in joint-stock companies;
- in the companies described in article 2, sub-section 5;
- in limited liability companies when:
a) the company capital exceeds €77,000.00 (seventyseventhousand Euros), or
b) the proceeds from sales and services have exceeded €2,000,000 (twomillion Euros) for two consecutive business years.

2. In the companies mentioned in sub-section 1, nomination of the board of auditors is obligatory when the proceeds of sales and services of the companies indicated in sub-section 1 have exceeded the value of €7,300.00 (sevenmillionthreehundredthousand Euros) for two consecutive business years.

«3.[22] If, the two consecutive business years, the overall proceeds from sales and services is less than the limits indicated in the previous subsections, nomination of the auditing body, if it had previously become obligatory, now ceases to be so. In that case, the auditors fall from office ex lege with the approval of the financial

[22] As superseded by Art. 33 of Delegate Decree No. 130 of 11 Dec. 2006.

statements pertaining to the business year in which the obligatoriness of their nomination ceases to be of effect; the meeting is obliged to take note of their fall from office.».

4. The auditors are nominated for the first time in the memorandum of association and successively by the meeting, without prejudice to the relevant matters established by special laws.

5. The auditors remain in office for three business years and terminate on the date of the meeting called for approval of the financial statements pertaining to the third business year of their office.

6. Expiry of the auditors due to the end of their term of office, waiver of the assignment and their fall from office take effect from the time they are substituted by the meeting.

7. The auditor's office is renewable, freely relinquishable, but can only be revoked for just cause.

8. The deliberation to revoke the assignment must be approved with a decree issued by the Commissioner of Law, having heard the party in question.

9. The auditor who, without justified reason, fails, during a business year to take part in a meeting or in two meetings of the board of auditors or the board of directors or the executive committee, falls from office.

Art.59

(Substitution)

1. In the case of death, waiver or revocation of one or more of the auditors, the partners' meeting must be immediately called so as to arrange for their substitution.
The newly nominated auditors expire along with those already in office.

Art.60

(Causes of ineligibility and revocation)

1. The following parties cannot be elected to the office of auditor and, if elected, fall from office:
- Unfit Parties;
- spouses, relations or similar within the fourth degree, of the directors of the company;
- persons in some way bound to the company by employment relations or by continuative or periodic relations of an advisory nature or concerning the rendering of services, or other relations concerning the equities that compromise the independence of the candidate;
- persons who have been cancelled or struck off the professional rolls;
- parties who have been sentenced for the facts envisaged by article 56, sub-section 9, of the law;
  who have been cancelled or suspended from the Register of Certified Public Accountants when registration in that Register is for them a requirement for being elected as auditor;
- persons who are directors in participant companies or related undertakings.

2. The articles of association can envisage causes of incompatibility, limits and criteria for plurality of offices.

Art.61 (most recently superseded by Delegate Decree no. 33 of 20 February 2008)

(Composition of the board of auditors and requisites of the sole auditor)

1. When its establishment is obligatory, the board of auditors comprises three or five members.
2. At least two of the members must be registered with the Register of Certified Public Accountants
3. If the remaining members are not registered in that Register, they must be registered with the Order of Chartered Accountants, the Board of Commercial Accountants, the Bar Association or Order of Notaries. Registration with foreign orders and boards or the authorizations to practice these professions obtained abroad, are considered equivalent: for this purpose, the foreign certificates and declarations will be considered equivalent to the San Marinese ones when they demonstrate that the established requisites exist
4. The majority of the members of the board of auditors must reside in the Republic
5. The chairman of the board of auditors is nominated by the meeting.
6. The sole auditor, when his nomination is obligatory, must reside in the Republic and must be registered in the Register of Certified Public Accountants.

Art.62 (most recently superseded by Delegate Decree no. 33 of 20 February 2008)

(Meetings of the board of auditors)

1. The board of auditors must meet at least once each quarter.
2. Minutes must be drawn up during the board of auditors' meetings, then be transcribed in the book envisaged by article 72, sub-section 4, point 6) and undersigned by all the participants
3. The board is regularly constituted with the majority of its members and deliberates by the majority votes of those present
4. The auditor is entitled to have his dissent noted in the minutes.

Art.63

(Duties and powers of the board of auditors or the sole auditor)

1. The sole auditor or the board of auditors must
1) supervise, to ensure compliance with the law, the articles of association and the principles of correct administration by the bodies of the company;
2) audit the accounts when a person charged with auditing has not been nominated;
3) take part in the partners' meetings and in the meetings of the board of directors and executive committee;
4) express obligatory, although not binding, written opinions before actions that modify the company capital are accomplished;
5) express their disagreement to the directors in relation to actions or facts, calling upon them to comply with the law, the articles of association and their duties of diligence, informing them of the need for determined obligations, making comments to be added to the minutes of the board of directors' meeting;
6) call the meeting and make the publications prescribed by law in the event of the directors' omission or unjustified delay;
7) call the meeting, after having notified the directors, if, during the accomplishment of their assignment, they become aware of very serious blameworthy;
8) fulfil the other obligations and duties required by law.

2. The auditor can, at any time:
1) proceed with inspections and controls;
2) ask the administrators for information, also with reference to related undertakings, about the trend of the corporate dealings or about certain business;
3) exchange information with the corresponding bodies of the subsidiary and associated companies concerning the administrating and auditing systems and about the general trend of the corporate business dealings.

3. In the presence of the board of auditors, the powers indicated in sub-section 2 can be exercised by single auditors without the need for any proxy from the board of auditors itself. The decisions pertaining to the measures to undertake after these powers have been exercised must be made by the board of auditors.

4. The assessments, investigations, audits and inspections, decisions or deliberations of the sole auditor, the members of the board of auditors or the board of auditors itself, must be registered in the book envisaged by article 72, sub-section 4, point 6).

Art.64

(Liability)

1. The auditors must accomplish their duties in a professional way and with the diligence required by the nature of their office; they are responsible for the truth of their declarations and must treat the facts and documents about which they become aware during their tasks as confidential.

2. The auditors are liable towards the company, the partners and third parties, jointly and severally with the directors, for the facts and omissions of these latter when the damage would not have been produced if they had supervised in compliance with the obligations pertaining to their office.

3. The company's action relating to liability is started by a resolution of the meeting. The provisions established by article 56 apply insofar as they are compatible.

Art.65

(Reporting to the auditors)

1. Every partner can report facts they consider blameworthy to the board of auditors or to the sole auditor who, if the report is made by as many partners as represent one fifth of the company capital, must investigate the reported facts without delay and present their conclusions and any proposals to the meeting, calling this immediately if the report appears to be founded and, in the presence of the pertinent requirements, submit the report to the Court in accordance with article 66.

Art.66

(Reporting to the Court)

1. If the suspicion that the directors have committed serious irregularities in their management able to cause damage to the company is founded, the sole auditor or the board or auditors or as many partners as represent one fifth of the company capital may report these serious irregularities to the Commissioner of Law.

2. Having heard the directors, the sole auditor or the members of the board of auditors, or the reporting partners, and having acquired all the appropriate information and accomplished the brief investigations required, the Commissioner of Law may order an inquiry to be carried out at the company's charge, also employing experts nominated by right; he may also require the reporting partners to lodge a deposit for the expenses and possible reimbursement of damages.

3. If the reported irregularities exist, the Commissioner of Law, according to the emerging circumstances, may arrange for the urgent measures that appear most able to limit the effects of these irregularities, issue every provision able to eliminate the irregularity and, when necessary, so as to ensure that the company continues to be managed. For this purpose, he may call the meeting for the consequent deliberations and nominate a receiver after annulling the directors in office.

4. The receiver is charged with ordinary administration. Any actions other than ordinary administration that may be required in order to prevent irreparable prejudice to the company must be authorized by the Commissioner of Law. He may bring the company's action relating to liability against the directors and auditors and, if the company is insolvent, present requests for starting proceedings for composition with creditors even in the absence of a resolution by the meeting.

5. Before his assignment terminates, the receiver calls and chairs the meeting for the nomination of new directors and auditors or for proposing to wind up the company if a cause for this exists. The receiver files the report of the management with the Court, along with the notice of convocation.

SECTION IV

EXTERNAL AUDITORS

Art.67

(Auditing of the accounts)

1. The meeting of companies that are obliged to nominate the auditing body may nominate an external party registered in the Register of Certified Public Accountants established with the Secretary of State for Industry, to audit the accounts of the company. In that case, auditing the accounts is not one of the duties of the statutory auditing body.

2. In companies for which it is obligatory to nominate an auditing firm, in accordance with special laws, this firm must be registered in the Register indicated in the previous sub-section.

Art.68

(Accounts auditing functions)

1. The external auditor or auditing company charged with auditing the accounts:
1) checks, during the business year and at least once every quarter, to make sure that the company's accounts are kept in a regular way and that the accounting records appraise the management affairs correctly;
2) checks to make sure that the annual balance sheet corresponds to the accounting results and assessments made and that it complies with the pertinent laws;
3) expresses an opinion about the annual balance sheet in a dedicated report;
4) exchanges information with the board of auditors or the sole auditor, of importance for the accomplishment of their respective tasks.

2. The external auditor or the auditing company charged with auditing the accounts may ask the directors for documents or information required for the audits and can carry out inspections. He reports the activities accomplished in a dedicated book envisaged by article 72, sub-section 4, point 7) kept in the company's registered office or in a different place if so established by the articles of association.

3. When the accounts are audited by the sole auditor or by the board of auditors, the audits accomplished are reported in the book envisaged by article 72, sub-section 4, point 6) and the opinion about the annual balance sheet is expressed in the report indicated in article 83, sub-section 2.

Art.69

(Granting and revocation of the mandate)

1. The accounts auditing assignment is granted by the meeting.

2. The mandate lasts for three business years and expires on the date of the meeting called for approval of the financial statements pertaining to the third business year of the office.

3. The mandate can be renewed twice and can only be granted again to the same auditor or auditing company after the task has been assigned to another auditor or auditing company for at least three business years.

4. The mandate can only be revoked for just cause, after the opinion of the sole auditor or the board of auditors has been heard.

5. The deliberation to revoke the assignment must be approved with a decree issued by the Commissioner of Law, having heard the party in question.

Art.70

(Causes of ineligibility and annulment)

1. The following parties cannot be charged with auditing the accounts and, if nominated, fall from office:
1) the auditors of the company or the companies in which these have holdings or of those that have holdings in the company itself, or
2) those who are in the conditions of ineligibility envisaged by article 60.

2. In the case of auditing companies, the provisions established by this article apply with reference to the directors and parties charged with auditing.

Art.71

(Liability)

1. The parties charged with auditing the accounts are subject to the provisions of article 64 and are liable in relation to the company, the partners and third parties for the damages deriving from failure to accomplish their duties.

2. In the case of auditing companies, the parties who audit the accounts are jointly and severally liable along with the company itself.

TITLE III

DOCUMENTATION OF THE COMPANY AND OF THE FINANCIAL STATEMENTS

Art.72

(Statutory corporate books and accounting records)

1. Companies must keep the journal book of original entries, the inventory ledger and the book of depreciable assets.

2. The original copies of the incoming correspondence and invoices and copies of the outgoing correspondence and invoices must also be kept in an orderly way for each operation.

3. The books and documents indicated in the previous sub-sections must remain in the registered offices of the company and must be kept in compliance with Directory LXXI of Book II of the Charters.

4. The company must also keep:
«1)[23] the stock ledger, in which the number of holdings or shares, the personal details of the holders of the registered shares and holdings must be indicated as well as the relative transfers and encumbrances;».

2) the book of bonds, which must indicate the number and amount of the bonds issued and those discharged, the details mentioned in article 32 for each bond issue, the name and surname of the holders of the registered bonds as well as the relative transfers and encumbrances:
3) the book of minutes and resolutions of the meeting;
4) the book of minutes and resolutions of the board of directors;
5) the book of minutes and resolutions of the executive meeting;
6) the book of minutes and, respectively, the deliberations or the decisions of the board of auditors and the sole auditor;
7) the accounting audit book of the external auditors, only if auditing the accounts is not the duty of the statutory body of auditors.

5. The books indicated in the previous sub-section must be kept in the registered offices of the company for its entire duration, in compliance with Directory LXXI of Book II of the Charters.

6. Before they can be used, all the books must be endorsed by the Registry Office, with an indication, at the beginning or end of the volume, as to the number of pages of which the books are composed.

Art.73

(The balance sheet)

1. The balance sheet is the document with which the directors, for each business year that coincides with the calendar year, outline the assets, liabilities and financial situation of the company and the operating result of the business year.

Art.74

(Drawing up of the balance sheet)

1. The balance sheet must be drawn up with clarity by the directors and must truthfully and correctly represent the assets, liabilities and financial situation of the company and the operating result of the business year.

2. The business year coincides with the calendar year.

3. The balance sheet comprises the following documents:

[23] As superseded by Art. 34 of Delegate Decree No. 130 of 11 Dec. 2006.

1) the statement of assets and liabilities, which indicates the assets, the liabilities and the net equity of the company;
2) the profit and loss account, which indicates the costs and proceeds of the year and which shows the final profit or loss result of the business year;
3) the balance sheet statement, which provides all the details able to ensure that the items in the previous documents are easier to understand and which contains information about the management.

4. The documents mentioned in the previous sub-section form a single inseparable whole.

5. If the information required by specific legal provisions is insufficiently able to give a truthful and correct representation, additional information required for this purpose must be provided.

6. If, in exceptional cases, application of a provision in the following articles is incompatible with the truthful and correct representation, then that provision must not be applied. The balance sheet statement must motivate the exception and must indicate its influence on the assets, liabilities and financial situation of the company and on the operating result.

7. The balance sheet must be drawn up in Euro units without decimal figures, with the exception of the balance sheet statement, which can be drawn up in thousands of Euros.

Art.75

(Principles for drawing up the balance sheet)

1. The following principles must be complied with when the balance sheet is drawn up:
1) the items must be evaluated with caution and with the prospect of continuing with the business, as well as by taking into account the economic function of the item in the assets or liabilities considered;
2) only the profits achieved on the closing date of the business year may be indicated;
3) the evaluation criteria may not be changed from one business year to the next;
4) the income and charges of the business year must be taken into account, regardless of the date on which they are encashed or paid;
5) the risks and losses of the business year must be taken into account, even when they are known after the business year has closed;
6) the components of the individual items must be evaluated separately.

2. In exceptional cases, the directors may depart from the principles mentioned in the previous sub-section.

3. The balance sheet statement must motivate the exception and must indicate its influence on the way the assets, liabilities and financial situation of the company and the operating result, are represented.

Art.76

(Structure of the statement of assets and liabilities and the profit and loss account)

1. Without prejudice to the provisions established by special laws for companies that exercise particular activities, all the items envisaged in articles 77 and 79 must be entered separately in the statement of assets and liabilities and in the profit and loss account.

2. The items preceded by Arabic numerals may be divided to a further extent, without eliminating the overall item and the corresponding amount when this is useful or necessary, also in relation to the activity exercised, in order to make the balance sheet more comprehensible.

3. Other items must be added when their contents are not included in any of those established by articles 77 and 79.

4. The amount of the previous year’s corresponding item must be indicated for each item of the statement of assets and liabilities and the profit and loss account. If the items are not comparable, those pertaining to the previous business year must be adapted. The incomparability and adaptation or the impossibility of this must be reported and commented in the balance sheet statement.

5. It is forbidden to offset the items (method of gross presentation).

Art.77

(Contents of the statement of assets and liabilities)

1. The statement of assets and liabilities must be drawn up in compliance with the following layout:

ASSETS

A) Credits v/s partners for payments still due

B) Fixed assets:

I - Intangible assets:

1) installation and expansion costs;
2) research, development and advertising costs;
3) rights to industrial patents and rights to use original works;
4) concessions, licenses, trademarks and similar rights;
5) goodwill, if acquired at a charge;
6) immobilizations in progress and advances;
7) sundry fixed assets.

Total.

II - Tangible assets:

1) land and buildings;
2) plant and machinery;
3) industrial and commercial equipment;
4) sundry assets;
5) immobilizations in progress and advances.

Total.

III - Long-term investments, with separate indications for each credit item, of the amounts receivable within the next business year.

1) holdings in:
   a) subsidiary companies;
   b) associated companies;
   c) holding companies;
   d) other companies;
2) accounts receivable:
   a) v/s subsidiary companies;
   b) v/s associated companies;
   c) v/s holding companies;
   d) v/s others;
3) other securities;
4) own shares, also indicating the overall face value.

Total.

Total fixed assets (B);

C) Floating assets:

I - Inventories:

1) raw, subsidiary and expendable materials;
2) products being manufactured and semi-processed products;
3) work in progress to order;
4) finished products and goods;
5) advances.

II - Accounts receivable, with separate indications for each item, of the amounts receivable within the next business year.

1) v/s customers;
2) v/s subsidiary companies;
3) v/s associated companies;
4) v/s holding companies;
5) fiscal credits;
d) v/s others;

Total.

III - Financial assets that are not long-term investments:

1) holdings in subsidiary companies;
2) holdings in associated companies;
3) holdings in holding companies;
4) sundry holdings;

5) other securities;
6) own shares;

Total.

IV - Liquid assets:

1) bank and postal deposits;
2) cash and paper holdings;

Total.

Total floating assets

D) Accrued income and deferred charges.

Total Assets

LIABILITIES

A) Net equity:

I - Corporate capital.

II - Share premium reserves.

III - Revaluation reserves.

IV - Statutory reserves.

V - Reserves for own shares portfolio.

VI - Other reserves, indicated separately.

VII - Profit (loss) carried forwards.

VIII - Profit (loss) of the business year.

Total.

B) Provisions for risks and charges:

1) for taxation;
2) sundry provisions;

Total.

C) Staff leaving indemnity.

D) Accounts payable, with separate indications for each item, of the amounts payable beyond the next business year.

1) bonds;
2) convertible bonds;
3) amounts owed to partners for financing;
4) amounts owed to banks;
5) amounts owed to other financiers;
6) advances;
7) amounts owed to suppliers;
8) debts represented by credit instruments;
9) amounts owed to subsidiary companies;
10) amounts owed to associated companies;
11) amounts owed to holding companies;
12) fiscal debts;
13) amounts owed to social security institutes;
14) sundry debts;

Total.

E) Accrued liabilities and deferred income.

Total Liabilities

2. The guarantees furnished directly and indirectly must be indicated at the end of the statement of assets and liabilities, with a distinction amongst fidejussions, sureties, other personal sureties and collateral and indicating separately, for each type, the guarantees furnished in the interests of subsidiary and associated and holding companies, and companies subjected to the control of these latter; the other memorandum accounts must also be indicated.

Art.78

(Provisions concerning the individual items of the statement of assets and liabilities)

1. The equity items designed for lasting use must be entered amongst the fixed assets.

2. Holdings in other subsidiary or associated companies that are not less than those established by article 1 points 7) and 8) are presumed to be locked up.

3. The provisions for risks and charges are for covering certain or probable losses or debts of a determined nature, of which, however, either the amount or the date of the contingent item are unspecified when the balance sheet is closed.

4. Receivables corresponding to income of the business year but receivable in successive years must be entered under the accrued income item; accounts payable corresponding to costs of the business year that will be sustained during successive years must be entered under the accrued liabilities item. The costs, to be considered suspended, that have been sustained within the date on which the business year closed but which pertain to successive business years, must be entered under the deferred charges item; the income, to be considered suspended, obtained within the date on which the business year closed but which pertains to successive business years, must be entered under the deferred income item.

5. Only portions of costs and income common to several business years, the entity of which varies as time goes by, are attributable to those items.

Art.79

(Contents of the profit and loss account)

1. The profit and loss account must be drawn up in compliance with the following layout:

A) Value of the production:

1) proceeds from sales and services rendered;
2) inventory variation of products being manufactured, semi-processed and finished products;
3) variation of work in progress to order;
4) increases in fixed assets for internal implementations;
5) other income and proceeds, with separate indication of the contributions during the business year;

Total.

B) Production costs:

6) for raw, subsidiary, expendable materials and goods;
7) for services;
8) for enjoyment of third party assets;
9) for the personnel:
   a. salaries and wages;
   b. social security charges;
   c. staff leaving indemnity;
   d. sundry costs;
10) depreciation and devaluations:
   a) depreciation of intangible assets;
   b) depreciation of tangible assets;
   c) other devaluations of fixed assets;
   d) devaluation of doubtful debts in the floating assets;
11) inventory variation of raw, subsidiary, expendable materials and goods;
12) provision for bad debts
13) sundry provisions;
14) sundry operating charges;

Total.

Difference between production value and costs (A-B)

C) Financial proceeds and charges:

15) proceeds from holdings, with separate indication of those pertaining to subsidiary and associated companies;
16) sundry financial proceeds:
   a) from receivables entered under the fixed assets, with separate indication of those from subsidiary and associated companies and those from holding companies;
   b) from securities entered under the fixed assets that do not constitute holdings;
   c) from securities entered under the floating assets that do not constitute holdings;
   d) from proceeds other than the previous ones, with separate indication of those from subsidiary and associated companies and those from holding companies;
17) Interest and other financial charges, with separate indication of those v/s subsidiary and associated companies and those v/s holding companies;

Total (15 + 16 - 17)

D) Adjustment of financial asset values:
18) revaluations:
a) of holdings;
b) of long-term investments that are not holdings;
c) of securities entered under the floating assets that do not constitute holdings;
19) devaluations:
a) of holdings;
b) of long-term investments that are not holdings;
c) of securities entered under the floating assets that do not constitute holdings;
Total of the adjustments (18 - 19)
E) Extraordinary proceeds and charges:
20) extraordinary proceeds;
21) extraordinary charges;
Total of the extraordinary items (20 - 21)
Result prior to taxation (A - B +- C +- D +- E)
22) income tax of the business year;
23) profit (loss) of the business year.

Art.80

(Entry of income, proceeds, costs and charges)

1. The income and proceeds, the costs and charges, must be indicated net of returns, discounts, allowances and premiums as well as the taxation directly connected with the sale of products and services.

Art.81

(Balance sheet evaluation criteria)

1. The following criteria must be complied with when the balance sheet is evaluated:
1) the fixed assets are entered at their purchasing or production cost. The purchasing cost also includes the accessory costs. The production cost includes all the costs directly attributable to the product;
2) the cost of the tangible and intangible assets whose use is limited as to time, must be systematically amortized in each business year in relation to their residue possibility of use. Any changes in the depreciation criteria and the coefficients applied must be motivated in the balance sheet statement.
3) the fixed asset that, on the date the balance sheet is closed, is durably of a lower value than that determined according to numbers 1) and 2), must be entered at that lower value; this cannot be maintained in the successive balance sheets if the reasons for the adjustment made are no longer valid. For fixed assets consisting of holdings in subsidiary or associated companies that are entered for a higher value than that deriving from application of the evaluation criteria envisaged in the successive number 4), the difference must be motivated in the balance sheet statement.
4) instead of the criterion indicated in number 1), fixed assets consisting of holdings in subsidiary or associated companies can be evaluated, with reference to one or more amongst those companies, for an amount equal to the corresponding fraction of the net equity resulting from the last balance sheet of the companies themselves, after the dividends have been deducted. When the holding is entered for the first time according to the net equity method, the purchasing cost that is higher than the corresponding value of the net equity resulting from the last balance sheet of the subsidiary or associated company may be entered in the assets, so long as the relative reasons are indicated in the balance sheet statement. The difference, for the part attributable to depreciable assets or goodwill, must be depreciated. During the successive business years, the increased values deriving from application of the net equity method in relation to the value indicated in the previous year’s balance sheet, are entered in a non-distributable reserve.
5) the receivables must be entered according to their probable realization value.
6) inventories, securities and financial assets that are not fixed assets are entered at their purchasing or production price calculated according to number 1), or at the value deducible from the market trend, if less. This value cannot be maintained in the successive balance sheets if the reasons are no longer valid. The distribution costs cannot be computed in the production cost;
7) the cost of replaceable goods can be calculated with the weighted average method or with the: “first in, first out” or “last in, first out” methods. If the value obtained differs in an appreciable way from the costs in force when the balance sheet is closed, the difference must be indicated, per categories of goods, in the balance sheet statement;
8) works in progress to order can be entered on the basis of their contractual values accrued with reasonable certainty.

«2.[24] Value adjustments and provisions can be made in compliance with the fiscal laws.».

Art.82

(Contents of the balance sheet statement)

1. Besides the matters established by other provisions, the balance sheet statement must indicate:
1) the corporate situation and the management trend as a whole;
2) important facts that have occurred after closure of the business year;
3) the foreseeable management developments;
4) the criteria used for evaluating the balance sheet items and value adjustments;
5) the fixed asset movements, specifying for each item: the cost, the previous revaluations, depreciations and devaluations, the acquisitions, movements from one item to the next, the sales made during the business year, the revaluations, depreciations and devaluations made during the business year;
6) the composition of the items: "installation and enlargement costs" and "research, development and advertising costs" as well as the reasons for the entry and the respective depreciation criteria;
7) the variations to the other assets and liabilities items; in particular, the formation and utilizations for the net equity items, for the reserve funds and for the staff leaving indemnity;
8) the list of holdings, possessed either directly or through trust companies or third parties, in subsidiary and associated companies, indicating for each the business name, the registered offices, the capital, the net equity, the profit or loss of the last business year, the holding possessed and the value attributed in the balance sheet or the corresponding credit;
9) separately for each item, the amount of receivables and payables with a residual maturity of more than five years and the debts depending on real securities with a specific indication as to the nature of the guarantees;
10) any significant effects caused by variations in the currency exchanges that may have occurred after the business year was closed;
11) the composition of the "accrued income and deferred charges" and "accrued expenses and deferred income" items, and the "other funds" item of the statement of assets and liabilities, when their amount is appreciable;
12) the overall financial charges ascribed to the business year at the values entered in the assets of the statement of assets and liabilities, separately for each item;
13) the commitments that do not appear in the statement of assets and liabilities with information about their nature and the memorandum accounts;
14) the amount of proceeds from holdings other than dividends;
15) division of the interests and other financial charges regarding bonded loans, sums owed to banks and others;
16) the composition of the "extraordinary proceeds" and "extraordinary charges" items in the profit and loss account;
17) the average number of employees;
18) the fees due to directors and auditors;
19) the securities, financial instruments or other values issued by the company, specifying their number and the rights they attribute;
20) financing from partners of the company, divided as to term;

[25]«21) the reasons for the adjustment of balance sheet values and the provisions made in accordance with the fiscal laws, along with the relative amounts.».

Art.83 (most recently superseded by Delegate Decree no. 33 of 20 February 2008)

(Auditors' report and filing of the balance sheet)

1. The balance sheet must be sent to the directors, to the sole auditor or board of auditors, along with the supplementary notes, at least thirty days prior to the date fixed for the meeting that must discuss it.
2. The sole auditor or the board of auditors must report to the meeting about the results of the business year and the actions accomplished in fulfilment of their duties. They must also make comments and proposals concerning the balance sheet and its approval, particularly if they have exercised derogation under article 75, sub-section 2. A similar report is prepared by the auditor or by the auditing firm, if appointed.

[24] As superseded by Art. 35 of Delegate Decree No. 130 of 11 Dec. 2006.
[25] As superseded by Art. 36 of Delegate Decree No. 130 of 11 Dec. 2006.

3. The balance sheet with supplementary notes and the report prepared by the auditor or by the auditing form if appointed, must be filed with the Registry at least twenty clear days before the meeting convened for the approval thereof. The partners are entitled to receive a copy of all the documentation from the directors.

Art.84

(Publication of the balance sheet)

1. Within thirty days from the date on which it is approved, which must take place within five months from the date on which the business year closes, an authentic copy of the minutes approving the balance sheet, to which all the documents indicated in article 83 must be attached, must be filed by the directors with the Registrar's office.

Art.85

(Balance sheet in the abridged form)

1. Companies may draw up the balance sheet in the abridged form when, during the first business year or successively, for two consecutive business years, they have not exceeded two of the following limits:
1) total assets in the statement of assets and liabilities: €3,650,000.00 (threemillionsixhundredfiftythousand Euros);
2) proceeds from sales and services rendered: €7,300,000.00 (sevenmillionthreehundredthousand Euros);
3) average number of employees during the business year: 50 (fifty) persons.

2. In the abridged balance sheet, the statement of assets and liabilities only includes the items indicated in article 77 with capital letters and Roman numerals; the amounts receivable and accounts payable beyond the next business year must be indicated separately in item CII of the assets and D of the liabilities.

3. The profit and loss account of abridged balance sheets only includes the items indicated with capital letters and Arabic numbers in article 79.

4. The indications requested by numbers 6), 8), 9), 15), 16), 17), 18) and 20) in article 82 are omitted from the balance sheet statement.

5. Companies which, in accordance with this article, draw up their balance sheets in the abbreviated form must draw them up in the ordinary form when they have exceeded two of the limits indicated in the first sub-section for the second consecutive business year.

TITLE IV

EXTRAORDINARY OPERATIONS

SECTION I

TRANSFORMATION

Art.86

(Transformation)

1. The resolution to transform a company must appear in a public deed and must contain the indications required by law for the memorandum of association and the articles of association of the type of company adopted. It must be entered in the Register in accordance with the formalities prescribed for the memorandum of association.

2. The company maintains the rights and obligations prior to the transformation.

3. Transformation of a partnership into a joint-stock company or transformation of a joint-stock company into another with less capital cannot take place without the creditors' consent or without a relative assessment to be acquired by the directors and which must show that there are no impediments to the transformation.

Art.87

(Partners' liabilities)

1. Transformation of a company with unlimited liability partners does not release these latter from their liability towards the company's obligations prior to entry of the resolution to convert the company in the Register, if there is nothing to show that the company's creditors have consented to the transformation.

2. Consent is presumed if the creditors, to whom the resolution to transform the company has been notified by registered letter, have not explicitly disagreed with the matter within the term of thirty days from the notification.

Art.88

(Allocation of shares and holdings)

1. In the transformation, each partner is entitled to be allocated a number of shares or holdings in proportion to the value of his participation as resulting from the last balance sheet approved.

SECTION II

MERGER

Art.89

(Forms of merger)

1. Merger by incorporation is the operation by which one or more companies transfer, through discontinuance without liquidation, the entire capital and reserves as well as all the assets and liabilities to the other company by attributing holdings or shares of the incorporating company to the partners of the incorporated company and, if necessary, with an adjustment in ready money no higher than ten percent of the face value of the attributed shares or holdings or, in the absence of a face value, of their accounting parity.

2. Merger by establishment of a new company is the operation by which several companies transfer, through their discontinuance without liquidation, the entire capital and reserves to the newly established company by attributing holdings or shares of the new company to the partners and, if necessary, with an adjustment in ready money no higher than ten percent of the face value of the attributed shares or holdings or, in the absence of a face value, of their accounting parity.

3. Neither companies subjected to proceedings for composition with creditors nor companies being liquidated may take part in the merger.

Art.90

(Merger project)

1. The directors of companies taking part in a merger must draw up a merger project showing:
1) the type, the denomination or business name, the registered offices of the companies taking part in the merger;
2) the memorandum of association of the new company produced by the merger or of the incorporating company, along with any modifications deriving from the merger;
3) the rate of exchange of the shares or holdings, as well as any adjustment in ready money;
4) the formalities for attributing the shares or holdings of the company resulting from the merger or of the incorporating company;
5) the date on which these shares or holdings participate in the profits;
6) the date from which the companies participating in the merger enter the balance sheet of the company resulting from the merger or of the incorporating company;
7) the way particular categories of holdings may be treated.

2. The adjustment in ready money indicated under number 3) of the previous sub-section may not be more than 10% of the face value of the shares or holdings assigned.

3. The merger project must be filed for registration in the Register.

4. At least thirty days must elapse between the date on which the project is registered and the date fixed for the decision about the merger, unless the partners waive this term with unanimous consent.

Art.91

(Financial position)

1. The directors of the companies taking part in the merger must draw up the statement of assets and liabilities of the companies themselves with reference to a date no more than one hundred-twenty days prior to the date on which the merger project is filed in the registered offices of the company.

2. The financial position must be drawn up in compliance with the laws governing the annual balance sheet.

3. The statement of assets and liabilities can be substituted with the balance sheet of the last business year if this has been closed no more than six months prior to the filing date indicated in the first sub-section.

Art.92

(Directors' report)

1. The directors of the companies that take part in the merger must draw up a report that illustrates and justifies, from the juridical and economic aspects, the merger project and particularly the exchange ratio adopted for the shares and holdings.

2. The report must include the criteria used for determining the exchange ratio.

3. The report must also include any evaluation difficulties encountered.

Art.93

(Experts' report)

1. One or more experts on behalf of each company must draw up a report about the congruousness of the exchange ratio used for the shares and holdings, indicating:
1) the method or the methods used for determining the exchange ratio proposed and the values resulting from the application of each;
2) any evaluation difficulties encountered.

«2.[26] The report must also contain an opinion as to the adequacy of the method or methods used for determining the exchange ratio and about the relative importance ascribed to each in determining the value adopted. The expert or experts must have been registered for at least five years in the rolls of professional accountants or chartered accountants. Each expert is entitled to obtain, from the companies taking part in the merger, all the information and documents required for his assessment.».

3. The expert is answerable for the damages sustained by the companies taking part in the merger, to their partners and to third parties.

Art.94

(Filing of deeds)

1. A copy of the following documents must remain filed in the registered offices of the companies taking part in the merger during the thirty days prior to the meeting and until the merger has been deliberated:
1) the merger project, with the directors' reports indicated in article 92 and the experts' reports indicated in article 93;
2) the balance sheets of the last three business years of the companies taking part in the merger, along with the reports of the directors and board of auditors or the sole auditor if nominated and the reports of the external auditor and the auditing company if nominated;
3) the statements of assets and liabilities of the companies taking part in the merger drawn up as indicated in article 91.

[26] As superseded by Art. 37 of Delegate Decree No. 130 of 11 Dec. 2006.

2. The partners are entitled to examine and obtain a copy of all these documents.

Art.95

(Merger resolution)

1. The merger must be deliberated by each of the companies that take part by approval of the relative project.

2. The merger resolution must be filed for registration in the Register within thirty days along with the documents indicated in article 93.

Art.96

(Creditors' objection)

1. The merger may only be accomplished once sixty days have elapsed from the date on which the resolutions of the participating companies are registered, so long as the respective creditors have given their consent prior to the fulfilments envisaged by article 90, sub-sections 3 and 4, or that the creditors who have not given their consent have been paid, or that the corresponding sums have been deposited in a San Marinese credit institute.

2. During the aforementioned term, the creditors indicated in the first sub-section are entitled to object.

3. Despite the objection, the Commissioner of Law may arrange for the merger to take place after the company has furnished suitable guarantees.

Art.97

(Bonds)

1. Holders of bonds may lodge objections as established by article 96.

2. Holders of convertible bonds must be allowed, by means of registered letter, at least ninety days prior to publication of the merger project, to exercise their rights to conversion within the term of thirty days after having received the relative notification.

3. Holders of convertible bonds who have not exercised their rights to conversion must be provided with equivalent rights to those they possessed before the merger.

Art.98

(Merger deed)

1. The merger must take place by public deed.

2. The merger deed must in any case be filed with the Registrar's office for registration in the Register, by a notary or by the directors of the company formed by the merger or by those of the incorporating company, within thirty days, The deed of the company formed by the merger or the incorporating company cannot be filed before those of the companies that take part in the merger.

Art.99

(Effects of the merger)

1. The company produced by the merger or the incorporating company take over the rights and obligations of the terminated companies.

2. The merger has effect when the last registration indicated in article 98 has been made.

3. However, a successive date can be established in mergers by incorporation.

4. Prior dates can also be established for the effects referred to in article 90, sub-sections 1 points 5) and 6).

Art.100

(Veto on assignment of shares and holdings)

1. The company produced by the merger may not assign holdings in substitution of those of the companies that take part in the merger possessed, also through trust companies or third parties, by the companies themselves.

2. The incorporating company may not assign holdings in substitution of those of the incorporated companies possessed, also through trust companies or third parties, by the incorporated companies themselves or by the incorporating company.

Art.101

(Incorporation of entirely possessed companies)

1. The provisions established by article 90, sub-section 1, points 3), 4), 5) and by articles 92 and 93 do not apply to mergers through incorporation of one company into another that possesses all the shares or holdings of the former company.

SECTION III

DIVISION

Art.102

(Forms of division)

1. A company that divides assigns all its equities to several, already existing or newly established companies, or part of its equities, in that case also to one single company, and the relative holdings to its partners.

2. An adjustment in ready money is allowed, so long as it does not exceed ten percent of the face value of the holdings attributed. By unanimous consent, certain partners need not be allocated holdings in one of the companies resulting from the division, but holdings in the divided company.

3. Neither companies subjected to proceedings for composition with creditors nor companies being liquidated may take part in the division.

Art.103

(Division project)

1. The directors of the companies that take part in the division draw up a project containing the details indicated in article 90, sub-section 1, as well as an exact description of the corporate equity components to assign to each of the companies resulting from the division and the adjustment in ready money if necessary.

2. If the destination of a component of the assets is not inferred by the project it, supposing that the entire equity of the divided company is assigned, is distributed amongst the companies formed by the division in proportion to the amount of net equity allocated to each of them, as evaluated for the purposes of determining the exchange ratio; if the company's corporate equity is only partially assigned, this component remains the pertinence of the transferor company.

3. In relation to components of the liabilities whose destination is not inferred by the project, the companies formed by the division are jointly and severally answerable in the first case and the divided company and the companies formed by the division in the second case. Joint liability is limited to the effective value of the net equity ascribed to each company formed by the division.

4. The criteria adopted for distributing the holdings of the companies formed by the division must be indicated in the division project. If the project envisages allocations of holdings to partners that are not in proportion to their original holdings, the project itself must include the right of the partners who do not approve the division to have their holdings purchased for a fee determined in the same way as the criteria used for withdrawal, indicating the parties at whose charge the obligation to purchase has been placed.

5. The division project must be filed in compliance with article 90, sub-sections 3 and 4.

Art.104

(Applicable laws)

1. The directors of the companies taking part in the division must draw up the statement of assets and liabilities and the descriptive report in accordance with articles 91 and 92.

2. The directors' report must also illustrate the criteria used for distributing the holdings and indicate the effective value of the net equity assigned to the companies resulting from the division as well as that remaining in the divided company.

3. Article 93 applies to the division; the report envisaged therein is not required when the division takes place by establishing one or more new companies and criteria for attributing the shares or holdings differing from the proportional method have not been envisaged.

4. With the unanimous consent of the partners of the companies taking part in the division, the directors may be exonerated from drawing up the documents envisaged in the previous sub-sections.

5. Articles 94, 95, 96, 97, 98, 99 and 100 also apply to the division. All references to mergers in those articles are understood to also refer to divisions.

Art.105

(Effects of the division)

1. The division has effect from the date on which the last of the registrations pertaining to the deed of division has been entered in the Register. However, a successive date may also be established except in the case of divisions accomplished by establishing new companies. Prior dates can also be established for the effects referred to in article 90, sub-section 1 points 5) and 6).

2. Any of the companies formed by the division may fulfil the publication formalities pertaining to the divided company.

3. Each company is jointly and severally liable, within the limits of the effective value of the net equity it has been assigned or that has remained in it, for any debts of the divided company that have not been paid by the company to which they belong.

TITLE V

WINGING-UP AND LIQUIDATION OF THE COMPANIES

Art.106

(Causes for winding-up)

1. The company is wound-up and is liquidated:
1) once its term has expired;
2) once its business purpose has been achieved or when it has become impossible to achieve it;
3) when it has become impossible for the company to operate;
4) when the corporate capital has been reduced to below the legal minimum, unless the company immediately deliberates its transformation or re-integration of the corporate capital to within the legal limits;
5) following a resolution by the meeting;
6) if the licence to carry out the business is withdrawn;

2. The company is also wound-up for the other causes envisaged by the law and the articles of association.

Art.107

(New operations)

1. The directors cannot carry out new operations when a fact that causes the company to be wound-up occurs. Otherwise, the directors who act are jointly, severally and unlimitedly answerable for the damages sustained by the company, by the partners, by the creditors and by third parties.

Art.108

(Liquidation)

1. If a cause for winding up the company occurs, the directors must call the meeting that nominates the liquidators.

2. If the articles of association do not specify the way in which the company's net worth is to be liquidated, if the partners are not in agreement with the way it is to be determined or if the directors fail to call the meeting within thirty days from the date on which the cause that determined the dissolution occurred, liquidation will be carried out by the liquidators nominated by the Commissioner of Law by right or upon the request of anyone who has an interest in the matter.

3. For serious reasons, the Commissioner of Law, by right or upon the request of anyone who has an interest in the matter, may annul the mandate assigned to the liquidators even when they have been nominated by the company, and may proceed by nominating their substitutes.

Art.109

(Powers of the liquidators)

1. The liquidators may dispose of and convert the corporate assets, they may accept payments and encash credits, go to law on behalf of the company, come to terms and compromise, so long as they acquire the authorization of the Commissioner of Law for operations concerning real estate.

2. The liquidators cannot accomplish operations or start proceedings in the name of the company beyond the actions strictly required in order to conclude the liquidation process. The prior authorization of the Commissioner of Law is always required if business activities of use for the liquidation process, must be managed.

3. The liquidators must fulfil their duties in a professional way and with the diligence required by the nature of their mandate and the liability for damages deriving from failure to comply with these duties is governed by article 56.

Art.110

(Revocation of the state of liquidation)

1. The company may revoke the liquidation before distribution of the assets has begun, by a resolution from the meeting.

Art. 111 (most recently superseded by Delegate Decree no. 33 of 20 February 2008)

(Procedure)

1. Within six months of their appointment, the liquidators must submit a report and a plan defining all the debts in the order of precedence required by law
2. The liquidators must annually present a report that highlights the key facts of the procedure. However, the period between registration of the resolution of the meeting for liquidation or of the Law Commissioner's provision that orders it, and the preparation of the final liquidation balance sheet constitutes a single tax period; the liquidators, therefore, present the income declaration for this period in compliance with the tax regulations in force.
3. At the end of the operations for liquidation of assets, the liquidators present the final report with a plan for distributing any residual amounts to the shareholders. The final report must be filed with the Registry, where it

must remain available to those interested for thirty days; the filing of the report must be made known by posting ad valvas Palatii (on the doors of the Government Building) and in the tables of the Government Building.
4. If, within thirty days of the time-limit referred to in the paragraph above, opposition is submitted to the distribution plan through summons of the liquidator, the Commissioner of Law decides and issues a ruling on the matter. Oppositions must be combined and decided upon in the same proceedings, in which all the shareholders and creditors concerned may take part. The ruling is also binding on non-participants
5. If no opposition is submitted or if the opposition submitted is rejected, the plan is approved through a decree and the measure of the Commissioner of Law immediately renders the plan executive.
6. The liquidators convene the shareholders' meeting for approval of the final financial statements for liquidation, drafted on the basis of the executive plan. After approval, they make the payments to creditors and pay the remainder to the shareholders.

7. Once all their duties have been fulfilled, the liquidators must request cancellation of the company from the Register; after cancellation, the company ceases to exist
8. Even when the company has ceased to exist, after cancellation, unsatisfied company creditors may demand their credit from partners, up to the sums collected by the latter on the basis of the financial statements for liquidation, if non-payment is their fault.

Art. 112

(Depositing of uncollected sums)

1. Sums due to partners and creditors which are not collected by those entitled to them must be deposited at a San Marino credit institute, with indication of the name and surname of the partner, the creditor or the number of shares, if these are bearer shares. Sums remaining uncollected over the following three years are transferred to the government.

Art. 113

(Lodging of corporate books)

1. The corporate books must be lodged and kept for five years in the places and with the guarantees laid down by law; anyone may examine them, paying the expenses in advance.

SECTION VI

STATE OF CRISIS

Art. 114

(Temporary state of crisis)

1. A company having temporary difficulties in fulfilling its obligations, if there are proven possibilities of recovering it, may ask the Commissioner of Law, for a period not exceeding two years together, for:
   1) control of management of the company and administration of its assets to protect the interest of creditors, and
   «2)[27] the measure contemplated by article 20 of Law N° 17 of 15 November, 1917.»

2. If the application is accepted and the measures granted, the Commissioner of Law may also determine the charges, terms and conditions deemed appropriate to safeguard the rights of company creditors and the economic and corporate assets constituted of the enterprise as a whole.

3. The supervisor of the moratorium is appointed by the Commissioner of Law and answers to creditors for the work performed; remuneration is due from the company and must be paid as a pre-deduction.

4. The expenses sustained by company directors, during the period of the moratorium, cannot be considered as judicial expenses or those from composition with creditors, pursuant to and under article 17, N° 1, of the Mortgage Law.

[27] As amended by Art. 38 of Delegate Decree No. 130 of 11 Dec. 2006.

5. If proceedings for composition with creditors are opened, the debts contracted by the company during the period of the moratorium are treated in the same way as those which arose prior to the moratorium.

Art. 115

(State of insolvency)

1. Compulsory winding up is ordered by the Commissioner of Law, on request of a director, an auditor or a company creditor, or even officially, when the company is clearly in a state of insolvency and the prerequisites for starting composition with creditors do not exist.

2. If compulsory winding-up is declared on request of a creditor, although it is temporarily insolvent, the company may request the moratorium referred to in the article above.

3. The measure ordering temporary winding-up contains appointment of the official liquidator, is noted on the Register and is published *ad valvas Palatii* and in the Tables at the Government Building.

4. From the date of publication, all judicial procedures pending against the company are suspended and no others may be started; also, debts are considered as falling due on that date and will not accrue interest during the procedure.

5. In the measure ordering compulsory winding up, the Commissioner of Law assigns a peremptory time-limit for company creditors to submit documented claims for placement of their credit to the Registrar's office.

6. On the basis of the corporate books and accounting records and creditors' claims, the liquidator prepares a distribution plan, taking into account preferential credit, and lodges it at the Registrar's office, where it remains available to those concerned for sixty days from the date of notice of its lodging being affixed at the Government Building and the Court.

7. If any opposition is submitted against the distribution plan, provided this is submitted through summons of the liquidator within thirty days of the time-limit referred to in the paragraph above, the Commissioner of Law will pass a single and final sentence on this in summary proceedings. If no opposition is submitted against the plan, it is approved through an order, which is immediately executive.

8. Insofar as they are compatible and for the parts not expressly governed herein, the regulations on voluntary winding up are applied.

SECTION VII

MISCELLANEOUS PROVISIONS

Art. 116

(Disputes)

1. Companies incorporated in accordance with this law are subject to the exclusive and irrevocable competent jurisdiction of the judicial authorities of San Marino for disputes arising between partners and the company, those relating to relations deriving from the partnership deed in which the company is the defendant and for those concerning liability against directors, auditors, auditing firms and managers of the company and between them and the company.

2. The Articles of Association, in the case of internal relations, or individual contracts, in the case of relations with third parties, may freely include arbitration clauses on any disputes. Arbitration must take place within the territory of the Republic of San Marino in all cases.

3. No arbitration clause may be included in employment contracts.

Art. 117

(Statute of limitations)

«1.[28] All actions relating to management of the company and all actions for liability against directors, auditors, auditing firms, managers and liquidators, and all actions aimed at having the company or company resolutions declared invalid, become statute-barred two years after the date of occurrence of the act which gave rise to the dispute.»

2. If the action is based on a deed which should have been entered on the Register or lodged at the Registrar's office and this has not taken place, the period starts from the day when the petitioner becomes aware of this.

3. The statute of limitations on the actions referred to in this article is suspended through an extra-judicial notice in writing.

4. The statute of limitations remains suspended for as long as the directors, auditors, auditing firm, managers and liquidators against which the action is brought remain in office.

5. If the company is subject to composition with creditors, the statute of limitations on the actions referred to in the paragraph above starts from the date when composition begins.

ART. 118

(Appeals)

1. An appeal may be submitted to the Court of Civil Appeals against all measures of voluntary jurisdiction adopted by the Commissioner of Law in application of this law.

2. The appeal suspends effectiveness of the appealed measure, unless otherwise decided by the appeal judge.

3. The deed containing the charge must be submitted to the Court through the defence counsel, together with the motives and with the documents proving the interest of the appellant and the grounds of the claim, within thirty days of notification of the measure.

4. The appeal referred to in this article is subject to the tax on voluntary jurisdiction appeals.

5. No further or different means of appeal against the measures referred to in this article are permitted.

6. All disputes are governed by ordinary regulations on civil disputes.

SECTION VIII
PROVISIONAL AND FINAL REGULATIONS

Art. 119

(Abrogated regulations)

1. The following are abrogated:
- Law N° 68 of 13 June, 1990, with subsequent modifications and additions thereto, with the exclusion of article 4 (Non-commercial associations and foundations: notion and basic regulations);
- articles 7, 8, 8-bis, 9, 9-bis, 10, 10-bis, 10-ter, 11, 11-bis, 12, 12-bis, 13, 14, 16, 19, 20, 21, of Law N° 53 of 28 April, 1999, with subsequent modifications and additions thereto;
- Decree N° 9 of 1 February, 2002, in the incompatible parts;
- article 1, paragraph 2, N° 3 and article 3, last paragraph of Decree N° 3 of 31 January, 1924;
- articles 62 and 63 of Law N° 165 of 18 December, 2003.

2. Any legal requirement not expressly mentioned in the law and in contrast with any requirement thereof is to be intended as abrogated.

[28] As superseded by Art. 39 of Delegate Decree No. 130 of 11 Dec. 2006.

Art. 120 [29]
(Transitory regulations)

«1. Companies entered on the Register at the date when the Law comes into force must adapt their Articles of Association to the new provisions contained therein by 31 May, 2008, lodging an authenticated copy of the revised version of the Articles of Association, approved by the shareholders' meeting, at the Registrar's office.»

2. After this date, companies which have not adapted their Articles of Association are wound up and must be subjected, by right, to liquidation procedures. In the case of inertia, the Commissioner of Law, for this purpose, assigns a maximum time-limit of sixty days for lodging the documentation confirming adaptation of the Articles of Association to the law, or proceeds by calling of a specific partners' meeting for adopting of the resolutions necessary for this purpose.

3. In companies for which, according to law, appointment of an auditor is no longer obligatory at the date of entry into force of the Law, the auditors leave office from 31 December, 2005, without affecting the power of the shareholders' meeting to extend the appointment in compliance with the minimum legal requisites. The shareholders' meeting is required to confirm the end of their mandate. The effects of activities performed by the auditor prior to entry into force of the Law are unaffected in all cases. An auditor who leaves office in accordance with this paragraph is exempted from carrying out all subsequent obligations, including those referred to in article 83 of the Law.»

4. On preparing the 2006 financial statements, it is not necessary to indicate the amount of the corresponding item for the previous year.

"Art. 120 bis (most recently superseded by Delegate Decree no. 33 of 20 February 2008)
(Rules of Coordination)

1. Companies incorporated pursuant to article 12, paragraph 5, of Law N° 68 of 13 June, 1990 , are subject to the Law, notwithstanding the provisions of article 2, paragraph 2 of the same Law. Nevertheless, in the case of winding up, the partner holding the license which incorporated the company, or the partner to whom the majority stake was transferred prior to entry into force of the Law, maintains the right to reacquire ownership of the license, provided they still possess the requisites.
2. Companies incorporated prior to entry into force of the Law are subject to the obligation referred to in article 10, paragraph 5, calculating the three-year time-limit for payment of all contributions starting from entry into force of the Law Confirmation of payment of the contributions must be lodged by the directors at the Registrar's office within 60 days of payment.
3. Companies incorporated with the approval of the State Congress prior to entry into force of the Law may alter the corporate purpose solely with the approval of the State Congress, unless they intend to be subject themselves to the regulations of article 9 of the Law or unless the modification consists in a mere elimination of activities or product sectors from the corporate purpose.
4. In joint-stock companies with a sole partner entered in the Register prior to entry into force of the Law, the sole partner acquires the benefit of limited liability starting from the moment when he has fulfilled the obligations contemplated by article 12 of the Law, without affecting the unlimited liability for obligations arising prior to this.
5. For companies entered on the Register prior to entry into force of the Law, indication of the date of entry on the Register, where contemplated by law, is replaced by the indication of the date of legal recognition.

Art. 121 (most recently superseded by Delegate Decree no. 33 of 20 February 2008)
(Revisions)

«1. The requirements of the Law may be altered through an official decree within a maximum of twenty-four months from the date of publication thereof.

2. Without affecting the specific requirements of Law N° 168 of 22 November, 2005 regarding subjective and objective requisites required of those who intend to incorporate a trading company, through a delegate decree to

[29] As superseded by Art. 40 of Delegate Decree No. 130 of 11 Dec. 2006.

be issued within two years of entry into force of the Law, the procedures on incorporation of companies contained in Law N° 168 of 22 November, 2005 will be harmonised with the new requirements of this law .».

Art. 122
(Entry into force)

1. This law enters into force on the one hundred and eightieth day after that of its legal publication.

Issued from our Residence, on this day, 2 March, 2006/1705 since the Foundation of the Republic

THE CAPTAINS REGENT

Claudio Muccioli – Antonello Bacciocchi

THE SECRETARY OF STATE
FOR INTERNAL AFFAIRS
Rosa Zafferani

4. Annex 3bis - LAW NO. 97 OF 20 JUNE 2008 Prevention and repression of violence against women and gender violence

REPUBLIC OF SAN MARINO

We the Captains Regent
of the Most Serene Republic of San Marino

Having regard to Article 4 of Constitutional Law no. 185 of 2005 and Article 6 of Qualified Law no. 186 of 2005;

Decree, promulgate and order the publication of the following Ordinary Law approved by the Great and General Council on its sitting of 18 June 2008.

LAW NO. 97 OF 20 JUNE 2008

PREVENTION AND REPRESSION OF VIOLENCE AGAINST WOMEN AND GENDER VIOLENCE

(OMISSIS)

CHAPTER II
AMENDMENTS TO THE CRIMINAL CODE

(OMISSIS)
Art. 7
(*Coercion or maintenance in slavery or servitude*)

Article 167 of the Criminal Code is amended as follows:

"Art. 167
Coercion or maintenance in slavery or servitude

Anyone who exercises on a person powers corresponding to property rights or anyone who enslaves or keeps a person under continuous subjugation, forcing such person to work or have sexual intercourse or to beg or however to any performance entailing exploitation, shall be punished by terms of fifth degree imprisonment and fourth degree disqualification. The reduction into or maintenance in slavery take place when it is carried out with the use of violence, threat, deceit, abuse of authority or exploitation of physical or psychological inferiority, or through the promise or the actual delivery of money or other benefit to those who have authority over the person. The punishment shall be raised by one degree if the crimes referred to in the first paragraph are committed against a minor aged less than 18 years or are aimed at exploiting prostitution or for the purpose of organ removal.".

Art. 8
(*Human Trafficking*)

Art. 168 of the Criminal Code is superseded by the following:

"Human Trafficking
Anyone who trades or however traffics in human beings that are in the conditions referred to in Art. 167, i.e. for the purpose of reducing or maintaining a person in slavery or servitude, induces such person with the use of deceit or forces such person with the use of violence, threat, abuse of authority or exploitation of physical or psychological inferiority or a situation of need, or with the promise or delivery of money or other benefit to the person who has authority over him/her, to enter or stay on or leave the territory of the State or to move within such territory, shall be punished by terms of sixth degree imprisonment and fourth degree disqualification. The punishment shall be raised by one degree if the crimes referred to in the first paragraph are committed against a minor being less than 18 years of age or are aimed at exploiting prostitution or for the purpose of organ removal.".

(OMISSIS)
REPUBLIC OF SAN MARINO

5. Annex 4 - DELEGATED DECREE 31 October 2008 no.135 on Regulations of the Financial Intelligence Agency

We the Captains Regent
of the Most Serene Republic of San Marino

Having regard to article 91 of Law no.92 of 17 June 2008;
Having regard to the decision no. 2 of the State Congress adopted in the sitting of 29 October 2008;
Having considered that the adoption of the decree in question becomes obligatory and bound within the times by Law 92/2008;
Having regard to article 22 of Qualified Law no.184 of 15 December 2005;
Having regard to article 5, paragraph 3, of Constitutional Law no. 185/2005 and the articles 8 and 10, paragraph 2, of Qualified Law no.186/2005;
We promulgate and send for publishing the following delegated decree:

REGULATIONS OF THE FINANCIAL INTELLIGENCE AGENCY

Article 1
(Logistical independence, custody and protection of data)

1. The Financial Intelligence Agency, established at the Central Bank of the Republic of San Marino, shall operate in separate premises made available by the Central Bank for the exclusive use of the same Agency.
2. The Agency shall avail of the equipment, support services, computer and communication systems made available by the Central Bank for the exclusive use of the Agency in order to ensure the correct, autonomous and efficient performance of the functions assigned by law.
3. The Agency shall adopt suitable measures to guarantee, with maximum effectiveness, that the documents, data, and information acquired, as well as the computer systems, are accessible only to the authorised personnel of the Agency.

Article 2
(Requirements of professionalism for the Director and Vice Director)

1. The Director and the Vice Director, appointed by the State Congress in accordance with article 3 of Law no. 92 of 17 June 2008 must possess following requirements of professionalism:
a. a degree in economic, legal or banking science disciplines;
b. knowledge of the financial system and financial analysis skills gained through appropriate professional experience;
c. knowledge of the systems for preventing and combating money laundering and the financing of terrorism.

2. The Director and the Vice Director must themselves ensure that they remain updated on combating money laundering and the financing of terrorism, also through participation in specific courses.

Article 3
(Requirements of honourability for the Director and Vice Director)

1. Nobody who has been sentenced, even not definitively, for a non-negligent offence to detention or to prohibition from public offices for a period of no less than year may be nominated as Director and Vice Director and, if nominated, the assignment shall be terminated.
2. The Director and the Vice Director, if subject to criminal proceedings for acts inherent to their office or for other acts of serious criminal importance, may be suspended from office by a provision of the State Congress.
3. In the case where the suspension regards both the Director and the Vice Director, the functions assigned to them shall be performed by the official of the highest level and with the greatest seniority.
4. The Director and the Vice Director shall be removed by the State Congress in the cases provided for by article 4, or in the case where they have committed or omitted acts in a situation of conflict of interest, pursuant to article 5, or where they have damaged the reputation of the office or the prestige of the Agency.

Article 4

(Requirements of independence for the Director and Vice Director)

1. The office of Director and Vice Director is incompatible with:
a. the position of partner, director, manager, statutory auditor, official, employee, auditor of the subjects designated by article 17 of Law no. 92 of 17 June 2008 of subjects designated in other States;
b. performing one of the activities specified in articles 18 letters d), e), f), 19 and 20 of Law no. 92 of 17 June 2008;
c. assignments of a political nature;
d. carrying out any other assignment, commitment, professional or advisory activity.
2. From the acceptance of the nomination, all current employment or assignments shall cease.
3. If an employee of the Central Bank is nominated as Director or Vice Director, in exception to the previous paragraph, from the acceptance of the nomination, the functions performed at the same Central Bank shall cease.
4. In accepting the nomination, the Director and Vice Director must declare any interests in companies that carry out any of the activities specified by article 17 of Law no. 92 of 17 June 2008. 92.
5. These interests must be disposed of within 30 days of assuming office.

Article 5

(Conflicts of interest of the Director and Vice Director)

1. In carrying out their functions, The Director and the Vice Director must refrain from initiating acts or making decisions in a situation of conflict of interest.
2. A conflict of interest pursuant to the previous paragraph arises when the Director or the Vice Director, in performing their assigned functions, are called upon to perform acts that have a specific impact on their property, on that one a spouse, relatives or in-laws to the second degree, or on businesses, companies or similar bodies in which they have a direct or indirect interest.
3. The Director who finds himself in a situation of conflict of interest shall immediately inform the Vice Director of this, who shall, exclusively and without hierarchical restriction, assume the jurisdiction to perform the functions assigned to the Agency in relation to the acts or decisions due to which the Director's conflict of interest arises.
4. If a situation of conflict of interest concerns the Vice Director, he shall, regardless of the assignment of delegations, immediately inform the Director of said situation.
5. In the case where the conflict of interest regards both the Director and the Vice Director, the functions shall be performed by the official of the highest level and with the greatest seniority.
6. The provisions of this article do not exclude the application of the civil, criminal or administrative rules in force, whenever they may be applicable.

Article 6

(Regulatory and remunerative framework for the Director and Vice Director)

1. The regulatory treatment provided for by the work contract of the management officials of Central Bank shall apply to the Director and to the Vice Director; the remunerative treatment and framework shall be defined by the nomination measure.

Article 7

(Functions of the Director and the Vice Director)

1. The Director shall be responsible for the operations of the Agency, the activity of which he shall plan, manage and control in full autonomy. The Director shall adopt the provisions relating to the functions assigned to the Agency, with the right to delegate the Vice Director.
2. The Director shall coordinate and controls the operations of the personnel of the Agency, for whom he shall promotes training and updating on matters regarding the prevention and combating of money laundering and the financing of terrorism.
3. The Director shall produce an appropriate report proposing the personnel structure of the Agency and modifications thereto to the Credit and Savings Committee, with due considerations to the specific operational and organisational requirements of the Agency. The Credit and Savings Committee, having heard the Board of Management of the Central Bank, shall establish whether the personnel meets the criteria of economy, proportionality, efficiency and effectiveness and, if the report is approved, shall send it to the Central Bank for so that it can fulfil its obligations.
4. The Director of the Agency shall supervise the personnel and shall present the Board of Management of the Central Bank with the information and assessments regarding personnel for decisions on hiring, promotion and other contractual conditions.
5. The Director shall govern the organisation and operation of the Agency with independent provisions.

6. The Vice Director shall assist the Director in the carrying out his functions. Should the Director be impeded or absent, his functions shall be carried out by the Vice Director.

Article 8

(Employees)

1. The personnel of the Agency shall be hired according to the procedures and with application of the contracts in force at the Central Bank and is structured according to professionalism, level of responsibility and autonomy, functions and duties carried out.
2. Personnel must be selected in such a manner as to guarantee the complete independence of the Agency.
3. Personnel may also be hired on a fixed term contract, in compliance with the rules in force and the provisions specified in the contracts of the personnel of the Central Bank.
4. The transfer of personnel from the Central Bank to the Agency and vice versa is governed by agreement between the Director of the Agency and the General Director of the Central Bank, holding account of the operational and functional requirements of the Agency and the Central Bank.
5. The personnel of the Agency shall report directly and exclusively to the Director and the Vice Director.
6. The personnel of the Agency may not assume any other assignment or employment, carry on any other professional or advisory activity or cover assignments of a political nature.

Article 9

(Personnel from external transfers)

1. The Agency may avail of employed personnel from Public Administrations who possess the skills and requirements of professionalism and experience necessary to carry out the specific functions or duties.
2. The transfer of employees of Public Administrations, compatible with the approved staffing plan, shall be arranged following a justified request from the Director of the Agency, subject to acceptance on the part of the Director of the Public Administration in question.
3. The legal and economic treatment provided for by the contracts of employees and officials of the Central Bank shall be applied to personnel on transfer from Public Administrations for the full duration of their transfer; the burden shall fall on the Central Bank. The service performed at the Agency is equivalent, to the full effect of the law, with that performed at the Administrations of origin. Transferred personnel are entitled to be readmitted to the job that they held before.
4. The service performed by police personnel of police applied at the Agency in compliance with article 51 of Law no. 92 of 17 June 2008is equivalent , to the full effect of the law, to that performed at the respective Headquarters of origin. The related costs shall be sustained by the Administration of origin.

Article 10

(Central Bank personnel and transfer of functions)

1. Within a month of the nomination, the Director of the Agency, in agreement with the General Director of the Central Bank, shall identify the personnel of the Central Bank that the Agency will use in completing the personnel structure.
2. The General Director of the Central Bank and the Director of the Agency shall ensure the functional and rapid transfer of the functions as specified in article 93 of Law no. 92 of 17 June 2008. 92.

Article 11

(Observance of official secrets)

1. Transferred personnel, in compliance with article 9, are obliged to comply with official secrecy regarding their Administrations and Headquarters of origin.
2. The Director, the Vice Director and the personnel of the Agency are obliged to comply with official secrecy also in regard to the Central Bank.
3. The obligation of secrecy regarding all information that may come to light in the performance of functions or duties carried out at the Agency must be observed even after the assignment or employment is terminated.

Article 12

(Costs estimate document)

1. The cost estimate document pursuant to article 2, paragraph 4 of Law no. 92 of 17 June 2008 shall specify and quantify of the financial and instrumental resources necessary for the subsequent year, established according to criteria of economy, proportionality, efficiency and effectiveness.
2. The Director of the Agency shall present the document to the Credit and Savings Committee.
3. The Credit and Savings Committee, having obtained the opinion of the Board of Management of the Central Bank and having performed the assessments specified by article 2 paragraph 4 of Law no. 92 of 17 June 2008, shall send the document with its resolution to the Central Bank.
4. The Board of Management of the Central Bank, having received the cost estimate document, shall record an appropriate item of expenditure in its Financial Statements.
5. Should any additional financial resources become necessary in order to guarantee the operation of the same Agency, the Director of the Agency may request a change to the cost estimate document in the same manner as described in this article.

Article 13

(Directors' report)

1. The directors' report, signed by the Director of the Agency, contains the overall outline of the financial and instrumental resources used by the Agency in the previous year and illustrates the items of expenditure incurred in detail. The report is sent to the Credit and Savings Committee which, with its resolution, sends it to the Board of Management of the Central Bank.

Article 14

(Operational independence and performance of financial investigations)

1. The Agency performs the tasks assigned to it by Law regarding the prevention and combating of money laundering and the financing of terrorism in full autonomy and independence.
2. The Agency shall perform the investigation functions specified in article 4, paragraph 1, letter b) of Law no. 92 of 17 June 2008, by performing the financial analysis and investigation of reports received and of the data and the information that it has at hand.
3. To perform the financial investigation function, the Agency shall exercise the powers under article 5, paragraph 1, letters a), b), c) and f) of Law no. 92 of 17 June 2008. 92. It shall also enjoy the powers provided for by articles 8, 11, 12, 14 and 16 of Law no. 92 of 17 June 2008 92.

Article 15

(Assistance to the Legal Authority)

1. On the delegation of the Legal Authority, pursuant to article 5, paragraph 4 of Law no. 9o2 of 17 June 2008, the Agency may perform inquiries and evidence taking, availing of Police personnel transferred to the Agency, or other Police personnel specified by the Legal Authority. The reports of the actions carried out shall be immediately sent to the Legal Authority.
2. The Legal Authority may request the assistance of the Agency in proceedings relating to crimes of money laundering and financing of terrorism and to the offences and administrative violations provided for by Law no. 92 of 17 June 2008. 92.
3. If the Legal Authority receives a report pursuant to article 15 of Law no. 92 of 17 June 2008, or a report forwarded by a Police Authority, the Agency, in exception to the provisions of article 7 paragraph 1 of Law no. 92 of 17 June 2008, it shall inform the Legal Authority of the outcome of the financial investigation carried out, even if no acts of criminal significance emerge.

Done at Our Residence, 31 October 2008/1708 since the Foundation of the Republic

THE CAPTAINS REGENT
Ernesto Benedettini – Assunta Meloni

THE SECRETARY OF STATE
FOR INTERNAL AFFAIRS
Valeria Ciavatta

6. Annex 5 – Delegated decree 31 October 2008 no.136 on Transitory Regulations relating to Bearer Passbooks

REPUBLIC OF SAN MARINO

DELEGATED DECREE 31 October 2008 no.136

We the Captains Regent
of the Most Serene Republic of San Marino

Having regard to article 90, paragraph 1, point c), of Law no. 92 of 17 June 2008;
Having regard to the decision no. 3 of the State Congress adopted in the sitting of 29 October 2008;
Having regard to article 22 of Qualified Law no.184 of 15 December 2005;
Having regard to article 5, paragraph 3, of Constitutional Law no. 185/2005 and the articles 8 and 10, paragraph 2, of Qualified Law no.186/2005;
We promulgate and send for publishing the following delegated decree:

TRANSITORY REGULATIONS RELATING TO BEARER PASSBOOKS

Article 1
(Area of application)

1. This delegated decree applies to:
a) bearer passbooks with a balance greater than € 15,000 that have not been closed or regularised by 31 December 2010;
b) bearer passbooks, regardless of the amount of the deposit recorded in them, that are still active on 1 January 2012.

Article 2
(Obliged subject)

1. Obliged subjects within the meaning of these regulations are all the San Marino banks, that is, all subjects authorised to carry on reserved activity identified by letter A of Annex 1 to Law no. 165 of 17 November 2005.

Article 3
(Recording existing statements)

1. The subjects in article 2 above must record, on 31 December 2010 and 31 December 2011, the savings deposit statements that fall under this regulation pursuant to article 1 above.

Article 4
(Ex lege closing)

1. Existing deposits represented by bearer passbooks that have not been closed or regularised by 31 December 2010, where the balance, including interest, is greater than € 15,000, shall be closed for all legal purposes as of 1 January 2011.
2. Existing deposits represented by bearer passbooks that have not been closed by 31 December 2011, regardless of the balance reported in the passbook, shall be closed for all legal purposes as of 1 January 2012.
3. This sums present in the passbooks on the date that are closed ex lege will be accounted for in the appropriate liabilities account up do the date of effective return to the rightful owner.
4. The rules specified by Law no. 92 of 17 June 2008 shall apply, for all purposes, to the operation of payment of the balance of the passbook closed ex lege 92.

Article 5
(Economic conditions of the closed deposit)

1. Closed deposits shall be non-interest bearing from the date of closure; the sum must be returned for the same nominal amount at that date.

Article 6

(Time Limits)

1. The right to the return of sums arising from closed deposits is prescribed within the limits specified by article 149 of Law no. 165 of 17 November 2005, starting from the date on which the book was closed ex lege. Once the time limits have expired, the bank is obliged to pay sums that have not been returned into the special depositors' protection guarantee fund.

Article 7

(Regularisation and conversion)

1. "Regularisation" of bearer passbooks, within the meaning of article 4 of this decree, takes place when the related balance is carried to a sum that does not exceed the threshold provided for by the rules in force.
2. "Conversion" of bearer passbooks as specified by article 31 of Law no. 92 of 17 June 2008, means the making out of an open bearer passbook to a name or to the bearer, ordered by the owner and noted on the passbook, or the opening of a new passbook or other named bank statement, at the same time and as a result of the closing of the bearer passbook.

Done at Our Residence, 31 October 2008/1708 since the Foundation of the Republic

THE CAPTAINS REGENT
Ernesto Benedettini – Assunta Meloni

THE SECRETARY OF STATE
FOR INTERNAL AFFAIRS
Valeria Ciavatta

7. Annex 6 – Delegated decree 31 October 2008 no.137 on Regulations for the safekeeping, administration and management of frozen economic resources

REPUBLIC OF SAN MARINO
DELEGATED DECREE 31 October 2008 no.137

We the Captains Regent
of the Most Serene Republic of San Marino

Having regard to article 90, paragraph 1, point a), of Law no. 92 of 17 June 2008;
Having regard to the decision no. 4 of the State Congress adopted in the sitting of 29 October 2008;
Having regard to article 22 of Qualified Law no.184 of 15 December 2005;
Having regard to article 5, paragraph 3, of Constitutional Law no. 185/2005 and the articles 8 and 10, paragraph 2, of Qualified Law no.186/2005;
We promulgate and send for publishing the following delegated decree:

REGULATIONS FOR THE SAFEKEEPING, ADMINISTRATION AND MANAGEMENT OF FROZEN ECONOMIC RESOURCES

Article 1
(Communications of freezing provisions to the Civil Judge)

1. The decision with which the State Congress stipulates the freezing of funds or economic resources is communicated by the Financial Intelligence Agency to the Law Commissioner.
2. The Agency communicates to the Law Commissioner any further provision, data or information relating to the frozen funds or economic resources, as well as to the transactions and dealings that can be linked back, directly or indirectly, to persons, bodies or groups included in the lists drawn up by the relevant United Nations Committees.

Article 2
(Administrator of the funds and resources subject to freezing)

1. The Law Commissioner, should the funds and resources subject to freezing be located in the territory of the Republic, shall declare, with his own decree, the procedure of administration of the assets freezes open and shall nominate an administrator.
2. With this or a subsequent decree, the Law Commissioner shall adopt the provisions that he may deem appropriate for the purposes of safekeeping as specified in article 47 of Law no. 92 of 17 June 2008, including acts aimed at delivery of the material availability of the assets to the administrator.

Article 3
(Administrator of the funds and resources)

1. The administrator has the task of providing for the safekeeping, conservation and administration of the seized assets also during any possible appeal actions, under the direction of the Law Commissioner, also in order not to reduce, where possible, the profitability of the assets.
2. The administrator shall be chosen from among those registered in the rolls of Lawyers and Notaries, Accountants and Tax Advisors.
3. The following may not be nominated as administrators: those against whom the seizure has been ordered, those holding the assets and resources subject to freezing or in any case those to whom they are available, the spouse, relatives, in-laws and persons living with them, or the persons sentenced to a penalty that involves prohibition, even temporary, from public office.

Article 4
(Acts of extraordinary administration)

The administrator may not carry out acts of extraordinary administration without the authorisation of the Law Commissioner.

Article 5
(Administration report)

1. The administrator must, within one month of being nominated, present the Law Commissioner with a detailed report on the status and consistency of the frozen funds and resources and subsequently, with the frequency

established by the Law Commissioner, with a periodic administration report, presenting, if requested, the justifying documents.
2. The administrator must also inform the Law Commissioner of the existence of any other funds or resources that can be linked to those against whom freezing was ordered, of which he may become aware.

Article 6

(Duties of the Administrator)

The Administrator must perform tasks of his office diligently and, in the event of failure to observe of his duties, can be revoked by the Law Commissioner at any time and subject to a hearing.

Article 7

(Administration costs)

The costs necessary or useful for the safekeeping and administration of the assets shall be borne by the administrator by withdrawing sums obtained by him from management of the assets. If this is not possible, the costs shall be advanced by the State.

Article 8

(Revocation or exemption from freezing)

1. The administration of the funds and resources ceases in the event of abrogation of the freezing order or acceptance of the request for exemption from freezing in accordance with articles 46, paragraph 4, and 49, paragraph 1, of Law no. 92 of 17 June 2008. 92.
2. In the case of partial abrogation or exemption, the administration shall proceed for the excess.
3. Also in the case of revocation or exemption from freezing, the administration of the funds and resources does not cease where the funds or resources have been subjected to locking in accordance with article 5, letter d) of Law no. 92 of 17 June 2008 or to seizure by the criminal Legal Authority, after the administration procedure has been opened. Revocation of the locking or seizure, or confiscation of the funds and resources shall result in cessation of the administration.
4. The provisions with which the locking or seizure of assets already subject to freezing is ordered are immediately sent to the Law Commissioner with civil functions. In the same way, the provisions for revoking the locking or seizure and the decisions with which confiscation of funds and resources is ordered shall be transmitted immediately.

Article 9

(Closure of administration)

1. The Law Commissioner, where the conditions specified in article 8 apply, shall set the Administrator a term of no more than 30 days for depositing of the management report, and, having assumed the provisions as mentioned in article 10, he shall decree the closing of the administration.

Article 10

(Remuneration for the Administrator and administration expenses)

1. The sums for payment of the administrator's remuneration and for reimbursement of administration expenses are inserted in the management report.
2. The Law Commissioner settles the remuneration owing to the Administrator by decree.
3. If the confiscation of funds and resources is ordered, the sums for the payment of the administrator's remuneration and for administration expenses are extracted from the confiscated assets. If these assets are not sufficient in order to pay such expenses, the necessary sums shall be advanced, in whole or in part, by the State.

Done at Our Residence, 31 October 2008/1708 since the Foundation of the Republic

THE CAPTAINS REGENT
Ernesto Benedettini – Assunta Meloni

THE SECRETARY OF STATE
FOR INTERNAL AFFAIRS
Valeria Ciavatta

8. Annex 7 – Delegated decree 31 October 2008 no.138 on cross-border transportation of cash and similar instruments

REPUBLIC OF SAN MARINO

DELEGATED DECREE 31 October 2008 no.138

We the Captains Regent
of the Most Serene Republic of San Marino

Having regard to article 90, paragraph 1, point b), of Law no. 92 of 17 June 2008;
Having regard to the decision no. 5 of the State Congress adopted in the sitting of 29 October 2008;
Having regard to article 22 of Qualified Law no.184 of 15 December 2005;
Having regard to article 5, paragraph 3, of Constitutional Law no. 185/2005 and the articles 8 and 10, paragraph 2, of Qualified Law no.186/2005;
We promulgate and send for publishing the following delegated decree:

CROSS-BORDER TRANSPORTATION OF CASH AND SIMILAR INSTRUMENTS

Article 1

(Definitions)

1. For the purposes of this Decree, the following definitions apply:
a) Financial Intelligence Agency: the Financial Intelligence Agency as specified by article 2 of Law no. 92 of 17 June 2008 (Provisions for preventing and combating money laundering and the financing of terrorism);
b) cash: banknotes and coins in Euro or other currency;
c) similar instruments: negotiable instruments to the bearer, including travellers cheques, cheques, bills of exchange and payment orders, issued to the bearer or without endorsement restrictions, instruments issued in a form such that the related title is transferred on delivery as well as signed instruments that do not specify the name of the beneficiary or which specify a fictitious beneficiary.

Article 2

(Transfers of money, securities and stocks and bonds to and from foreign countries)

1. Any natural person entering or leaving the territory of the Republic of San Marino is obliged to declare the transport of cash and similar instruments in Euro or foreign currencies for a total amount greater than € 10,000 or the equivalent value.
2. The declaration must be made verbally, at the request of the Police, at the point of entry to/exit from territory.
3. A natural person carrying cash or similar instruments for a total amount greater than € 10,000, at the request of the Police, is obliged to declare:
a) his/her personal name and address in full;
b) the full name and address of the subject on behalf of whom the transfer may be made;
c) the cash and similar instruments being transferred, with the corresponding amount;
d) the origin and destination of the cash or similar instruments;
4. The declarer may request permission to provide the information in writing. In this case, a copy of the declaration shall be returned to said declarer.

5. The obligation of declaration does not apply to the transfers by postal orders or promissory notes, or to giro cheques, bank cheques or bank drafts, which specify the name of the beneficiary and are drawn on or issued by subjects authorised pursuant to Law no. 165 of 17 November 2005, or drawn on or issued by a foreign subject who carries out, primarily, an activity that falls under the reserved activities specified in Appendix 1 to Law no. 165 of 17 November 2005, who is settled in a State that imposes equivalent obligations to those specified by this decree and that provides for surveillance and monitoring compliance with such obligations for the purpose of preventing and combating money laundering and the financing of terrorism.
6. The obligation of declaration also applies to transfers of cash and similar instruments, to and from foreign countries, carried out via post. In such case, the declaration must be given in writing to the post office on sending or within 48 hours of reception. The declaration must contain the data and information as in paragraph 3 and must be signed by the declarer, to whom a copy is issued. The post office shall send the declaration to the Agency within the following 5 days. The calculation of the time limits does not take account of Sundays and holidays.

Article 3

(*Police checks)*

1. Police personnel, in carrying out regular border controls, may verify the identity of the persons and carry out inspections on vehicles and luggage, in order to ensure compliance with the obligations specified in article 2.
2. The police authorities shall also subject persons, vehicles and their contents if there are grounds to believe that the transport of cash or similar instruments may be connected to money laundering or the financing of terrorism.

Article 4

(Administrative violations)

1. Anyone who refuses to make the declaration or who provides supplies inaccurate or incomplete information shall be punished with an administrative sanction of up to 25% of the transferred amount, anyone attempting to transfer an amount in excess of € 10,000 with a minimum of € 200.
2. The monetary administrative sanction shall apply even if the events specified as a crime by another regulation of this decree or by other laws.
3. Where the administrative violation can be connected with a crime, the Financial Intelligence Agency proceeds separately for the administrative violation.

Article 5

(Incomplete and false declaration on the name and address of the beneficiary)

1. Unless the act constitutes a more serious crime, anyone who, in making the declaration provided for by article 2, fails to indicate the name and address of the subject on behalf of whom he is making the transfer of money or similar instruments to or from foreign countries or specifies them in a false manner, shall be punished with imprisonment or second degree arrest or with a third degree day fine.

Article 6

(Seizure)

1. In the event of violation of the provisions specified by article 2, the money and similar instruments transferred, or subject to an attempt transfer, exceeding the value of € 10,000 shall be subject to administrative seizure.
2. Police personnel shall prepare a verbal report of the seizures made and of the declarations given by those involved, who are invited to sign the verbal report and are entitled to have of copy thereof. A copy of the verbal report is sent to the Financial Intelligence Agency.
3. With the verbal report specified in subsection 2, or with a separate deed, the violations punishable with administrative sanctions are claimed. The provisions provided for by article 33 of Law no. 68 of 28 June 1989 shall apply. 68.
4. The seizure is carried out within the limit of 25% of the amount exceeding € 10,000.
5. The seizure is carried out without the limit specified in the fourth paragraph when the object of the seizure is indivisible.
6. The seizure is also executed without the limit specified in the fourth paragraph when, due to the nature or amount of the values or subject to an attempted transfer, the corresponding equivalent value in € cannot be easily determined during the actual seizure. In this case, the values seized you that exceed the limit indicated in the fourth paragraph are returned to the rightful owner within thirty days of the date of execution of the seizure.
7. The interested party can have the money, securities and valuables seized by depositing bail with the State Treasury equal to the maximum amount of the applicable administrative sanction. The bail can be substituted by a surety given for the same amount by a bank operating in the territory of the State.
8. The provisions for return as specified in the previous paragraphs shall be established by the Financial Intelligence Agency.
9. The interested parties may lodge an appeal against the seizure order to the Financial Intelligence Agency according to the provisions of article 12 of Law no. 68 of 28 June 1989. 68.
10. The money or similar instruments seized under the first paragraph shall be returned to the rightful owner where:

a) the interested party demonstrates the existence of one of the conditions provided for by article 2, fifth paragraph;
b) they are not collected as payment of the administrative sanction specified by article 4;
c) the author of the violation is deceased.

11. The money and similar instruments seized guarantee, with preference over any other credit, the payment of the monetary administrative sanctions ordered.
12. The Agency shall order the return of the money and similar instruments seized, not collected as payment of the administrative sanction specified by article 4, to the rightful owners requesting them within five years from the date of the seizure.

Article 7

(Establishment of sanctions)

1. The Financial Intelligence Agency shall ascertain the administrative violations and the application of the sanctions provided for by this decree.
2. The provisions specified by Title IV, Chapter III of Law no. 92 of 17 June 2008 shall apply (Provisions for preventing and combating money laundering and the financing of terrorism).

Article 8

(Voluntary settlement)

1. The subject against whom the violation is claimed pursuant to article 4, in exception to article 33 paragraph 1 letter a) of Law no. 68 of 28 June 1989, can exercise the right of voluntary settlement, consisting of the immediate payment equal to 5% of the money or similar instruments the exceeding the € 10,000 threshold, with a minimum of 100 €.
2. The payment must be made, in the manner indicated in the provision for ascertainment of the violation, within 20 days of its notification. The Agency shall order the return of the money or similar instruments within ten days of receiving proof of payment.
3. If payment is made simultaneously with the verbal report by Police personnel, the seizure specified in article 6 shall not be pursued.

4. Voluntary settlement is not allowed where the money or similar instruments transferred or subject to an attempted transfer exceed a value of € 250,000.

Done at Our Residence, 31 October 2008

THE CAPTAINS REGENT
Ernesto Benedettini – Assunta Meloni

THE SECRETARY OF STATE
FOR INTERNAL AFFAIRS
Valeria Ciavatta

9. Annex 8 - Congress of State decision no. 19 of 3 November 2008 (appointment of the Director and Vice Director of the FIA)

CONGRESS OF STATE

Secretary of State for Internal Affairs

Date: November 3, 2008 / 1708 years from Republic foundation

Decision no. 19 File no. 3232

Ref.: Appointment of the Director and the Vice Director of the Agenzia di Informazione Finanziaria (Financial Intelligence Agency).

THE CONGRESS OF STATE

Having regard to the notice by the Secretary of State for Finance and Budget, the Post Offices and the relationships with A.A.S.F.N. (Philatelic and Numismatic Autonomous Authority);

Having regard to the article 3 of Law no. 92 of June 17, 2008 and to the article 6 of the Delegated Decree n. 135 of October 31, 2008 "Discipline of the the Agenzia di Informazione Finanziaria (Financial Intelligence Agency)".

Having regard to the proposal by the Committee for Credit and Savings dated October 30, 2008;

Having regard to the opinion of the Banca Centrale della Repubblica di San Marino (Central Bank of the Republic of San Marino) dated October 30, 2008,

Herewith appoints

- Mr Nicola Veronesi as Director of the Agenzia di Informazione Finanziaria (Financial Intelligence Agency);
- Mr Nicola Muccioli as Vice Director of the Agenzia di Informazione Finanziaria (Financial Intelligence Agency).

It provides that

the business relations of both is regulated on the basis of the labour agreement signed for the officers of the Banca Centrale della Repubblica di San Marino (Central Bank of the Republic of San Marino) without prejudice to all accrued holiday and leaves entitlements.

For what concerns wages,

furthermore it provides that

- Mr Nicola Veronesi is employed as 6° level officer as set forth by the labour agreement signed for the officers of the Banca Centrale della Repubblica di San Marino (Central Bank of the Republic of San Marino); 6 seniority pay increases and the bonus set forth in article 20 of the above mentioned agreement – in the fixed limit set forth in paragraph 5 line 4 - are paid to him;
- Mr Nicola Muccioli is employed as 1° level officer as set forth by the labour agreement signed for the officers of the Banca Centrale della Repubblica di San Marino (Central Bank of the Republic of San Marino); 5 seniority pay increases and the bonus set forth in article 20 of the above mentioned agreement – in the fixed limit set forth in paragraph 5 line 4 - are paid to him.

The above mentioned staff hierarchy is to be intended valid for the term of the mandate as Director and the Vice Director only.

THE SECRETARY OF STATE
(signed Valeria Ciavatta)

10. Annex 9 - Congress of State decision no. 2 of 6 October 2008 (Provisions for implementing the measures adopted by the United Nations Security Council against persons and organisations linked to Osama Bin Laden, to the "Al -Qaïda" group or to the Taleban)

Congress of State

Secretariat of State
for Internal Affairs

Sitting of: 6 OCTOBER 2008/1708 - Decision No. 2
Subject: Provisions for implementing the measures adopted by the United Nations Security Council against persons and organisations linked to Osama Bin Laden, to the "Al -Qaïda" group or to the Taleban

THE CONGRESS OF STATE
having heard the references of the Secretary of State for Foreign Affairs, Foreign Policies and Economic Planning, of the Secretary of State for Finance and the Budget, the Postal Service and Relationships with the AASFN, regarding the measures adopted through the Resolutions from the United Nations Security Council in order to combat terrorism, the financing thereof and the activity of countries that threaten international peace and security;

confirming the commitment to pursue and strengthen international cooperation in order to combat terrorism, to prevent and suppress the financing thereof, to safeguard national and international security as well as the integrity and solidity of San Marino's economic and financial system;

having regard to decree no. 125 of 10 December 2001, which enforces the International Convention for the Suppression of Financing of Terrorism, established in New York on 9 December 1999;

having regard to the Resolutions of the United Nations Security Council, in particular Resolutions no. 1267 (1999), no. 1333 (2000), no. 1373 (2001), no. 1390 (2002), no. 1455 (2003), no. 1526 (2004), no. 1617 (2005), no. 1735 (2006) and no. 1822 (2008), recorded in the acts of the current sitting, regarding persons and organisations linked to Osama Bin Laden, to the "Al-Qaïda" group or to the Taleban;

having regard to article 46 of Law no. 92 of 17 June 2008 "Provisions for preventing and combating money laundering and the financing of terrorism";

having considered the necessity of updating the provisions adopted with decision no. 1 of 5 November 2001,

orders

the following restrictive measures:
- freezing of the funds and the economic resources held or controlled, directly or indirectly, by persons, bodies or groups included on the list based on the decisions of the Sanctions Committee (Resolution no. 1267 of 1999) regarding Al-Qaïda/Taleban, as specified in Annex 1 to this decision, in the full and updated version as at 26 September 2008;

- prohibition on transferring funds, giving financial assistance or, directly or indirectly, making funds or economic resources available to the natural persons or legal entities, to the groups or the organisations specified in Annex 1;

- prohibition on entry and stay in the San Marino territory for those persons included in the list in Annex 1;

- prohibition on the supply, sale and mediation of armaments of any type, including weapons and ammunition, vehicles and equipment, paramilitary equipment as well as of related accessories and replacement parts to the physical persons and legal entities, or to the groups and organisations included in Annex 1;

- prohibition on the supply of assistance or technical consultancy linked to military activities to the natural persons and legal entities, or to the groups or organisations included in Annex 1.

Charges

the designated authorities and public administrations to comply and ensure compliance with the provisions of this decision and to make sure that they are carried out. Failure to observe the provisions of this decision shall be punished pursuant to Articles 57 and 60 of Law no. 92 of 17 June 2008.

Mandates
the Executive Secretariat of the Congress of State to see to the immediate publication of this decision, in the manner specified by article 46, paragraph 5 of Law no. 92 of 17 June 2008.

THE SECRETARY OF STATE
Extract from the summary of proceedings issued for the use of: the Most Excellent Regency, the Secretaries of State, the Central Bank, the Single Court, the Gendarmerie Headquarters, the Guards of the Fortress Headquarters, the Civil Police Headquarters, the National Central Interpol Office, the Tax Office Directorate, the Financial Intelligence Agency.

11. Annex 10 - Congress of State decision no.3 of 6 October 2008 (Provisions for implementing the measures adopted by the United Nations Security Council against the Islamic Republic of Iran)

Secretariat of State
for Internal Affairs

Sitting of: 6 OCTOBER 2008 - Decision No.3
Subject: Provisions for implementing the measures adopted by the United Nations Security Council against the Islamic Republic of Iran

THE CONGRESS OF STATE

having heard the references of the Secretary of State for Foreign Affairs, Foreign Policies and Economic Planning, of the Secretary of State for Finance and the Budget, the Postal Service and Relationships with the AASFN, regarding the measures adopted through the Resolutions from the United Nations Security Council in order to combat the activity of countries that threaten international peace and security;

having regard, in particular, to Resolutions no. 1737 (2006), no. 1747 (2007) and no. 1803 (2008) of the United Nations Security Council adopted against the Islamic Republic of Iran, an Italian translation of which is attached to this decision, and reconfirmed with Resolution no. 1835 adopted on 27 September 2008;

having regard to article 46 of Italian Law no. 92 of 17 June 2008 “Provisions for preventing and combating money laundering and the financing of terrorism”;

having considered the necessity of strengthening international cooperation in order to combat the activity of countries that threaten international peace and security and of safeguarding the integrity and solidity of San Marino's economic and financial system;

having considered the necessity of updating the provisions adopted with decision no. 8 of 3 August 2007,

orders

the following measures in implementation of the aforementioned Resolutions no. 1737 (2006), no. 1747 (2007) and no. 1803 (2008) of the United Nations Security Council adopted against the Islamic Republic of Iran:
- prohibition on the supply, sale, mediation or transfer, directed or indirect, of goods, equipment or any other material including technologies and software intended for the Islamic Republic of Iran, which may be useful, in whole or in part, to Iranian activities in the area of enrichment of uranium, resumption of the preparation of uranium, of heavy water or the development of transport systems for nuclear weapons;

- prohibition on the supply of services of any kind, including financial assistance, mediation services and technical consultancy, as well as the granting of financial means and investments related to the supply, sale, transit, manufacture or use of goods for the purposes specified above;

- freezing of the funds and economic resources held or controlled by the persons and entities included in the complete list updated at September 2008, as provided in Annex 1 to this decision;

- prohibition on entry and stay in the San Marino territory for those persons included on the list in the previously mentioned Annex 1, in compliance with decisions of the competent Committee of the United Nations Security Council.

Charges

the designated authorities and public administrations to comply and ensure compliance with the provisions of this decision and to make sure that they are carried out.
Failure to observe the provisions of this decision shall be punished pursuant to Articles 57 and 60 of Law no. 92 of 17 June 2008.

Mandates

the Executive Secretariat of the Congress of State to see to the immediate publication of this decision, in the manner specified by article 46, paragraph 5 of Law no. 92 of 17 June 2008.

THE SECRETARY OF STATE
Extract from the summary of proceedings issued for the use of: the Most Excellent Regency, the Secretaries of State, the Central Bank, the Single Court, the Gendarmerie Headquarters, the Guards of the Fortress Headquarters, the Civil Police Headquarters, the National Central Interpol Office, the Tax Office Directorate, the Financial Intelligence Agency.

12. Annex 11 - CBSM Regulation No.2008-01 Governing of Insurance Companies Life's Branch

Article 48:

Article 48 – System of internal controls.

1. The Insurance company shall ensure that they have the professionalism, the tools, and the procedures necessary to quantify, manage, and curb all risks, including the actuary risks. The Insurance company perform an assessment to determine whether they should establish their own risk management unit at the internal level, separate from the operational units, with the risk management unit entrusted with risk management functions; or they will decide whether they should rely on external (including groupbased) structures, having due regard for the criteria specified for the outsourcing of corporate functions.
These unit or structures avail themselves with the actuary mentioned in the article 51 for the correct data survey, in particular for those costs of the Insurance company and for their trend, which are used by the actuary.

2. Insurance company shall have an internal auditing structure that is independent, including hierarchically speaking, from the operational structures; the manager responsible shall be appointed by the board of directors and he/she shall have the skills and facilities necessary to perform internal auditing functions, including in light of the complexity of the corporate mechanisms characteristic of the Insurance company.
Alternatively, Insurance company may perform an assessment to decide whether to avail themselves of an external structure (including group-based) having due regard for the criteria specified for the outsourcing of corporate functions.
At all events, the persons responsible for performing these activities, in order to be able to perform the requisite inspections must have access to all the corporate structures as well as to auditing-related information on the proper performance of outsourced corporate functions.
The internal auditing unit shall be responsible inter alia for performing supervision functions in regard to:

a) conducting periodic assessments of the comprehensiveness, functionality, and adequacy of control systems;
b) ensuring compliance with codes of conduct and transparency in the performance of activities;
c) maintaining accounting records;
d) exchanging flows of information among the various corporate units and between the SG and the other parties involved in service delivery;
e) ensuring the adequacy of technological facilities and the professional skills of employees responsible for corporate IT systems, including in cases in which such systems are outsourced;
f) ensuring that the operations of the outsourcer meet the standards established under the appointment agreement;
g) ensuring compliance with rules and regulations governing AML/CFT and other financial offences.

The results of the periodic inspections and the proposed organizational and procedural improvements identified by the internal auditing unit shall be brought to the attention of the board of directors which shall examine them at special meetings at which the board of statutory auditors shall be present.

3. By January 31 each year, the manager responsible for the internal audit function shall prepare:

a) an annual report illustrating the inspections and the audits carried out, their findings, and any proposals and suggestions;

b) a plan for the inspections scheduled for the current year;

c) documents shall be subject to review by the board of directors, with assessments by the board of statutory auditors.

13. Annex 11 - CBSM Regulation No.2007-07 Governing of Savings and Banking Activity

Article VII.IX.6:

Article *VII.IX.6 Internal auditing*.

1. In the performance of Internal Auditing Activities, the internal auditing structure shall:

a) not report, within the chain of command, to any manager of operational units;

b) have staff that are qualitatively and quantitatively well-equipped to perform the necessary tasks;

c) have access to all the banks' activities whether performed at HQ or at regional offices and at any vendors;

d) analyze corporate processes, assessing their functional adeguacy and the reliability of supervisory mechanisms;

e) in particular, verify the reliabity of information systems, including IT and accounting systems;

f) verify the various operating units' compliance with the limits specified by the mechanisms for the delegation of authority, while ensuring the full and correct utilization of the available information on the various activities;

g) verify that in the delivery of services, the relevant procedures ensure compliance with current laws and provisions regarding demarcation between administrative and accounting functions, the firewall (*separazione patrimoniale*) for customer assets, and the rules of behaviour referred to in Part X of these Regulations;

h) perform periodic tests on the functioning of operating and internal control procedures;

i) take steps to ascertain the correctness of operating procedures, including with reference to specific irregularities;

j) carry out investigations specifically requested by the Board of Directors, by the Head of the Executive Structure, or by the Board of Auditors;

k) verify that any anomalies identified in the operation and functioning of the control mechanisms have been removed;

l) monitor:

1) the proper maintenance of accounting records and the orderly and reliable management of all corporate documents;

2) the exchange of flows of information between corporate units and between the bank and other parties involved in the delivery of services;

3) the sufficiency of the technological installations and corporate IT systems, including in the event that such systems are outsourced;

4) the extent to which vendors' operations meet the standards prescribed in the out-sourcing agreement.

2. The internal auditing manager shall:

a) be appointed and removed from office pursuant to decisions adopted by the Board of Directors;

b) at regular intervals (at least quarterly), report to the Board of Directors, Board of Auditors, and the Head of the Executive Structure on the work performed and results achieved;

c) be able to ensure that his/her own auditing functions can extend to the highest levels of the corporate organization, including senior management, and shall be report on his/her work directly to the Board of Directors.

3. Internal auditing activities shall be governed by appropriate internal regulations approved by the Board of Directors.

Article X.V.1:

Article *X.V.1 Ban on entering into contracts using long-distance communication technologies.*

1. Banks may not enter into contracts with customers through recourse to long-distance communication technologies.

14. Annex 11 - CBSM Regulation No.2006-03 Collective Investment Services Regulations

Article 49:

Article 49 – System of internal controls.

1. The SG shall ensure that they have the professionalism, the tools, and the procedures necessary to quantify, manage, and curb all risks, whether those which they themselves incur (primarily attributable to the category of operational and reputational risks), and the risk associated with the assets they administer.
The SG perform an assessment to determine whether they should establish their own risk management unit at the internal level, separate from the operational units, with the risk management unit entrusted with risk management functions; or they will decide whether they should rely on external (including groupbased) structures, having due regard for the criteria specified for the outsourcing of corporate functions.
If the FUNDS administered by the SG invest in over-the-counter financial derivatives, the risk management function will need to have procedures for measuring and managing connected risks and will need to perform precise and independent assessments of such instruments on a daily basis. The board of directors shall specify the procedures by which and frequency with which the [unit performing the] risk management function will report to senior management and to the board of directors itself concerning the work done and the results achieved.

2. SG shall have an internal auditing structure that is independent, including hierarchically speaking, from the operational structures; the manager responsible shall be appointed by the board of directors and he/she shall have the skills and facilities necessary to perform internal auditing functions, including in light of the complexity of the corporate mechanisms characteristic of the SG.
Alternatively, SG may perform an assessment to decide whether to avail themselves of an external structure (including group-based) having due regard for the criteria specified for the outsourcing of corporate functions.
At all events, the persons responsible for performing these activities, in order to be able to perform the requisite inspections must have access to all the corporate structures as well as to auditing-related information on the proper performance of outsourced corporate functions.
The internal auditing unit shall be responsible inter alia for performing supervision functions in regard to:

h) conducting periodic assessments of the comprehensiveness, functionality, and adequacy of control systems;
i) ensuring compliance with codes of conduct and transparency in the performance of activities;
j) ensuring enforcement of the principle of demarcation between the management of various FUNDS;
k) maintaining accounting records;
l) exchanging flows of information among the various corporate units and between the SG and the other parties involved in service delivery;
m) ensuring the adequacy of technological facilities and the professional skills of employees responsible for corporate IT systems, including in cases in which such systems are outsourced;
n) ensuring that the operations of the outsourcer meet the standards established under the appointment agreement;
o) ensuring compliance with rules and regulations governing AML/CFT and other financial offenses.
p) The results of the periodic inspections and the proposed organizational and procedural improvements identified

by the internal auditing unit shall be brought to the attention of the board of directors which shall examine them at special meetings at which the board of statutory auditors shall be present.

3. By January 31 each year, the manager responsible for the internal audit function shall prepare:

d) an annual report illustrating the inspections and the audits carried out, their findings, and any proposals and suggestions;

e) a plan for the inspections scheduled for the current year.

The above-mentioned documents shall be subject to review by the board of directors, with assessments by the board of statutory auditors.

15. Annex 12 - CBSM Instruction no. 2008-01 Operating rules and procedural aspects of the fight against money laundering and financing of terrorism

Preface

Through this measure, the Central Bank of the Republic of San Marino is dictating several rules of conduct for the fight against money laundering and financing of terrorism.

This instruction is aimed at the authorised parties mentioned in article 6 of Law no. 123 of 15 December, 1998 (credit and financial brokers). It transforms practices and standards already applied in the San Marino banking and financial system, but never made official up until now, into actual operating rules.

Instruction no. 2008-01 continues the line already traced with the previous circulars of the Credit and Currency Inspectorate, updating certain aspects contained therein, including in relation to the changes which have occurred in the meantime in the recommendations of international bodies and in the methods of operation of banking and financial brokers.

The document includes several rules of conduct for banks and for finance and trust companies, as far as concerns opening of continuous relationships or performance of occasional operations, and also indicates, in a more detailed manner, the procedure for notifying a suspicious operation, planning, from the date when this Instruction comes into force, feed-back to the notifying agency. A standard form is also adopted for notifying a suspected operation of money laundering or financing of terrorism.

Article 1 – Definitions

For purposes of this Instruction, the following terms have the following meanings:

1. **"identity document"**: a document containing the photograph and all the general details of an individual, issued by a national or foreign public authority;
2. **"general details of a person"**: name and surname, place and date of birth, address of residence and nationality;
3. **"occasional operation"**: any operation performed on behalf of clients, outside a continuous relationship and for an amount exceeding a threshold determined each time by current money laundering laws, which involves transfer or movement, including electronically, of cash or other means of payment;
4. **"continuous relationship"**: any contract signed with the client which contemplates the performance of a number of operations.

Article 2 – Information and documentation to be requested from individuals

On starting a continuous relationship or on performance of an occasional operation with an individual, authorised brokers must acquire at least the following information:

a) name and surname;
b) place and date of birth;
c) nationality;
d) place of residence and domicile, if these do not coincide, telephone number and, if available, fax number and e-mail address;
e) profession;
f) type and details of the identity document;
g) scope and nature of the relationship/operation;
h) general details, type and details of the identity document of the individuals who are authorised to operate within the relationship.

In order to check the data and information obtained, authorised brokers must acquire a copy of a valid identity document directly.

Article 3 - Information and documentation to be requested from companies or organisations with or without corporate status

On starting a continuous relationship or on performance of an occasional operation with a company or an organisation with or without corporate status (including associations and foundations), authorised brokers must acquire at least the following information:

a) name or corporate name;
b) legal status;
c) economic operator code or other identification code;
d) address of the registered office and the administrative office, where these do not coincide, telephone number and, if available, fax number and e-mail address;
e) activities performed;
f) date of incorporation;
g) share capital or endowment fund;
h) scope and nature of the relationship/operation;
i) general details, type and details of the identity document of the individuals who are authorised to operate within the relationship.

In the case of a company, authorised brokers must also obtain the following information: date and registration number on the register of companies and corporate purpose.

In order to check the data and information obtained, authorised brokers must acquire the following documentation:

a) true copy of the deed of incorporation;
b) true copy of the up-to-date articles of association;
c) true copy of the resolution of the shareholders' meeting or board of directors' meeting, or the corporate body with similar duties and powers, indicating the appointment and any changes in the legal representative and the people who have powers of signature or management of the relationships started with authorised brokers, in order to check that each person who acts is duly authorised to do so;
d) true copy of the most recently approved financial statements.

In the case of companies or organisations with or without corporate status (including associations and foundations), authorised brokers must also obtain the certificate of validity or an equivalent document.

Authorised brokers must acquire a copy of the documentation with which the individuals acting on behalf of the principal in the relationship are authorised to operate and must inform the client that they are required to notify any changes in the data and information provided and to deliver a copy of the relative revised documents.

Authorised brokers must identify and check the identity of individuals operating within the relationship of the client, using the methods indicated in article 2.

For companies or organisations with or without corporate status from outside San Marino, authorised brokers must acquire equivalent documents to those indicated above, accompanied by a sworn and authenticated translation. Authorised brokers may, under their own responsibility, avoid the sworn and authenticated translation of documents in English.

Article 4 - Information and documentation to be requested from the public administration

On starting a continuous relationship or on performance of an occasional operation with the public administration or agencies or companies in the extended public sector, authorised brokers must acquire at least the following information:

a) name of the company, agency, office or service of the public administration;
b) address of the registered office and the administrative office, where these do not coincide, telephone number and, if available, fax number and e-mail address;
c) activities performed;
d) scope and nature of the relationship/operation;
e) general details, type and details of the identity document of the individuals who are authorised to operate within the relationship.

Authorised brokers must acquire a copy of the documentation with which the individuals acting on behalf of the public administration are authorised to operate and must inform the client that they are required to notify any changes in the data and information provided and to deliver a copy of the relative revised documents.

Authorised brokers must identify and check the identity of individuals operating within the relationship of the client, using the methods indicated in article 2.

For public administrations other than those of San Marino, authorised brokers must acquire equivalent documents to those indicated above, accompanied by a sworn and authenticated translation. Authorised brokers may, under their own responsibility, avoid the sworn and authenticated translation of documents in English.

Article 5 – Information and documentation to be requested from clients already acquired

For relationships which already exist on the date when this Instruction comes into force, where the data, information and documentation is not already in the possession of the authorised broker, the latter must request it from the client, at the first opportunity. If the missing data, information and documentation is not produced within the reasonably necessary time, the broker must immediately withdraw from the contract, without delay.

Article 6- Registration and filing of information and identification documents

The data and information acquired to identify and check the identity of clients must be registered in archives or computer systems. In the client entries, copies must be filed of the documents acquired to identify and check the identity of the client. Registration of the data, information and copies of the documents must be kept, for at least five years, from the date when the relationship ends or the date of performance of occasional operations. The times for keeping data and documents relating to operations performed by clients, as contemplated by Circulars nos. 26 and 16/F of 27 January, 1999, remain unchanged.

This articles abrogates Standard Letters nos. 111 and 53/F dated 3 August, 2005.

Article 7 - Notification of a suspicious operation

Authorised brokers must notify any suspicious operation using the special form (ANNEX A – notification form), ensuring they include a copy of the relative documentation.
The notification must be sent to the following address:

Central Bank of the Republic of San Marino
Anti money laundering service
Via del Voltone, 120 San Marino
47890 San Marino

Article 8 - Feed-back

Starting from the date of entry into force of this Instruction, sending of a notification to the Judicial Authorities or filing thereof will be communicated, when this does not prejudice the outcome of the inquiries, by the Anti Money Laundering Service of the Central Bank directly to whoever makes the notification.

The outcome of the inquiries performed by the Anti Money Laundering Service may not be revealed to the party against whom the notification is made or to third parties.

Article 9 - Notification of an operation of suspected financing of terrorism

In compliance with the requirements of the Resolutions of the State Congress no. 1 of 15 November, 2001, “Requirements on monitoring and fighting financing of international terrorism”, and no. 8 of 3 August, 2007, “Application of United Nations Security Council Resolutions 1737 (2006) and 1747 (2007)”, the Central Bank periodically transmits lists of those subject to restrictive measures by international bodies

Authorised brokers must therefore check for the presence of relationships or performance of operations with parties on these lists and, where present, promptly notify them to the Central Bank.

In this regard, if authorised brokers suspect that operations ordered or performed by clients, including those not on the aforementioned lists, are aimed at financing international terrorism, they must inform the Central Bank immediately, using the notification form (Annex A).

Article 10 - Veto on remote contracting

The veto on starting new contractual relationships with clients using remote means of communication, as required by article X.V.1 of the Rules on collection of savings and banking activities (Rule 2007-07), is an essential principle of the San Marino banking and financial system and, as such, must be intended as applicable to the activities of other authorised brokers. Operations by San Marino brokers must therefore always necessarily be "*face to face*". Use of new technologies is therefore prohibited, since it violates this general rule.

Article 11 - Entry into force

This Instruction comes into force on 30 June, 2008.

San Marino, 12 June, 2008

ANNEX A - Notification Form

NOTIFICATION FORM

PART I - DATA ON THE NOTIFICATION AND THE NOTIFYING PARTY

1. Notification date and number:	☐☐ / ☐☐ / ☐☐☐☐ Nº ☐☐☐ day/month/year
2. Type of notification: **a.** ☐ Suspicious operation **b.** ☐ Supplement to a suspicious operation Reference to the previous notification : ☐☐ / ☐☐ / ☐☐☐☐ Nº ☐☐☐	**Total number of documents: _____ pages** (Notification __ pages, Annex A____ pages, Annex B ____pages, Annex C____ pages, Other documents____ pages)

3. Notifying agency:	

4. Contacts of the Compliance Officer:

Name and Surname: _____

Position/Duties:_____

Telephone: (_____) _____

Fax: (_____) _____

E-mail: _____

PART II - DATA AND DOCUMENTS IDENTIFYING THE PARTY AGAINST WHOM THE NOTIFICATION IS BEING MADE

1. Number of the parties notified:

(A) Number of individuals : _____

(B) Number of companies and organisations with or without corporate status: _____

(C) Number of public administrations: _____

Please fill out the special form referred to in letters A) or B) below for each individual, company or organisation and public administration involved in the notified operation.

A) INDIVIDUAL

1. Personal details: (attach a copy of the identity document)

Surname	
Name	

2. Date of birth ☐☐ / ☐☐ / ☐☐☐☐

3. Place of birth

4. Nationality

5. Residence (Address)

Street name and number

Post Code

Castle/Municipality/ Province

Domicile

Other information

6. Profession

7. Scope and nature of the relationship or operation

8. Identity document:

	Type and details of the document	Place of issue	Date of issue (d / m / y) Date of expiry (d / m / y)
a.	Passport ☐☐☐☐☐☐☐☐☐☐		☐☐ / ☐☐ / ☐☐☐☐ ☐☐ / ☐☐ / ☐☐☐☐
b.	Identity card ☐☐☐☐☐☐☐☐☐☐		☐☐ / ☐☐ / ☐☐☐☐ ☐☐ / ☐☐ / ☐☐☐☐
c.	Driver's license ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐		☐☐ / ☐☐ / ☐☐☐☐ ☐☐ / ☐☐ / ☐☐☐☐
d.	Others:_____ ☐☐☐☐☐☐☐☐☐☐☐☐☐☐		☐☐ / ☐☐ / ☐☐☐☐ ☐☐ / ☐☐ / ☐☐☐☐

B) COMPANY OR ORGANISATION WITH OR WITHOUT CORPORATE STATUS OR PUBLIC ADMINISTRATION

1 Name or corporate name	
2. Legal status	
3. Date of incorporation	/ /
4. Registered office (address)	
Street name and number	
Post Code Castle/Municipality/ Province	
Domicile	
Other information	
5. Economic activity	
6. economic operator code or other identification code	
7. Scope and nature of the relationship or operation	
8. Person who operates on behalf of the company or organisation	
8.1. Personal details: (attach a copy of the identity document)	
Surname	
Name	

8.2. Date of birth

/ /

8.3. Place of birth

8.4. Nationality

8.5 Identity document (type)

Details of the document

Date of issue

/ /

Date of expiry

/ /

9. Person authorised to operate within the relationship

9.1. Personal details: (attach a copy of the identity document)

Surname

Name

9.2. Date of birth

/ /

9.3. Place of birth

9.4. Nationality

9.5 Identity document (type)

Details of the document

Date of issue

/ /

Date of expiry

/ /

PART III - DATA AND INFORMATION ON THE NOTIFIED OP'ERATION

1. Type of relationship	
2. Number of relationship	
3. Period of operativity	a

1. Type of occasional operation	
2. Date of operation	/ /

1. Other information on the operation or operativity notified:

PART IV – MOTIVES OF THE NOTIFICATION

16. Annex 13 - CBSM Instruction No. 2008-02 on the fight against money laundering and terrorism financing

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

HAVING REGARD TO Law No 123 of 15 December 1998 "*Law on anti-money laundering and usury*";

HAVING REGARD TO Law No. 28 of 26 February 2004 "*Provisions of anti- terrorism, anti- money laundering and anti- insider trading*";

HAVING REGARD TO Law No. 92 of 17 June 2008 "*Provisions on preventing and combating money laundering and terrorism financing* ";

HAVING REGARD TO the Congress of State Decisions No. 1 of 5 November 2001 and No. 8 of 3 August 2007;

HAVING REGARD TO Article 39, paragraph 3, of Law No. 165 of 17 November 2005 *"Law on Companies and Banking, Financial and Insurance Services";*

HAVING REGARD TO the Statutes of the Central Bank of the Republic of San Marino approved by Law No. 96 of 29 June 2005 and in particular to Article 30, paragraph 3 of said Statutes, according to which the instruments of the Central Bank pertaining to matters of supervision and to the anti-money laundering unit, as resolved by the Supervision Committee, are issued by the Director General;

HAVING REGARD TO the Supervision Committee resolution approving the text of the Instruction of the Central Bank of the Republic of San Marino on the fight against money laundering and terrorism financing,

ISSUES

the attached Instruction No. 2008-02 on the fight against money laundering and terrorism financing.

San Marino, 4 July, 2008

THE DIRECTOR GENERAL
Prof. Luca Papi

BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

INSTRUCTION
ON THE COUNTERING OF MONEY LAUNDERING AND TERRORISM FINANCING

Year 2008 / Number 02

Instruction No. 2008-02

PROCEDURES FOR ENHANCED DUE DILIGENCE ON CUSTOMERS RESIDENT OR LOCATED IN COUNTRIES, JURISDICTIONS OR TERRITORIES SUBJECT TO STRICT MONITORING BY THE FATF

Preface

This Instruction of the Central Bank of the Republic of San Marino is intended – in accordance with recent provisions issued by the Financial Action Task Force (FATF) to its member Countries and Associations – to raise the awareness of the banking and financial intermediaries of

San Marino concerning the potential direct and indirect risks associated with the establishment of business relationships or the execution of transactions with counterparties resident or located in countries, jurisdictions or territories subject to strict monitoring by the FATF, because the rules and procedures to counter money laundering and the financing of international terrorism do not comply with the FATF recommendations.

The countries, jurisdictions or territories currently subject to strict monitoring by the FATF are *listed in Annex A)*. All updates issued by the FATF will be distributed promptly by the Central Bank.

This Instruction No. 2008-02 therefore sets out the rules of conduct designed to avoid or minimise the risks of the involvement of San Marino intermediaries in money laundering or terrorism financing activities in relations with counterparties resident or located in the aforementioned countries, jurisdictions or territories.

Article 1 - Definitions

For the purpose of this Instruction, by the following terms are meant:

5. **"authorised entities":** the intermediaries referred to in Article 6 of Law No. 123 of 15 December 1998, namely banks and financial/fiduciary companies;
6. **"occasional transaction"**: any transaction executed on behalf of customers, outside a business relationship and for an amount exceeding the threshold, established from time to time by prevailing anti-money laundering laws, that involves the transfer or movement, electronically or otherwise, of cash or other means of payment;
7. **"business relationship"**: any agreement entered into with the customer, the performance of which involves the execution of several transactions.

Article 2 – Establishment of business relationships or execution of occasional transactions with counterparties resident or located in countries, jurisdictions or territories subject to strict monitoring by the FATF

The authorised entities are urged to use extreme caution in the establishment of business relationships or the execution of occasional transactions with counterparties (with or without legal personality) resident or located in countries, jurisdictions or territories subject to strict monitoring by the FATF.

Should the authorised entities, for particular reasons, wish to establish business relationships or execute occasional transactions with such counterparties, the enhanced customer due diligence measures must be adopted henceforth, in compliance with the rules and standards laid down in Article 27 of Law No. 92 of 17 June 2008, including during the period preceding its entry into force.

Article 3 – Information and documentation to be requested from existing customers

For business relationships already in existence at the time of the entry into force of this Instruction, where the data, information, documentation and other assessment elements required by Article 27 of Law 92/2008 are not already available to the intermediary, said intermediary must be obliged to request the aforementioned items from the customer as promptly possible.

Article 4 – Execution of transactions in favour of counterparties resident or located in countries, jurisdictions or territories subject to strict monitoring by the FATF.

Should a customer intend to execute a transaction in favour of one or more counterparties resident or located in the countries, jurisdictions or territories listed in annex A), the authorised entity must comply with the enhanced due diligence requirements established in the aforementioned Article 27 of Law 92/2008.

Article 5 – Execution of transactions originating from counterparties resident or located in countries, jurisdictions or territories subject to strict monitoring by the FATF.

The requirements established in Article 4 must be also observed for transactions ordered by counterparties resident or located in countries, jurisdictions or territories subject to strict monitoring by the FATF in favour of the customers of San Marino authorised entities.

Article 6 – Obligation to abstention

If the authorised entities are unable to satisfy the enhanced customer due diligence requirements established in Article 27 of the Law 92/2008 and referred to in this instruction, they must abstain from establishing business relationships or executing occasional transactions, or must interrupt them, if already underway, at the earliest available opportunity.

Article7 – Entry into Force

This Instruction enters into force on 7 July 2008.

San Marino, 4 July, 2008

ANNEX A)

LIST* OF COUNTRIES, JURISDICTIONS OR TERRITORIES SUBJECT TO STRICT MONITORING BY THE FATF:

- UZBEKISTAN;
- IRAN;
- PAKISTAN;
- TURKMENISTAN;
- SAO TOME' AND PRINCIPE;
- NORTHERN CYPRUS.

*This list was drawn up by the FATF on 28/02/2008.

17. Annex 14 - FIA Instruction no. 2008-03 identification, verification and assessment of "critical transactions"

Introduction

This order of the Central Bank of the Republic of San Marino is intended – in accordance with the provisions issued by the Financial Action Task Force (FATF) to its member Countries and Associations – to provide the financial operators referred to in Article18 subparagraphs a) and b) of Law no. 92 of 17 June 2008 with instructions on the appropriate measures to implement the provisions of Recommendation 11 of the FATF.

"Financial institutions should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities and auditors.

This Instruction 2008-03 is therefore intended to raise the awareness of financial operators of the need for a thorough assessment of critical transactions, which consist of complex, unusual large transactions or all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.

Article 1 - Definitions

Pursuant to this Instruction, the terms below shall have the following meanings:

1. **"Financial Intelligence Agency":** means the Financial Intelligence Unit referred to in Law no. 92 of 17 June 2008;
2. **"Central Bank":** means the Central Bank of the Republic of San Marino;
3. "**Instruction no. 2008-01**": means the Instruction of the Central Bank of the Republic of San Marino on the countering of money laundering and terrorist financing, issued on 12 June 2008;
4. **"Law":** means Law no. 92 of 17 June 2008 "Provisions for the prevention and countering of money laundering and terrorist financing";
5. **"critical transaction":** means a transaction that due to its complexity or unusually large amount or due to its unusual pattern of execution with respect to the economic, financial and asset profile, and the professional profile of the customer, requires an assessment of its compatibility with respect to the customer's profile;
6. "**appointed officer":** means the person identified in Article 42 of Law no. 92 of 17 June 2008;
7. **"risk":** means the customer's exposure to the risk of money laundering or terrorist financing.

Article 2 – General principle

The financial operators, identified in Article 18, paragraph 1 subparagraphs a) and b) of the Law, must pay special attention to all critical transactions, both occasional and those carried out within an ongoing relationship.

The financial operators shall establish suitable internal criteria with reference to their operations for the identification and assessment of critical transactions. The document containing these criteria shall be approved by the managing body of the financial operator and made known to all of its employees and contract workers pursuant to Article 44 of the Law.

Article 3 – Verification and assessment of critical transactions

When carrying out the verification and assessment, the financial operators must take the following into consideration:

- the information and documentation requested at the time of opening the ongoing relationship or the execution of the occasional transaction pursuant to Instruction no. 2008-01;
- the items specified in Article 25, paragraph 3 of the Law;
- any other relevant information.

The assessment of the critical transactions must take into consideration the indicators of anomaly listed in the Circulars of 27 January 1999 and 12 February 2003 issued by the Inspectorate for Credit and Currencies (now the Central Bank).

The financial operators, identified in Article 18, subparagraphs a) and b) of the Law, which are free to act with organisational autonomy, may make use of electronic tools able to facilitate the identification and assessment of the abovementioned transactions.

Article 4 – Duties of the appointed officer
The appointed officer undertakes the identification, verification and assessment of critical transactions either on his own initiative or following an internal communication received from the personnel of the financial operator's branches, operational departments, and central and peripheral offices.

At the end of the verification and assessment process the appointed officer must compile a written report on the analysis conducted.

Article 5 – Written report on the verification and assessment of critical transactions
The written report must have the following minimum structure:

1) Information on the report:
   a) place and date of compilation of the report;
   b) name and surname of the appointed officer writing the report.

2) Information and data on the customers:
   a) the information, documents and data specified in Articles 2, 3 and 4 of Instruction no. 2008-01;
   b) economic, financial and asset profile, and professional profile of the customer;
   c) risk profile assigned to the customer at the time of opening the ongoing relationship or the execution of the occasional transaction, determined on the basis of the items identified in Article 25, paragraph 3 of the Law.

3) Information and data on the critical transactions:
   a) type and number of ongoing relationships or occasional transactions;
   b) duration of the ongoing relationship or date of the occasional transaction;
   c) description of the operational activity (for example, the number of transactions, their frequency, amount, and purpose/reason).

4) Assessment of critical transactions:
   a) a substantiated judgment on the purpose and nature of the transactions and their compatibility with the significant aspects of the customer's profile, in particular the economic, financial and asset profile, and the professional profile of the customer;
   b) assessment of any changes to the customer's risk profile following the execution of critical transactions – also taking into account the aspects identified in Article 25 paragraph 3 of the Law – and consequent decision;
   c) assessment of whether to make a report pursuant to Article 36 of the Law and consequent decision.

5) Documentation to be annexed:
   a) copy of the customer's proof of identity;
   b) copy of the documentation used for the verification and assessment of the critical transaction.

The report, signed by the appointed officer, must be kept for at least 5 years after the date of its compilation.

The financial operators must adopt suitable measures to ensure the utmost confidentiality of the internal communication received and of the content of the report.

If the report has been made as a result of an internal communication, a copy of the report must be sent to the unit that reported the critical transaction.

Article 6 – Exclusion and reporting
For the purposes of the assessment and analysis of the critical transaction the provisions of Article 24, paragraph 3 and Article 36 of the Law shall apply.

If the appointed person decides to make a report pursuant to Article 36 of the Law concerning the critical transactions analysed, a copy of this report must be annexed to the Reporting Form referred to in Instruction no. 2008-01.

Article 7 – Powers of investigation

The report shall be made available immediately on request to the Central Bank's Anti-Money Laundering Department until the declaration referred to in Article 92 of the Law or to the Financial Intelligence Agency from the same date, to the Central Bank in its role as Supervisory Authority, and to the Board of Statutory Auditors and Internal Auditing Department of the financial operator.

Article 8 – Entry into Force
This Instruction shall enter into force on 15 December 2008.

San Marino, 10 November 2008

18. Annex 15 - FIA Instruction no. 2008-04 Specific measures for the electronic transfer of funds

Introduction

With this instruction the Financial Intelligence Agency sets out certain rules of conduct in relation to the countering of money laundering and terrorist financing.

Specifically, this Instruction has been issued in implementation of Article 33 of Law no. 92 of 17 June 2008, on the basis of which the following must be established:

a) the data and information that the financial operators authorised to perform the reserved activity identified in subparagraph I) of Attachment 1 to Law no. 165 of 17 November 2005 ("Payment services") are required to obtain on the person ordering an electronic transfer of funds;
b) the procedures for the recording and keeping of these data and information.

This Instruction takes into account the guidelines issued at international level and in particular those included in the Special Recommendation VII of the FATF and (EC) Regulation no. 1781/2006 of the European Parliament and of the Council of 15 November 2006.

Article 1 - Definitions

1. "**public administrations**": the government offices, departments, public bodies, autonomous authorities, and offices of the public administration of the Republic of San Marino;
2. "**payee**": a natural or legal person who is the intended final recipient of transferred funds;
3. "**unique identifier**": a combination of letters, numbers or symbols, determined by the payment service provider, in accordance with the protocols of the messaging system or the payment and settlement system used for the transfer of funds, which allows the payment service provider to unequivocally trace the payer, by means of the documentary or electronic evidence held by the payment service provider;
4. "**payer**": either a natural or legal person who holds an account and allows a transfer of funds from that account, or, where there is no account, a natural or legal person who places an order for a transfer of funds;
5. "**payment service provider**": a person who belongs to one of the following categories:
   a) a person authorised to carry out the reserved activity identified in subparagraph I) of Attachment 1 to Law no. 165 of 17 November 2005 in the Republic of San Marino;
   b) a foreign person authorised to carry out an activity equivalent to the one referred in subparagraph a) above;
   c) the Central Bank of the Republic of San Marino when it acts as a payment service provider;
6. "**intermediate payment service provider**": a payment service provider as specified in subparagraphs a) or c) of paragraph 1 above, not acting on behalf of the payer or the payee, that participates in the execution of transfers of funds;
7. "**transfer of funds**": a transaction for an amount or value equal to or exceeding one thousand euro carried out on behalf of the payer by electronic means and in any currency through a payment system reserved to payment service providers, for the purpose of making the funds available to a payee, irrespective of whether the payer and the payee are the same person;

8. "**batch file transfers**": transfers of funds ordered by a single payer in favour of various beneficiaries and sent grouped together in a single batch file containing the individual transfers of funds.

Article 2 – Information on the payer

1. The transfer of funds must be accompanied by the following minimum information on the payer:

a) name and surname or, if a legal person, full name or business name;
b) address of residence or domicile or, if a legal person, address of the registered office;
c) current account number or, if the transfer of funds takes place without debiting a current account, the unique identifier.

2. The information specified in subparagraph b) above may be substituted by the date and place of birth or by the unique identifier.

Article 3 – Verification of the information on the payer by the payment service provider of the payer

1. The payment service provider of the payer must verify the information on the payer on the basis of an unexpired proof of identity or, when this is not possible, on the basis of documents and information obtained from a reliable and independent source (for example, registers and lists kept by public authorities or certifications issued by the competent consular authorities).

2. In the case of transfers of funds made by debit to a current account, the verification may be deemed to have already been carried out with the fulfilment, on the opening of the account, of the customer due diligence requirements and the requirements for the recording and keeping of the documents and information established in Law no. 92 of 17 June 2008.

Article 4 – Verification of the information on the payer by the payment service provider of the payee

1. The payment service provider of the payee shall detect whether, in the messaging or payment and settlement system used to effect a transfer of funds, the fields relating to the information on the payer have been completed using the characters or inputs admissible within the conventions of that messaging or payment and settlement system.

Article 5 – Transfers of fund within the Republic of San Marino

1. When the payment service provider of the payer and the payment service provider of the payee are based in the Republic of San Marino, the transfers of funds may be carried out solely on the basis of the account number of the payer or the unique identifier.

2. However, if so requested by the payment service provider of the payee, the payment service provider of the payer shall make the information specified in Article 2 available to the payment service provider of the payee within three working days of receiving such request.

Article 6 – Batch file transfers

1. In the case of batch file transfers sent from the Republic of San Marino to another country, the requirements set forth in Article 2 do not apply to the individual transfers of funds provided that the batch file contains the information on the payer and that the individual transfers carry the account number of the payer or the unique identifier.

2. The payment service provider of the payee, in the case of batch file transfers originating from abroad, is required to verify that the information on the payer is contained in batch file transfers and not in the individual transfers bundled therein.

Article 7 – Exceptions

1. The provisions of this instruction do not apply in the following cases:

a) transfers of funds deriving from the negotiation of truncated cheques;
b) transfers of funds deriving from the use of credit or debit cards provided that the payee has an agreement with the payment service provider permitting payment for the provision of goods and services and such transfers of funds carry a unique identifier;
c) transfers of funds where the payer uses an ATM point to withdraw cash from his or her own account using a credit or debit card, provided that such transfers of funds carry a unique identifier;
d) the payee is a public administration and the transfer of funds is made for the payment of duties, taxes, financial penalties or other charges in the Republic of San Marino;
e) the payer and the payee are both payment service providers acting on their own behalf;
f) where there is a debit transfer authorisation between two parties permitting payments between them through accounts, provided that a unique identifier accompanies the transfer of funds.

Article 8 – Missing or incomplete information on the payer and enhanced measures

1. Where the information on the payer is incomplete the payment service provider for the payee shall refuse the transfers of funds and request the missing information in writing. To this end it may use the messaging system through which it received the order. If the request remains uncompleted, the payment service provider of the payee shall apply the enhanced requirements established in Article 27 of Law no. 92 of 17 June 2008, assess whether to suspend relations with the counterparty, and send the Financial Intelligence Agency a copy of the request for the missing information sent to the counterparty.

2. Where a payment service provider regularly fails to supply the required information on the payer, the payment service provider of the payee shall take steps, which may initially include the issuing of warnings and setting of deadlines, before adopting any restrictive measures or terminating its business relationship with that payment service provider. The payment service provider of the payee must inform, in writing, the Financial Intelligence Agency of the adoption of the aforesaid measures.

3. The payment service provider of the payee shall consider missing or incomplete information on the payer as a factor in assessing whether the transfer of funds, or any related transaction, is a suspicious transaction pursuant to Article 36 of Law no. 92 of 17 June 2008.

Article 9 – Obligations on the intermediate payment service provider

1. The intermediate payment service provider shall ensure that all information received on the payer that accompanies a transfer of funds is kept with the transfer.

2. If the intermediate payment service provider is not able to obtain the information on the payer it shall adopt the measures provided for in Article 8.

Article 10 – Requirements for the recording and keeping of information on the payer

1. The information on the payer acquired by the payment service provider of the payer, the payment service provider of the payee and the intermediate payment service provider is subject to the requirements for the recording and keeping of documents and information established in Article 34 of Law no. 92 of 17 June 2008.

Article 11 – Entry into force

1. This Instruction shall enter into force on 1st February 2009.

San Marino, 24 November 2008

19. Annex 16 - FIA Instruction no. 2008-05 Operating rules and procedural aspects of the fight against money laundering and financing of terrorism

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EXTENSION TO ALL FINANCIAL PARTIES OF THE REQUIREMENTS ESTABILISHED IN THE INSTRUCTION No. 2008-01

Preface

The Law 17 June 2008 no.92 entered into force last 23 September 2008, it extended the type of the parties required to fulfilment of provisions on the subject of preventing and combating money laundering and terrorist financing (i.e."obliged parties" referred to in article 17 of the Law 92/2008). The obliged parties are divided in further categories ("financial parties" referred to in article 18 of the Law 92/2008, "non-financial parties" referred to in article 19 of the Law 92/2008, "professionals" referred to in article 20 of the Law 92/2008).

Through this measure, the Financial Intelligence Agency extends to all the "financial parties" referred to in article 18 of the Law 92/2008 the directions already disseminated in the Instruction no. 2008-01 and addressed to authorised parties mentioned in the abrogated Law no. 123 of 15 December, 1998.

In particular, this measure include several rules of conduct as concerns opening of continuous relationships or performance of occasional operations, and indicates the procedure for notifying a suspicious transaction.

Article 1 – Obliged parties

3. This Instruction is aimed to all "financial parties" referred to in article 18 of the Law 17 June 2008 n. 92, i.e.:

a) the authorized parties on the basis of Law N° 165 of November 17, 2005 and subsequent amendments;
b) the Central Bank, whenever in the field of its institutional functions, establishes business relationships or carries out occasional transactions that require the fulfilment of obligations set forth in this law;
c) the post offices whenever they establish business relationships or carry out occasional transactions that require the fulfilment of obligations set forth in the Law N° 92 of June 17, 2008;
d) the financial promoters as defined in article 24 and 25 of Law N° 165 of November 17, 2005;
e) the insurance and reinsurance agencies as defined in article 26 and 27 of the Law N° 165 of November 17, 2005;
f) the parties that provide professional credit recovery on behalf of third parties.

Article 2 – Extension of the scope of the Instruction no. 2008-01

1. Save as provided in article 3 below, the dispositions included in the Instruction no. 2008-01 concerning "operating rules and procedural aspects of the fight against money laundering and financing of terrorism " must be observed by all parties indicated in previous article 1.

Article 3 – Derogations

2. By way of derogation of what laid down by article 6 of the Instruction no. 2008-01, the parties referred to in the letters c), d), e), f) of the previous article 1 could keep data and information using paper files. It remains unchanged the minimum period to keep (registration of the data, information and copies of the documents) for at least five years, from the date when the relationship ends or the date of performance of occasional transaction.

Article 4 - Entry into Force

1. This Instruction enters into force on 15 December 2008.
San Marino, 24 November 2008

20. Annex 17 - FIA draft Instruction Professional person obligations of client identification, registration of data and reporting suspect operations (restricted)

21. Annex 18 - FIA draft Instruction Specific measures for the electronic transfer of money and values for san marino post offices (restricted)

22. Annex 19 - Memorandum of understanding between the Central Bank – Supervisory Separtment of the Republic of San Marino and the Financial Intelligence Agency

MEMORANDUM OF UNDERSTANDING BETWEEN THE CENTRAL BANK – SUPERVISORY DEPARTMENT OF THE REPUBLIC OF SAN MARINO AND THE FINANCIAL INTELLIGENCE AGENCY FOR COOPERATION WITH REGARD TO PREVENTING AND COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

In order to regulate the mutual relations arising from performance of their respective institutional functions, the Central Bank of San Marino and the Financial Intelligence Agency hereby agree as follows:

1. The Central Bank – as part of its supervisory function directed toward guaranteeing sound and prudent management of intermediaries – attaches great importance to compliance with prevailing legislation on anti-money laundering and the fight against terrorist financing, acknowledging the considerable risks to which said intermediaries, and indeed the entire San Marino financial system, could be exposed as a result of breaches of Law no. 92 dated 17 June 2008 ("the Law").

Pursuant to Article 11, sub-section 1, of the Law, the Central Bank therefore undertakes to provide its full and active cooperation to the Agency.

2. Pursuant to Article 14, sub-section 1, of the Law, if in performing its supervisory functions on the financial operators referred to in Article 18, letters a), d) and e) of the Law, the Central Bank discovers breaches of the Law or facts or circumstances that could be associated with money laundering or terrorist financing, it will provide the Agency with immediate written notice.

3. Pursuant to Article 11, sub-sections 2 and 3, and to Article 14, sub-section 2, of the Law, the Central Bank provides the Agency with the data concerning the financial operators as well as with the information required to carry out financial investigations on the reports of suspicious transactions and to study financial flows.

For this purpose the Central Bank will provide prompt written reply to specific and pertinent requests for such information made in writing by the Agency.

This information may also be provided by allowing the Agency traceable electronic access to IT records containing pertinent data.

4. Pursuant to Article 14, sub-section 3, of the Law, the Central Bank is vested with the powers to verify – with reference to the subject-matter of the Law – the adequacy of the organisational and procedural structures of the authorised persons, with regard to which it may issue secondary legislation pursuant to Law no. 165 dated 17 November 2005.

As part of its supervisory activity, the Central Bank has issued and may issue further regulations obliging the authorised persons under its supervision to ensure that their organisational systems and processes provide management and operating environments that guarantee reliability and are subject to an internal control system that encourages, among other things, compliance with legislation governing anti-money laundering and the fight against terrorist financing. Specifically, the regulation relating to the establishment of the compliance officer within the intermediaries' control structures makes express reference to their competence in the matter at issue.

5. The Agency remains responsible for secondary regulation of the specific organisational processes through which the authorised persons fulfil all the obligations provided by the Law and specifically by the following articles:

- Article 34 (registration and conservation of documents and information);
- Article 35 (provision of IT tools);

- Article 36 (reporting);
- Article 40 (confidentiality and secrecy);
- Article 41 (control);
- Article 42 (person in charge);
- Article 44 (internal procedures and controls);
- Article 45 (foreign branches and companies).

In order to verify consistency with the legislation issued pursuant to point 4 above by the Central Bank, the Agency undertakes to acquire the non-binding opinion of the Central Bank with regard to the secondary legislation issued pursuant to this point.

Likewise, the Central Bank undertakes to acquire the non-binding opinion of the Agency before issuing, pursuant to point 4, regulations that may have a significant effect on the matters governed by the legislation issued by the Agency pursuant to this point

6. As part of its supervisory functions involving intelligence and inspection and in order to satisfy its investigative requirements, the Central Bank may carry out controls on compliance with legislative obligations, referring to both the regulations that it has issued pursuant to point 4 and those issued by the Agency pursuant to point 5. Notice of significant problems or breaches of regulations found by the Central Bank in exercising these activities will be provided to the Agency pursuant to the provisions of point 2.

7. If in performing its institutional functions the Agency becomes aware of facts or circumstances concerning financial operators, that are of significant interest for the purposes of the supervisory activities performed by the Central Bank, it will provide the latter with immediate written notice, if it believes that said notice will not in any way compromise the performance of its own functions.

8. The Central Bank and the Agency undertake – with a cooperative spirit and in compliance with the principles of confidentiality and autonomy that characterise the role – to maintain the contacts necessary to best performance of their respective functions, also with regard to any issues that are not governed by this agreement.

9. This agreement has immediate effect. The parties may request its review, providing at least three months' prior notice.

San Marino, 26 November 2008

For the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO

The Head of the Supervisory Department

For the FINANCIAL INTELLIGENCE AGENCY

The Director

23. Annex 20 - FIA chart (draft) (restricted)

24. Annex 21 – FIA letter Prot 087675 (restricted)

25. Annex 22 – FIA letter Prot 7713 (restricted)

26. Annex 23 – CBSM Letter comunicazione personale (restricted)

27. Annex 24 – Court Letter Ref 400 (restricted)

28. Annex 25 – Court Letter Ref 401 (restricted)

29. Annex 26 – Guidelines lawyers (restricted)

30. Annex 27 – Guidelines accountants (university degree) (restricted)

31. Annex 28 – Guidelines accountants (restricted)

32. Annex 29– Table AML/CFT sanctions

CRIMINAL AND ADMINISTRATIVE SANCTIONS OF THE LAW NO.92/2008

Criminal Sanctions

Conducts or actions punished	Punishment	Reference Within the Law No.92/2008
Preventive measures – Obstacle to CDD Requirements		
The "Omissions or false statements regarding customers" punishes anyone omitting or providing false information when requested to provide information for applying customer due diligence obligations set forth in the Articles from 21 to 29	Second degree imprisonment (6 months–3 years) and Fine	Article 54
Preventive measures – Reporting requirements and "tipping off"		
The "Violation of secrecy of reports" punishes anyone disclosing that a report has been made or that an investigation in underway or might be initiated.	First degree imprisonment (3 months–1 year) and pecuniary sanction	Article 53, Para 1
The "Violation of secrecy of reports" punishes anyone who, knowing that a suspicious transaction report has been filed by the Agency (FIU) , informs the party concerned or a third party of the filing.	First degree imprisonment (3 months–1 year) and pecuniary sanction	Article 53, Para 2
The "Failure to comply with the reporting obligations" punishes anyone failing to comply with the reporting obligations prescribed in the Article 36 of the Law No.92/2008	First degree imprisonment (3 months–1 year) and pecuniary sanction	Article 55
Obstacles to the financial analysis of the Agency (FIU)		
The "Actions intended to prevent reporting" punishes anyone using violence, threatening or giving, offering or promising an advantage for the purpose of delaying or preventing that report of a suspicious transaction, even if not carried out, is transmitted to the Agency (FIU) or Judicial Authority.	Imprisonment and pecuniary sanction	Article 56, Para 1
The "Actions intended to prevent reporting" punishes anyone who uses	Second degree	Article 56, Para

violence, threatens, offers or promises an advantage, after that the report has been transmitted to the Agency (FIU) or Judicial Authority.	imprisonment (6 months–3 years)	2
The "Disregard of the orders and provisions issued by the Agency and Congress of State" punishes anyone who, without justified reason, disregards, delays or hinders the execution of an order, request or provision issued by the Agency (FIU).	Imprisonment and second degree disqualification (9 months – 2 years)	Article 57, Para 1
The "False or omitted declarations to the Agency" punishes anyone who, if required by the Agency (FIU) to provide data or information useful for the investigation, bears false declarations or withholds, entirely or in part, what he/she knows about facts for which he/she has been summoned except in the case where the person is being investigated.	Second degree imprisonment (6 months–3 years)	Article 58
The "False information in acts intended for the Agency" punishes anyone who declares or states false information in acts or documents intended for the Agency (FIU)	Second degree imprisonment (6 months–3 years)	Article 59, Para 1
The "False information in acts intended for the Agency" punishes anyone who provides the Agency with documents containing false information.	Second degree imprisonment (6 months–3 years)	Article 59, Para 2
Obstacles to the investigation of the Judicial Authority		
The "False information in acts intended for the Agency" punishes anyone who declares or states false information in acts or documents to be provided to the Judicial Authority.	Third degree imprisonment (2–6 years)	Article 59, Para 3
Restrictive Measures issued by of the Congress of State		
The "Disregard of the orders and provisions issued by the Agency and Congress of State" punishes anyone who disregards the restrictive measures adopted by decision of the Congress of State under Article 46 of the Law No.92/2008	Imprisonment and second degree disqualification (9 months – 2 years)	Article 57, Para 2
The "Evading measures for freezing funds" punishes anyone who carries out actions intended to evade measures for freezing funds referred to in article 46, paragraph 1, letter a) of the Law No.92/2008.	Third degree imprisonment (2–6 years)	Article 60

Administrative Sanctions

Conducts or actions or omissions and violations	**Range of sanctions**	**Reference within the Law No.92/2008**
Preventive measures – Violations of the CDD Requirements		
The violation of the customer due diligence obligations established by the Law No.92/2008.	pecuniary sanction from 2,000 to 40,000 euros	Article 61, Para 1
In case of violation of the CDD requirements carried out using fraudulent means.	pecuniary sanction from 4,000 to 80,000 euros	Article 61, Para 2
The violation of the obligations of abstention, if the obliged parties are not able to fulfil the obligations of customer due diligence foreseen in article 22, paragraph 1, letters a), b) and c) of the Law No.92/2008.	pecuniary sanction from 5,000 to 50,000 euros	Article 61, Para 3
The violation of the obligations to provide information for applying customer	pecuniary	Article 61, Para

due diligence obligations.	sanction from 3,000 to 50,000 euros	4
Preventive measures – Violations of the Record Keeping Requirements		
The violation of the obligations of registration and maintenance [of documents and information] set forth in article 34 of the Law No.92/2008.	pecuniary sanction from 2,000 to 40,000 euros	Article 62, Para 1
If the violation of obligation of registration is carried out using fraudulent means	pecuniary sanction from 4,000 to 80,000 euros	Article 62, Para 2
Preventive measures–Prohibition of **anonymous accounts or accounts in fictitious names**		
The Violation of the prohibition to keep anonymous accounts or accounts in fictitious names	pecuniary sanction from 2,000 to 50,000euros.	Article 63, Para 1
Preventive measures **- Limitations on the use of cash and bearer securities**		
The violation of the limits on the use of currency and bearer securities of article 31 of the Law No.92/2008	pecuniary sanction up to half the amount of each transaction	Article 63, Para 2
The violation of the provisions set forth in article 31 shall be punished with a pecuniary administrative sanction up to one half of the balance of the bearer passbook.	pecuniary sanction up to one half of the balance of the bearer passbook	Article 63, Para 3
Restrictive Measures issued by of the Congress of State		
The violation of the provisions referred to in article 47, paragraph 1, concerning the transfer, the holding or use of funds and economic resources subject to freezing.	pecuniary sanction up to double of the value of the funds or economic resources object of the transfer, holding or use	Article 64, Para 1
The violation of the provisions referred to in article 47, paragraph 2, concerning the prohibition to make funds or economic resources available, directly or indirectly, to subjects included in the lists drawn up by the appropriate Committees of the United Nations or to allocate them for their benefit.	pecuniary sanction up to double of the value of the funds or economic resources made available directly or indirectly to	Article 64, Para 2

	the designated persons, entities or groups	
The Violation of the obligation of communication regarding frozen funds and resources	pecuniary sanction from 500 to 25,000 euros	Article 65
Other sanctions		
The violation of other provisions envisaged in the Law No. 92/2008	pecuniary sanction from 200 to 20,000 euros	Article 66
The violation of the instructions issued by the Agency	pecuniary sanction from 200 to 20,000 euros	Article 67

33. Annex 30 – CBSM Annual report

CENTRAL BANK OF THE REPUBLIC OF SAN MARINO

COUNTERING OF MONEY LAUNDERING

AND TERRORIST FINANCING

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THE REGULATORY FRAMEWORK AND ACTIVITIES PERFORMED

BY THE ANTI-MONEY LAUNDERING DEPARTMENT OF THE

CENTRAL BANK OF THE REPUBLIC OF SAN MARINO

YEAR 2007 and 1st half of 2008

by the Anti-Money Laundering Department

INTRODUCTION

The drafting of this document accompanies the introduction of a particularly important piece of legislation for the Republic of San Marino, with the definitive approval by the Grand and General Council of Law no. 92 of 17 June 2008 "*Provisions for the prevention and countering of money laundering and terrorist financing*".

The aim of the new law, which came into force on 23 September 2008, is to bring the legislation of San Marino into line with the most recent international standards for the prevention and countering of money laundering and terrorist financing, and also to provide appropriate responses to certain observations made by the MONEYVAL Committee of the Council of Europe, following its visit in March 2007.

The Central Bank of San Marino contributed, through its own personnel, to the drafting of the new legislation.

The Report on the activities performed in 2007 by the Anti-Money Laundering Department of the Central Bank of San Marino as part of the countering of money laundering and terrorist financing is, obviously, based on the legislative provisions previously in force. It also includes the activities performed during the first half of 2008.

1 THE REGULATORY FRAMEWORK

The new legal provisions

Law no. 92 of 17 June 2008 "Provisions for the prevention and countering of money laundering and terrorist financing" is undoubtedly an important instrument for the prevention and suppression of money laundering. It demonstrates the Republic of San Marino's continued commitment to countering a problem that can cause severe damage to the country's image and undermine the stability of the country's banking and financial system.

The changes and updates introduced by the new legislation to the rules on anti-money laundering are accompanied by significant regulatory measures and sanctions aimed at preventing and countering international terrorist financing, in order to more effectively protect San Marino's economic and financial system against terrorist organisations that threaten stability and peace, even though the Republic has so far been immune to these problems.

The main features of the new law are set out in more detail below.

Title II establishes the Financial Intelligence Agency, namely the central national Authority responsible for receiving, requesting, analysing and communicating information to the competent authorities relating to the prevention and countering of money laundering and terrorist financing.

The new Agency will perform its tasks and functions autonomously and independently, also in relation to the Central Bank where it is established.

The Director and Vice Director of the Agency will be appointed by the Congress of State, on proposal by the Committee for Credit and Savings, having consulted the Central Bank.

The Agency is required to submit an annual report on its operations to the Grand and General Council. It may also propose the adoption of measures aimed at improving the effectiveness of the countering of money laundering and terrorist financing.

Title III identifies and regulates the preventive measures against money laundering and terrorist financing and lists the persons – financial and non-financial – subject to the requirements of the law. This title also governs the customer due diligence requirements, including for the beneficial owner of the account, providing for a risk based approach, which varies depending on the degree of risk associated with the customers, and may result in simplified or enhanced customer due diligence requirements.

Title IV introduces and regulates the measures to prevent, counter, and suppress terrorist financing and the activities of persons and countries that threaten international peace and stability. To this end, the Congress of State is due to resolve the adoption of restrictive measures, including for example the freezing of funds that belong to the persons identified in the United Security Council Resolutions.

Title V lays down provisions aimed at improving the effectiveness of the participation by the police forces in the prevention and countering of money laundering, whereas Title VI establishes and updates the penalty system and the criminal, civil and administrative framework for failure to comply with the various provisions of the law. It also introduces specific rules on the invalidity of acts of disposal for assets susceptible to confiscation.

Title VII introduces amendments to the criminal legislations to ensure the suppression of acts that could constitute the grounds for the crime of money laundering, to extend the so-called confiscation by equivalent, to govern the extradition of persons under investigation or sentenced for terrorist crimes and to update the Central Bank's institutional framework following the establishment of the Financial Intelligence Agency.

Finally, Title VIII contains the transitional and final provisions aimed at ensuring the gradual introduction of the new requirements, also in implementation of the instructions to be issued by the new Agency. Until the start up of the new Agency the Central Bank will continue to be responsible for the prevention and countering of money laundering and terrorist financing.

The previous regulations

The previous anti-money laundering and terrorist financing regulations were contained in Law no. 123 of 15 December 1998 "*Law against money laundering and usury*", and Law no. 28 of 26 February 2004 "*Provisions for the countering of terrorism, money laundering and insider trading*".

Law no. 123 of 15 December 1998 introduced the crime of money laundering, with Article 199 *bis* of the Penal Code, and also adopted criminal measures of a suppressive nature such as, for example, the confiscation of proceeds from the crime.

Law no. 123/1998 enhanced the so-called "protective measures", already contained in Decree no. 71 of 29 May 1996 "*Anti-money laundering provisions*". These measures included restrictions on the use of cash and bearer securities, and the requirements for customer identification and transaction recording and the reporting of suspect transactions.

The restriction on the use of cash prohibited anyone from making transfers of cash or bearer securities for an amount exceeding 15,500 euro other than through the "authorised persons" referred to in Article 6 of Law no. 123/1998, namely banks and financial/fiduciary companies.

The "authorised persons" were required to identify the customers, record their identification details and the transactions carried out by them, in accordance with the instructions issued by the Central Bank.

Under this legislation, the "authorised persons" were required to report to the Central Bank transactions relating to capital or goods that they suspected, due to their characteristics, size, nature or any other reason, could have originated from the crime of money laundering, based on the national legislation.

Law no. 28 of 26 February 2004 "*Provisions for the countering of terrorism, money laundering and insider trading"* extended the customer identification, transaction recording and suspect transaction reporting requirements to other types of persons, including:

- Those undertaking financial and non financial activities, including, for example, financial advisors, insurance agencies, credit recovery, auction houses or art galleries, trade in antiques, real estate brokerage, the running of casinos and betting shops, and the manufacture, brokerage and trade, including the import and export, of precious objects and stones, including Postal Offices;
- Independent professionals, namely auditors, external accountants, tax advisors and notaries, lawyers, and other independent legal and commercial professionals in relation to assistance to customers in transactions for the purchase and sale of immovable assets or businesses, in the incorporation, management and administration of companies, in the management of customers' assets and bank accounts, also acting in the name and on behalf of the customer in any financial or real estate transaction, except for the appropriate exemptions for the defence and representation of the customer in legal proceedings.

The main legal provisions were accompanied by the following legislative and regulatory provisions, which completed the regulatory framework:

Decree no. 71 of 29 May 1996 "Anti-money laundering provisions";

Circular of 27 January 1999 "Instructions to authorised intermediaries for the application of law no. 123 of 15 December 1998";

Circular of 12 February 2003 "Additional instructions to authorised intermediaries for the application of law no. 123 of 15 December 1998";

Instruction 2008-01 "Operational rules and procedural aspects concerning the countering of money laundering and terrorist financing";

Instruction 2008-02 "Enhanced procedures for due diligence on customers resident or located in countries subject to strict monitoring by the FATF".

As noted in the introduction, in order to meet the international best practice in the sector and to ensure high standards of protection for the financial system, in accordance with the provisions of the international organisations, during 2007 the Central Bank of the Republic of San Marino worked together with the San

Marino Authorities to draw up a legislative text adopting the main principles contained in the FATF 40 + 9 Recommendations and the European Directive 2005/60/EC of 26 October 2005.

Anti terrorist financing measures and the implementation of the United Nations resolutions

To ensure effective international cooperation in the countering of terrorism and its financing and to comply with the provisions of the United Nations Security Council Resolutions no. 1267/1999 and no. 1373/2001 as amended, the Republic of San Marino, by means of Resolution no. 1 of the Congress of State of 5 November 2001, enacted immediate measures to block capital ascribable to the persons included in the lists issued by the relevant international committees or organisations, and at the same time it appointed the Central Bank to adopt the necessary implementation measures.

The Central Bank, consequently, regularly sends the aforementioned lists to the lending and financial intermediaries.

The Congress of State, by Resolution no. 8 of 3 August 2007, also implemented Resolutions 1737/2006 and 1747/2007 of the United Nations Security Council, which established restrictions on persons and entities involved in Iran's nuclear and missile programmes.

Also in this case, the Central Bank has sent the authorised intermediaries the names of the persons included in the lists in the aforementioned Resolutions and reported to the Secretary of State for Foreign Affairs on the results of its investigations.

Law no. 28 of 26 February 2004 *"Provisions for the countering of terrorism, money laundering and insider trading"* introduced the crime of "Association for the purpose of terrorism and subversion of the constitutional order" with Article 337 *bis* of the Penal Code and updated the penal measures associated with this crime.

With regard to the prevention and countering of money laundering, Law no. 28/2004 governed certain investigatory measures aimed at the obtainment of evidence by the Single Court, through the specialised personnel of the Police Forces, and authorised the Central Bank to order the blocking of funds whenever there is serious and consistent evidence relating to the crimes of money laundering or terrorist financing.

2 THE ROLE OF THE CENTRAL BANK IN COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

The roles of the Central Bank of the Republic of San Marino

Law no. 96 of 29 June 2005 "*Statutes of the Central Bank of the Republic of San Marino*" assigns the Central Bank the function of "anti-money laundering unit" (FIU – Financial Intelligence Unit).

Law no. 165 of 17 November 2005 *"Law on Enterprises and Banking, Financial and Insurance Services"* reiterates that the aims of the Central Bank include the countering of money laundering and terrorist financing.

In order to implement the abovementioned legislative provisions, the Central Bank has made use of the Anti-Money Laundering Department, since 2005, as an organisational unit specifically dedicated to these functions.

Functions and powers

The functions and powers assigned to the Central Bank by its Statutes, for its role as anti-money unit, include the following:

- Drafting "Instructions", such as the provisions implementing the requirements for customer identification, transaction recording and suspect transaction reporting;
- Receiving reports of suspect money laundering or terrorist financing transactions from authorised intermediaries;
- Conducting financial analyses of suspicion reports and sending them to the Single Court, when their findings indicate that the actions and events could constitute the crime of money laundering;
- Implementing measures for the freezing or temporary blocking of funds deposited with the San Marino authorised intermediaries in order to suppress the crimes identified in Articles 199 *bis* and 337 *bis* of the Penal Code;
- Conducting financial investigations, in cooperation with the Police Forces, subject to authorisation by the Law Commissioner;
- Engaging in international cooperation in the countering of money laundering and terrorist financing with foreign financial intelligence units.

With regard to the countering of terrorist financing and the application of the United Nations Resolutions, the Central Bank must promptly send the authorised intermediaries:

- Updated lists of the Resolutions of the United Nations and its Committees;
- Updated lists of the European Union issued through its Regulations.

3 THE INTERNATIONAL ACTIVITIES OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO

The MONEYVAL Committee of the Council of Europe

The Republic of San Marino is a member of the MONEYVAL Committee[30] of the Council of Europe. The Central Bank – in its role as Financial Intelligence Unit – always actively attends the plenary sessions that are called on a regular basis by this organisation.

The MONEYVAL Committee is responsible for assessing the anti-money laundering and anti-terrorist financing measures adopted by its member countries by means of on-site visits, and drafts the related Reports, which contain the recommendations that the countries must adopt in order to comply with the international standards, which include the FATF recommendations.

In March 2007, the Republic of San Marino underwent the third round of assessment, by a group of experts from MONEYVAL, based on the legislation and regulations issued by the San Marino authorities.

The two previous visits were made in 2001 and 2003.

The Report of the Republic of San Marino, concerning the third round of assessment, was adopted at the MONEYVAL Plenary meeting held in Strasbourg in April 2008.

The plenary meeting held in July 2008 then discussed the First Compliance Report, in which San Marino illustrated to MONEYVAL the regulatory, institutional and operational amendments implemented as a result of the observations made by the organisation.

[30] The MONEYVAL Committee was established within the Council of Europe and is tasked with assessing the anti-money laundering and anti-terrorist financing measures adopted by its member countries by means of regular on-site visits and the drafting of Reports, which are then published on its internet site (www.coe.int/moneyval).

The next MONEVAL plenary meeting, which will be held in December 2008, will discuss and examine the additional measures adopted by San Marino following the entry into force of the new law 92/2008.

The Egmont Group

In June 2005 the Central Bank became a member of the Egmont Group[31] as the Financial Intelligence Unit for the Republic of San Marino.

The Egmont Group currently consists of 108 FIUs representing their respective countries. The full list of FIUs belonging to the Group is available at the Group's internet site.

Membership of the Egmont Group has provided the Central Bank with the opportunity to establish relations with the FIUs of numerous countries, including from outside Europe. The cooperation with the other FIUs takes place through the drawing up of agreements in the form of Memorandums of Understanding, under conditions of reciprocity.

These agreements are based on the confidentiality of the information exchanged and are solely for the purpose of countering money laundering and terrorist financing, in compliance with each country's national laws. The communications between the FIUs take place through a secure channel called the Egmont Secure Web (ESW).

The Central Bank attended the 15th plenary session, held in Bermuda in May 2007.

4 ACTIVITIES PERFORMED BY THE ANTI-MONEY LAUNDERING DEPARTMENT OF THE CENTRAL BANK IN 2007 AND IN THE FIRST HALF OF 2008

The Anti-Money Laundering Department

The Anti-Money Laundering Department, which was formally established in 2005, generally performs the activities typically carried out by a Financial Intelligence Unit, namely the analysis of suspect transactions reported by persons subject to the anti-money laundering requirements. These activities are accompanied by regulatory operations (also conducted with the aid of the Banking and Financial Regulation Department) and inspections (also conducted with the aid of the Central Bank's Supervisory Inspection Department).

The other activities of the Anti-Money Laundering Department, already referred to above, involve the countering of terrorist financing, national cooperation with the other Authorities, and international cooperation.

More specifically, international cooperation involves the exchange of information with other Financial Intelligence Units, on the basis of specific Memorandums of Understanding, under conditions of reciprocity.

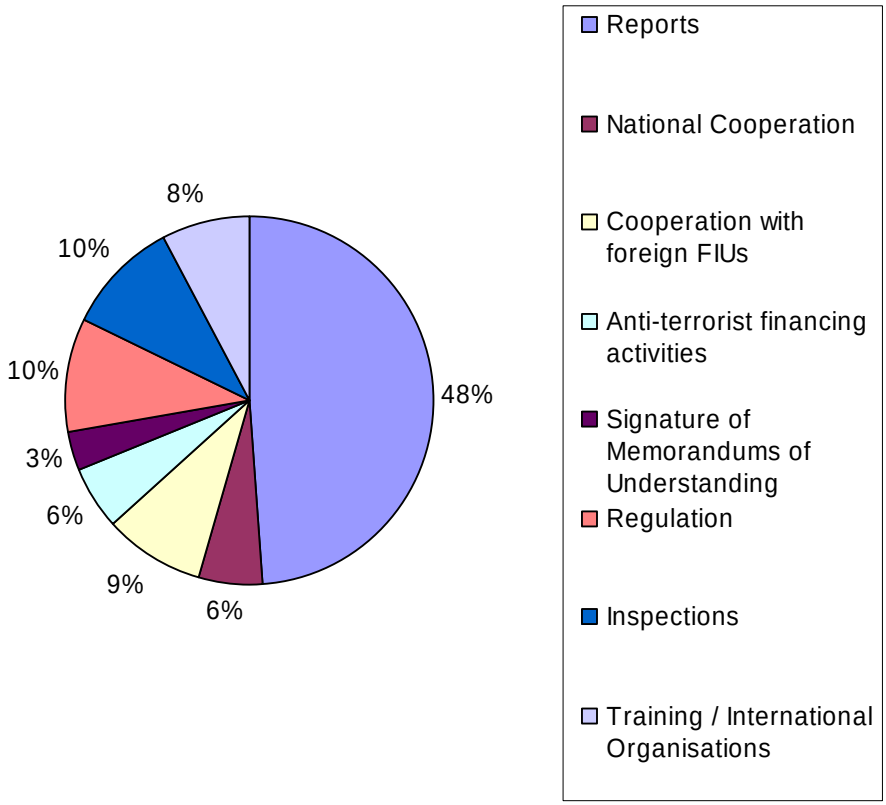
As regards the organogram, the Anti-Money Laundering Department has been under the Supervision Committee since June 2008. This Committee, according to the provisions of the Statutes of the Central Bank and prior to the amendments made to the Statutes by Law 92/2008, was the decision making Body on matters involving the countering of money laundering and terrorist financing. Previously, the Anti-Money Laundering Department was under the Supervisory Department 1.

[31] The Egmont Group is a major non-governmental organisation made up of 108 FIUs representing their respective countries. Its purpose is to facilitate and enhance the work of the sector authorities in the countering of money laundering and terrorist financing (www.egmontgroup.org).

Breakdown of activities

The figures below show the breakdown in percentages of the activities performed by the Anti-Money Laundering Department in the year 2007 and in the first half of 2008.

Figure 1. – Main activities performed by the Anti-Money Laundering Department in 2007

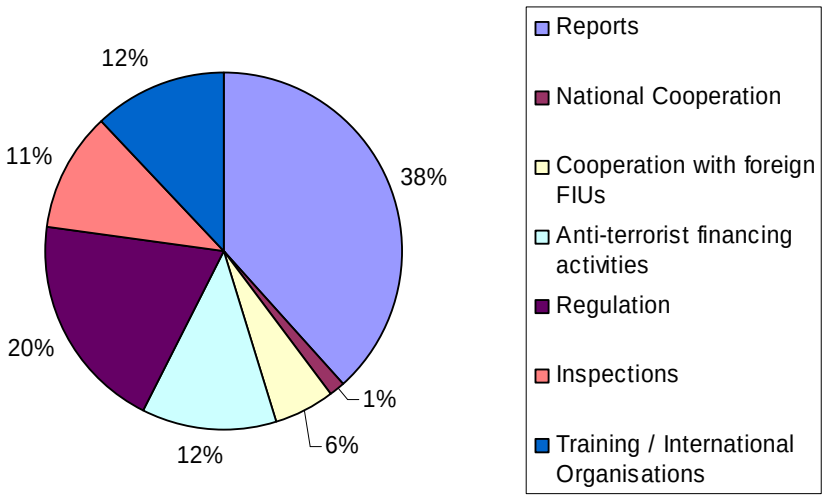


Source: Central Bank, Anti-Money Laundering Department.

As noted in item 4.1, the main activities performed by the Anti-Money Laundering Department in 2007 were those typical of a Financial Intelligence Unit, namely the examination of suspicion reports from a financial perspective.

Inspections also played an important role during the year, both on the Department's own initiative and on request by the San Marino Judiciary, which were conducted in association with the personnel of the Supervisory Inspection Department. Regulatory activities were also intense especially in relation to the preparation of the first draft of the new legislative text on the subject and the associated regulations.

Figure 2.– Main activities performed by the Anti-Money Laundering Department in the first half of 2008



Source: Central Bank, Anti-Money Laundering Department.

In the first half of 2008 the main activity of the Anti-Money Laundering Department again involved the analysis of suspect transaction reports received from the Central Bank. We note that, compared to 2007, although there was an increase in reports received, the time spent on their examination decreased (-10%), and this was due to the increase in the activities linked to regulation.

Specifically, with regard to regulation, we note that the Anti-Money Laundering Department was heavily involved in setting out the legislative text approved in June, and this was accompanied by the issue of Instruction 2008-01 (Operational rules and procedural aspects concerning the countering of money laundering and terrorist financing) and Instruction 2008-02 (Enhanced procedures for due diligence on customers resident or located in Countries, Jurisdictions or Territories subject to strict monitoring by the FATF).Finally, following the approval of Law 92/2008, numerous meetings were held with the Professional Associations of Lawyers and Notaries, and Chartered and Certified Accountants, with the aim of issuing a specific Instruction for these categories, subject to the new legislative provisions.

Reports of suspect transactions and anomalous transactions

Under the anti-money laundering legislation any transaction that, due to its characteristics, size, nature or any other reason, leads to the suspicion that the money, assets or other benefits from the transaction may originate from the crime of money laundering must be reported to the Central Bank's Anti-Money Laundering Department.

The Anti-Money Laundering Department consequently receives and analyses these reports – from a financial perspective – and forwards them on to the Legal Authorities, if their findings indicate that the facts reported could constitute the crime of money laundering. Otherwise, the reports are archived.

The reports are divided into two categories, on the basis of the provisions of the current regulations:

"suspect transactions" (transactions usually carried out with the intermediaries);

"anomalous transactions" (transactions proposed by potential new customers that the intermediaries do not carry out because they involve, on the whole, alleged attempts of fraud).

The names reported by the authorised intermediaries in relation to anomalous transactions are promptly notified to all the authorised intermediaries, in order to prevent any potential unlawful actions.

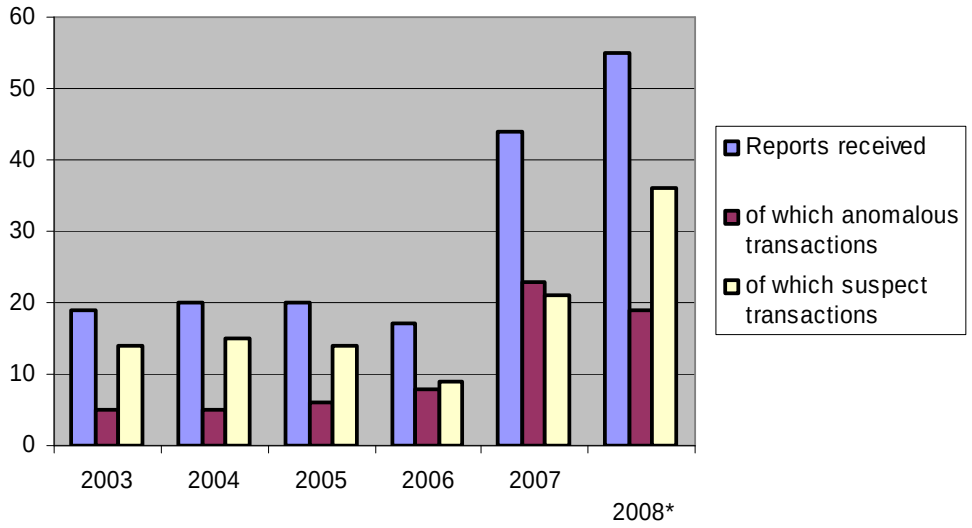
Details are provided below of the reports received by the Central Bank in the period 2003 – 1st half of 2008 (Table 1 and Figure 3) and the reporting persons (Figures 4 and 5).

Table 1: Reports received from the Anti-Money Laundering Department

	2003	2004	2005	2006	2007	2008*
Reports received:	19	20	20	17	44	55
of which anomalous transactions	5	5	6	8	23	19
of which suspect transactions	14	15	14	9	21	36
sent to the Court	2	2	1	1	3	1

Source: Central Bank, Anti-Money Laundering Department
Notes: *Figure as at 30.06.2008

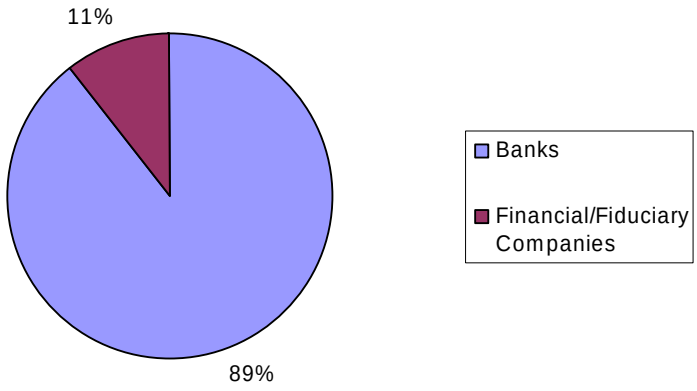
Figure 3: Reports received



Source: Central Bank, Anti-Money Laundering Department

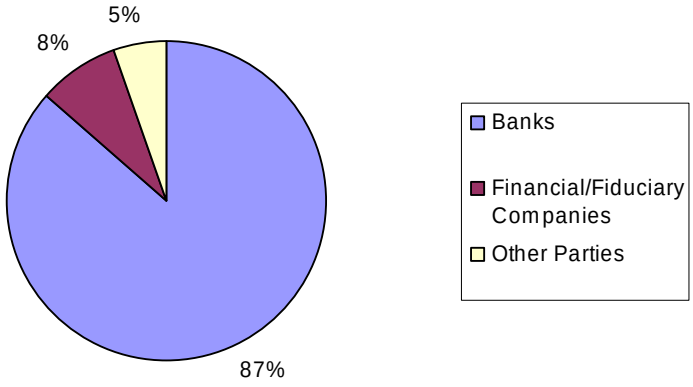
Notes: *Figure as at 30.06.2008

Figure 4: Reporting persons; year 2007



Source: Central Bank, Anti-Money Laundering Department

Figure 5: Reporting persons; first half of 2008



Source: Central Bank, Anti-Money Laundering Department

The significant increase in the number of reports in 2007 demonstrates the heightened awareness of the San Marino intermediaries about the subject of anti-money laundering. This growth has also continued this year. Indeed, as at 30 June 2008, a total of 55 reports had been made to the Anti-Money Laundering Department.

There were, however, no reports either during the year 2007 and the first half of 2008 relating to international terrorist financing. None of the persons or entities included in the lists released by the United Nations have ever had any relations of any kind with San Marino's authorised intermediaries.

International cooperation

As at the date of this Report, the Central Bank had signed Memorandums of Understanding with the following Financial Intelligence Units:

- Italy, Italian Exchange Rate Office (now FIU - Financial Intelligence Unit), 2001;
- Czech Republic, Financial Analytical Unit, 2003;
- Principality of Monaco, SICCFIN, 2005;
- Republic of Peru, UIF-Peru, 2005;
- Republic of Slovenia, Office for Money Laundering Prevention, 2006;
- Israel, Israel Money Laundering Prohibition Authority, 2006;
- Liechtenstein, Financial Intelligence Unit, 2007;
- Luxembourg, Parquet du Tribunal D'Arrondissement, 2007;
- Sweden, Finanspolisstyrelsen Rikspolisstyrelsen, National Criminal Intelligence Service, 2007;
- Swiss Confederation, Money Laundering Reporting Office Switzerland (MROS), 2008;
- Norway, OKOKRIM, 2008.

The table below summarises the international cooperation with the FIUs of other countries.

Table 2: Cooperation between FIUs

	2003	2004	2005	2006	2007	2008*
Requests for cooperation made by the Anti-Money Laundering Department	1	0	0	2	4	1
Requests for cooperation received by the Anti-Money Laundering Department	2	4	2	9	8	8

Source: Central Bank, Anti-Money Laundering Department
Notes: *Figures as at 30.06.2008

San Marino, 15 October 2008

34. Annex 31 – Supervision Committee Decision no. 370

MEETING OF THE SUPERVISION COMMITTEE ON 30 JULY 2008

Called by the (BCSM) Director General, are presents at the head office of the Central Bank of the Republic of San Marino located in Via del Voltone n.120, the following members of the Supervision Committee:

1. *Name* Director General
2. *Name* Inspector
3. *Name* Inspector

At 10.00 am the Director General opens the meeting.

* * * * *

AGENDA:

1. **FATF Recommendation 19: establishment of a working group aimed to analyse and study the feasibility of a system outlining transactions (370)**

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1. **FATF Recommendation 19: establishment of a working group aimed to analyse and study the feasibility of a system outlining transactions (370)**

THE SUPERVISION COMMITTEE

Having regard:

- that during the 27° Moneyval Plenary 7-11 July 2008, the rating "non compliant" received by San Marino during the third round evaluation, concerning the FATF recommendation no.19, has not been changed;
- the reference of the Anti money laundering Service with regard to the activity to carry out a detailed evaluation about the utility and the feasibility of what recommended by the Moneyval Committee in relation to FATF Recommendation no.19;

after extensive discussion in relation to the point 1 of the agenda and with regard the aspects connected to the possible decisions,

DECIDES TO

- establish a working group composed by members of AML Service, Information Supervision Service and Inspection Supervision Service, coordinated by the Head of the AML Service;
- delegate to the working group mentioned above to conduct a study aimed to evaluates the feasibility and utility to realize such a system in order to satisfy all the conditions requested by the FATF recommendation no.19;
- give the mandate to the structure for the implementation of the present decision.

At the end of the discussion, the members of the Supervision Committee examine the text of the present minutes of the meeting and approve its content.

At 12.30 the meeting is closed.

The secretary
(signed *Name*)

The Chairman
of the Supervision Committee
(signed *Name*)

35. Annex 32 – Supervision Committee Decision no. 393

MEETING OF THE SUPERVISION COMMITTEE ON 20 November 2008

Called by the (BCSM) Director General, are presents at the head office of the Central Bank of the Republic of San Marino located in Via del Voltone n.120, the following members of the Supervision Committee:

4. *Name* Director General
5. *Name* Inspector
6. *Name* Inspector
7. *Name* Inspector

Mr. *Name* as secretary of the Supervision Committee and Mr. *Name* as Head of the AML Service and appointed Director of the Financial Intelligence Agency, are witness at this meeting

At 14.00 am the Director General opens the meeting.

* * * * *

AGENDA:

2. **FATF Recommendation 19: final evaluation, analysis and study on the feasibility of a system outlining transactions (393)**

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3. **FATF Recommendation 19: final evaluation, analysis and study on the feasibility of a system outlining transactions (393)**

THE SUPERVISION COMMITTEE

- considered the study carried out by the working group coordinated by the Head of the AML Service, established with Supervision Committee decision no.370 of 30 July 2008;
- considered some technical aspects together with the Head of the AML Service;
- after extensive and deep discussion between the members of the Supervision Committee, with regard to the feasibility and the utility for San Marino of a system described in FATF recommendation no.19;

DECIDES TO

- adopt not the system described in FATF recommendation no.19, and agree with the conclusions of the study carried out by the working group coordinated by the Head of the AML Service, also appointed Director of the Financial Intelligence Agency, on the basis of which such a system results feasible but not useful for San Marino;
- approve the study carried out by the working group, with particular reference to the reasons that lead to consider feasible but not useful this system for San Marino;
- give a feedback to the Moneyval Committee in order of this decision
- give the mandate to the structure for the implementation of the present decision.

At the end of the discussion, the members of the Supervision Committee examine the text of the present minutes of the meeting and approve its content.

At 16.30 the meeting is closed.

The secretary
of the Supervision Committee
(signed *Name*)

The Chairman
of the Supervision Committee
(signed *Name*)

36. Annex 33 – Data of police forces

STATISTIC ON SEIZURE EXECUTED BY THE POLICE AUTHORITES VALIDATED BY THE COURT

Offences	**Year**	**Seizures by pro-active action confirmed by the judge**	**Value of seizures**	**Cooperation with foreign police authorities**	
				Received	**Requested**
Theft	2007	3	€ 8.000,00	1	28
	2008	2	€ 3.000,00		27
Counterfeiting of marks	2007	1	€15.000,00		
	2008	1	€ 5.000,00		
Gambling	2007	1	€ 5.000,00		
Counterfeiting currency	2007	1	€ 100,00		1
	2008	2	€ 45.620,00		2
Total amounts	**07-08**	**11**	**€ 91.720,00**	**1**	**58**

Source: Police Forces

37. Annex 34 – Data of Interpol

STATISTICS ON COOPERATION BETWEEN POLICE FORCES INTERPOL

Offences		**Co-operation between Police Forces Interpol**	
		Received	**Requested**
Years	2007	12	4
	2008	6	5
Total		**18**	**9**

Source: San Marino National Interpol Office

38. Annex 35 – Data of cross border controls

STATISTICS ON CONTROLS CARRIED OUT BY POLICE FORCES ACCORDING TO DELEGATE DECREE N0.138 OF 31 OCTOBER 2008

GUARDIA DI ROCCA	37
GENDARMERIA	12
POLIZIA CIVILE	0

Fonte/Source: Guardia di Rocca
Note/Notes: *Dato dal 1-11-2008 al 27-11-2008 / Figure as from 1-11-2008 to 27-11-2008

TOTALE CONTROLLI: 49
TOTAL OF CONTROLS: 49

NUMERO DI RISCONTRATE VIOLAZIONI DELLE DISPOSIZIONI CONTENUTE NEL DECRETO N. 138/2008: 0
NUMBER OF VIOLATIONS ASCERTAINED OF THE DISPOSITIONS CONTAINED IN THE DECREE N. 138/2008: 0

39. Annex 36 – Data of FIA on STRs and International Cooperation

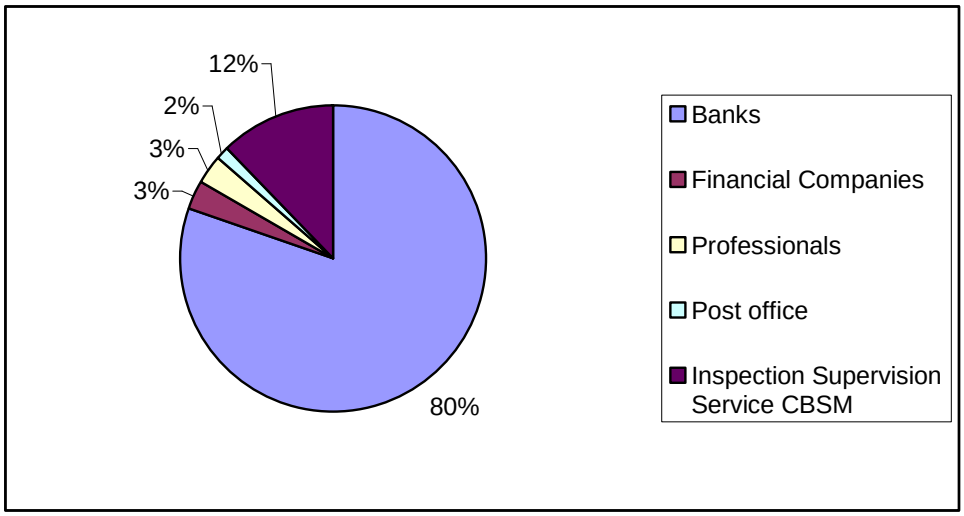
STATISTICS ON STR AND INTERNATIONAL COOPERATION OF THE SAN MARINO FIU

TABLE 1 – STR RECEIVED

	2003	2004	2005	2006	2007	2008*
STR received:	19	20	20	17	44	106
of which unusual transaction	5	5	6	8	23	38
of which suspicious transaction	14	15	14	9	21	66
send to Court	2	2	1	1	3	5
filed	12	13	10	4	5	23
under examination	0	0	3	4	13	38

Source:Central Bank, AML Service
Note: *Figure as 28.11.2008
STR sent to the Court from June 20, 2008 to November 27, 2008: **3**

TABLE 2 – REPORT ENTITIES AND PERSONS



Source:Central Bank, AML Service
Note: *Figure as 23.11.2008

TABLE 3– INTERNATIONAL COOPERATION

	2003	2004	2005	2006	2007	2008*
Requests of cooperation asked by AML Service	1	0	0	2	4	1
Requests of cooperation received by AML Service	2	4	2	9	8	9
of which granted	2	4	2	8	7	9
refused	0	0	1	0	1	0

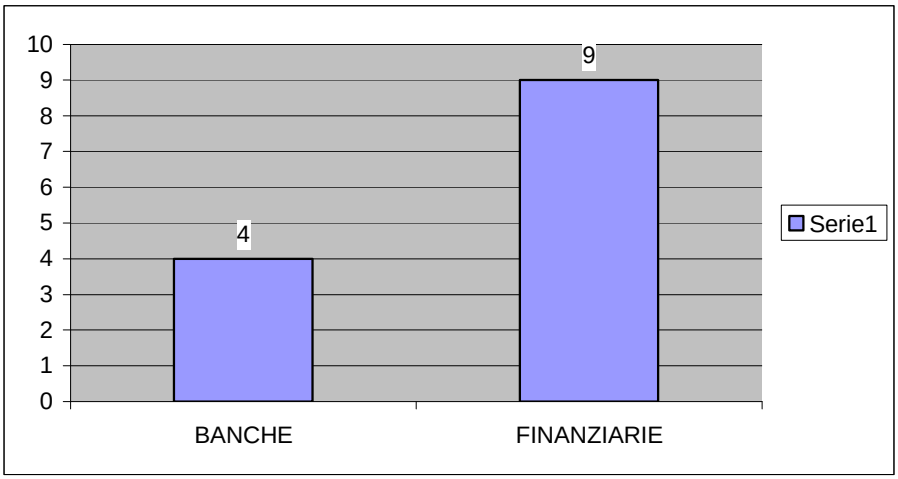
Source:Central Bank, AML Service
Note: *Figure as 23.11.2008

International Cooperation from June 20, 2008 to November 27, 2008: **3**

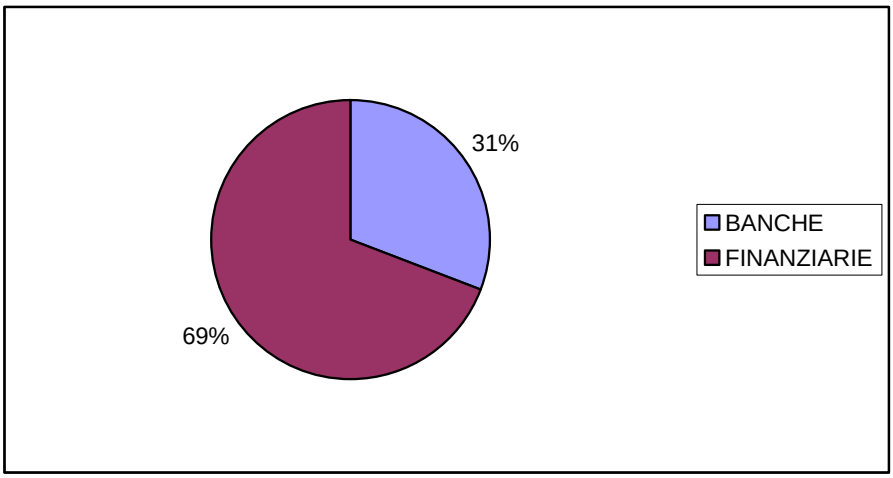
40. Annex 37 – Data of CBSM on AML/CFT Inspections

STATISTICHE SUGLI ACCERTAMENTI ISPETTIVI - 2008

STATISTICS ON INSPECTIONS - 2008



Fonte/ Source: Banca Centrale, Servizio Vigilanza Ispettiva / Central Bank, Inspection Supervision Service
Note/Note: *Dato al 23.11.2008 / Figure as 23.11.2008



Fonte/ Source: Banca Centrale, Servizio Vigilanza Ispettiva / Central Bank, Inspection Supervision Service
Note/Note: *Dato al 23.11.2008 / Figure as 23.11.2008

TOTALE CONTROLLI: 13
TOTAL OF CONTROLS: 13

MAGGIORI TIPI DI INFRAZIONI AML-CFT:

- **mancata adozione di misure organizzative interne per l'individuazione di operazioni sospette;**
- **carenze nell'assunzione di informazioni sulla clientela e acquisizione di relativa documentazione;**

- **insufficiente formazione del personale.**

MAIN TYPES OF AML/CFT INFRINGEMENT:

- *no adoption of internal organizational measures to identify suspicious transactions;*
- *shortcomings in the assumption of information concerning the customer and relating documents;*
- *insufficient staff training.*

TIPO DI MISURE/SANZIONI ADOTTATE:
TYPE OF MEASURES/SANCTION ADOPTED :

Per quanto riguarda la violazione della normativa antiriciclaggio e contrasto al finanziamento del terrorismo, BCSM ha adottato misure sanzionatorie di tipo amministrativo (vale a dire la sospensione nel caso di due società finanziarie).
Concerning the violation of the AML-CFT dispositions, CBSM adopted administrative sanctions (i.e. Suspension measures in case of two financial companies).

41. Annex 38 - Data of Court on penal proceedings

STATISTICS OF THE SINGLE COURT OF THE REPUBLIC OF SAN MARINO

SEIZURES EXECUTED FROM JUNE 20, 2008 TO NOVEMBER 27, 2008

Offences	Value (in euros)
Money laundering	128.000,00
Other offences	888.565,82

MONEY LAUNDERING PROCEEDINGS FROM JUNE 20, 2008 TO NOVEMBER 27, 2008

Number of Proceedings	Reporting Authorities	Predicate offences*
3**	FIU	2 theft, 1 "not yet identified"
2	Court	1 "receiving stolen good", 1 "embezzlement"
1	Police Forces	1 "not yet identified"

*the money laundering proceedings consider only the predicate mentioned above.
** In one of the case reported by the FIU, a separate proceedings for the predicate offence (theft) is pending in the same Court.

42. Annex 39 – Data of Court on mutual legal assistance

STATISTICS ON PASSIVE ROGATORY LETTERS

Passive Rogatory Letters received and responded	Number
Fraudulent bankruptcy	7
Money Laundering (P.O.= theft)	4
Money Laundering (P.O.= Countefeting Documents)	1
Money Laundering (P.O.= Illicit arms trafficing and partecipation on an organized criminal group)	1
Money Laundering (P.O.="not yet identified")	1
Kidnapping and extortion	1
Trafficking in human being	1
Banking offence	1
Theft	10
by internet	*3*
misappropriation	*1*
felony	*4*
felony treasonable offence	*1*
by falsehood in private contracts	*1*
Association to commit offences aimed to import and trade drugs	1
Sale of stolen property	3
Sale of stolen property and countefeiting of trade-mark	1
Sale of stolen property and falsehood in private contracts	2
Sale of stolen property related to credit cards	1
Sale of stolen propery related to work of arts	1
Fraudulent use and clonation of credit cards	1
Illicit intruduction and trade of drugs	1
Bankruptcy offences	1
Smuggling (felony)	1
Robbery and theft	2
War crimes	1
Total	**29**

Source: Single Court
Period: January 1, 2008 – November 25, 2008