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Italy
Banking & Finance

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This country-specific Q&A provides an overview of banking & finance laws and regulations applicable in Italy.

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Italy: Banking & Finance

1. What are the national authorities for banking regulation, supervision and resolution in your jurisdiction?

The national authorities responsible for banking regulation, supervision and resolution in Italy are the European Central Bank ("ECB"), the Bank of Italy and the Interministerial Committee for the Credit and the Savings ("CICR").

The ECB is responsible for banking supervision in the Euro area under the Single Supervisory Mechanism ("SSM") and supervises significant entities.

The Bank of Italy seeks to ensure the sound and prudent management of intermediaries, the overall stability and efficiency of the financial system and compliance with the rules and regulations of supervised banking intermediaries. The Bank of Italy is the designated as National Competent Authority ("NCA") under the Single Supervisory Mechanism ("SSM").

The Bank of Italy is also the Italian Supervisory Authority in charge of resolution and crisis management for banks and non-bank intermediaries as well as extra-EU banks established in Italy, pursuant to Legislative Decrees N.180 and 181 dated 16 November 2015, transposing Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms. Within the Bank of Italy, this function is entrusted to the Resolution and Crisis Management Unit.

The CICR is responsible for the overall supervision of credit and the protection of savings. The CICR deliberates, on the proposal of the Bank of Italy, on the principles and criteria for the exercise of supervision.

2. Which type of activities trigger the requirement of a banking licence?

Pursuant to Article 10 of the Legislative Decree No. 385 dated 3 September 1993 on Consolidated Banking Act ("CBA"), Banking activities consist of savings collection from the public as well as the granting of credit in any form.

The activity of savings collection consists of the acquisition of funds with an obligation of repayment, both in the form of deposits and in other forms.

Financing activities fall within the scope of the granting of credit. Pursuant to Article 2 of Ministerial Decree dated 2 April 2015 N. 53, the granting of financing in any form implies the granting of credit, including the issue of guarantees in lieu of credit and endorsement commitments as well as any other form of financing in the form of:

- Financial leases;
- Purchase of receivales;
- credit to consumers in the form of deferred payment, loans or other financial facilities;
- mortgage credit;
- loans secured by pledges;
- issuing guarantees, endorsements, opening documentary credit, acceptance, endorsement, commitment to grant credit, as well as any other form of issuing guarantees and signature commitments.

3. Does your regulatory regime know different licenses for different banking services?

Yes. Under the CBA, financing activities can also be provided by the following intermediaries:

- financial intermediaries carrying out financing activities, as defined by Article 2 of Ministerial Decree dated 2 April 2015 N. 53;
- "Confidi" are intermediaries that exclusively carry out collective credit guarantee activities and related or instrumental services;
- "Operatori del microcredito" (microcredit operators) exclusively grant loans to natural persons or companies.

The Italian regulatory framework provides exemptions for specific intermediaries from authorisation requirements for financing activities:

- Management company and investment firms are allowed to carry out financing activities if connected to the provision of investment services;
- Close-ended alternative investment funds can be formed as credit fund;
- special purpose vehicles for securitization transactions in compliance with limits set forth by

Article 1 (1-ter) of Law dated 30 April 1999 N. 130;
- insurance companies within the limits by the Italian insurance supervisory Authority ("IVASS") Regulation No 24 dated 6 June 2016 pursuant to Article 38(1-bis) of Legislative Decree dated 7 September 2005, N. 209 on Private Insurance Code.

4. Does a banking license automatically permit certain other activities, e.g., broker dealer activities, payment services, issuance of e-money?

Yes. in addition to activities and services outlined in response to question n. 2, Italian banking license may encompass the following services, provided that the relevant request is submitted by the applicant bank:

- Issuing and administering other means of payment (e.g. travellers' cheques and bankers' drafts);
- Guarantees and commitments;
- Payment services;
- Trading for own account or for account of clients in any of the following:
  - money market instruments (cheques, bills, certificates of deposit, etc.);
  - foreign exchange;
  - financial futures and options;
  - exchange and interest-rate instruments;
  - transferable securities.
- Participation in securities issues and the provision of services relating to such issues;
- Advice to undertakings on capital structure, industrial strategy and related questions and advice as well as services relating to mergers and the purchase of undertakings;
- Money broking;
- Portfolio management and advice;
- Safekeeping and administration of securities;
- Credit reference services;
- Safe custody services;
- Issuing electronic money including electronic-money tokens as defined in Article 3(1), point (7), of Regulation (EU) No 2023/1114;
- Issuance of asset-referenced tokens as defined in Article 3(1), point (6), of Regulation (EU) No 2023/1114;
- Crypto-asset services as defined in Article 3(1), point (16), of Regulation (EU) No 2023/1114;
- Credit servicer and credit purchaser services pursuant to Directive (EU) No 2021/2167 on credit servicers and credit purchasers.

Banks are allowed to provide:

- investment services subject to the authorization granted by Bank Italy, after having obtained the approval of CONSOB;
- Crowdfunding services pursuant to Regulation (EU) No 2020/1503 subject to the authorization granted by the competent national supervisory authority (Bank of Italy);
- insurance distribution services requiring the enrollment in the single register of intermediaries (section D) granted by the competent national supervisory authority (IVASS).

5. Is there a "sandbox" or "license light" for specific activities?

Yes. Banking regulatory sandbox has been introduced in Italy by Decree of the Ministry of Economics and Finance N. 100 dated 30 April 2021 ("**Decree**"), implementing Decree Law 34/2019, setting out the "FinTech Committee rules and experimentation".

Application to sandbox can be filed for activities using innovative technology affecting the banking sector and which, alternatively, are:

- subject to prior authorization by the Bank of Italy (or fall within the cases of exclusion or exemption provided for by the applicable laws);
- carried out in favour of entities that are supervised or regulated by at least one supervisory authority (also operating in Italy pursuant to the freedom to provide services or the right of establishment through a branch);
- carried out by entities, which are supervised or regulated by at least one of the supervisory authorities or by a foreign entity operating in Italy pursuant to the freedom to provide services or the right of establishment through a branch.

The request for admission is free of charge and is available exclusively to operators who meet all the eligibility criteria set forth by Articles 7 and 8 of the Decree of the Ministry of Economics and Finance N. 100 dated 30 April 2021 ("Decree"). The application may be submitted during specific time-windows established by the Bank of Italy, by submitting the application form together with the documentation required by Article 10 of the Decree.

Admission to the sandbox allows applicants to benefit from specific derogations granted at the Bank of Italy's discretion, which may concern the following areas:

- capital requirements;
- simplified requirements proportionate to the activities

to be carried out;
- operating perimeters;
- reporting requirements;
- timeframes for the granting of authorisations;
- professionalism requirements for corporate officers;
- corporate governance and risk management profiles;
- admissible corporate forms;
- possible financial guarantees.

6. Are there specific restrictions with respect to the issuance or custody of crypto currencies, such as a regulatory or voluntary moratorium?

At a national level, Legislative Decree N. 129 dated 5 September 2024 has been adopted in order to adapt Italian legislation to Regulation (EU) No 2023/1114 on Markets in Crypto-assets ("MiCAR"). The Legislative Decree designates the Bank of Italy and Consob as the competent authorities for the supervision and regulation of the crypto-asset sector.

The activities of issuing, offering to the public and admission to trading of asset-referenced tokens ("ART") or e-money tokens ("EMT"), as well as the provision of services for crypto-assets are therefore reserved for the categories of entities expressly identified by MiCAR.

In summary:

- the issuance, public offering and request for admission to trading of ART is reserved to specialized entities, based on a specific authorization and supervision regime as well as credit institutions authorized under Article 17 of MICAR;
- the issuance, public offering and request for admission to trading of EMT is reserved to banks and electronic money institutions ("IMEL") pursuant to Article 17 of MICAR;
- services for crypto-assets is reserved, pursuant to Article 3(16) of MICAR, to authorized crypto-asset service providers ("CASP"), as well as credit institutions, central securities depositories, investment firms, market operators, electronic money institutions, UCITS management companies, or an alternative investment fund managers that are allowed to provide crypto-asset services pursuant to Article 60 of MICAR.

Pursuant to Article 45 of Legislative Decree N. 129 dated 5 September 2024, as from 27 December 2024 and until 30 June 2025, services relating to the use of virtual currencies or digital wallets may continue to be provided only by legal entities already enrolled in the special section of the Register of the OAM – Organismo Agenti e Mediatori (so-called VASP). VASPs applying for authorization as CASPs by 30 June 2025 may continue to operate pending the authorization process, until the authorization is granted or denied, but no later than 30 December 2025. VASPs that will not apply for authorization as CASPs by 30 June 2025 will have to cease their activities and arrange for the termination of existing contracts and the return of crypto-assets and funds to their customers.

7. Do crypto assets qualify as deposits and, if so, are they covered by deposit insurance and/or segregation of funds?

No. ART and EMT do not constitute deposits.

However, pursuant to Article 19 of the Legislative Decree N. 129 dated 5 September 2024, the reserve of assets of any ART or EMT deposited with a CASP is segregated from assets of CASP as well as assets belonging to other clients.

Each reserve of assets is intended to satisfy the redemption rights of ART or EMT holders for which it was established.

Actions by creditors of CASP in connection with or in the interest of the crypto-assets, as well as actions by creditors of or in the interest of the custodian or sub-custodian, if any, shall not be permitted in respect of such assets. Actions by creditors of individual clients are permitted to the extent of the reserve assets held by such clients. CASPs may not use for their own account clients' funds held by them in any capacity whatsoever.

Statutory and judicial offsets do not apply and no contractual offsetting may be agreed with respect to claims of the depositary against the issuer of ART and EMT.

With regard to funds belonging to clients, banks, payment institutions and e-money institutions operating as CASP are subject to the provisions of the respective sectoral regulations.

8. If crypto assets are held by the licensed entity, what are the related capital requirements (risk weights, etc.)?

As a preliminary remark, CASPs are required to have in place prudential safeguards equal to an amount of at least the higher of the following:

- the amount of the permanent minimum capital requirements indicated in Annex IV of MICAR according to services provided by the CASP, depending on the type of the crypto-asset services provided; and
- one quarter of the fixed overheads of the preceding year, to be reviewed on annual basis.

Prudential requirements indicated above are satisfied in the following forms or a combination thereof:

- own funds, consisting of Common Equity Tier 1 items and instruments referred to in Articles 26 to 30 of Regulation (EU) No 575/2013 ("CRR") after the deductions and without the exemptions provided by CRR;
- an insurance policy covering the territories of the European Union where crypto-asset services are provided or a comparable guarantee.

With respect to banks and investment firms within the scope of Regulation (EU) No 575/2013 ("CRR"), Article 501d provides that institutions shall calculate their own funds requirements for crypto-asset exposures as follows:

a. crypto-asset exposures to tokenised traditional assets shall be treated as exposures to the traditional assets that they represent;
b. exposures to asset-referenced tokens whose issuers comply with Regulation (EU) No 2023/1114 and that reference one or more traditional assets shall be assigned a risk weight of 250 %;
c. crypto-asset exposures other than those referred to in points (a) and (b) shall be assigned a risk weight of 1 250 %. By way of derogation from the first subparagraph, point (a), crypto-asset exposures to tokenised traditional assets whose values depend on any other crypto-assets shall be assigned this point (c);
d. the value of an institution's total exposure to crypto-assets other than those referred to in points (a) and (b), shall not exceed 1 % of the institution's Tier 1 capital;
e. for the calculation of their own funds requirements for crypto-asset exposures, deduction regarding intangible assets shall not apply.

On date January 8th 2025, EBA launched a consultation, which is still ongoing, on Draft Regulatory Technical Standards to specify the technical elements necessary for institutions to calculate and aggregate crypto-asset exposures in relation to the prudential treatment of such exposures.

9. What is the general application process for bank licenses and what is the average timing?

European Central Bank ("ECB") is the supervisory authority exclusively responsible for granting banking licences to credit institutions established in the Member States participating in the Single Supervisory Mechanism ("SSM"). In this respect, the Bank of Italy receives licensing applications and conducts preliminary assessments in cooperation with the ECB.

Pursuanto to Article 14 of the CBA and Circular n. 285 of the Bank of Italy dated 17 December 2013 on supervisory provisions for banks, an entity applying for banking licences must meet the following requirements:

a. legal form of a joint-stock company or a cooperative company ("società cooperativa");
b. registered office and headquarters in Italy;
c. initial share capital of at least:
    - €10 million for banks in the form of public limited companies, "popolari" banks and mutual loan guarantee banks;
    - €5 million for cooperative credit banks;

The application for banking license must be accompanied by a number of documents, including by way of example, the following

d. programme for the initial activity, together with the articles of association, the bylaws, an indication, if applicable, of the composition of the group to which it belongs and a description of the provisions, processes and mechanisms relating to corporate governance, administrative and accounting organisation, internal controls and remuneration and incentive systems;
e. documents evidencing the regulatory requirements for qualified shareholders;
f. documents evidencing regulatory fit and proper requirements for members of the management body and key fuction holders;
g. documents evidencing that there is no close links between the bank or any entities within the group and other entities that could stand in the way of effective supervision.

The authorization procedure is usually completed within 7 to 8 months after receipt of the complete application. In any cases, the decision is taken by the ECB within 12 months of receipt of the application, which is regular and complete.

It is highly recommended to contact and discuss the project with the Bank of Italy before submitting the application in order to explain the business plan as well

as to receive technical feedback on the application (so called “pre-filing”).

10. Is mere cross-border activity permissible? If yes, what are the requirements?

Yes. No authorsation is required for the provision of banking services in Italy on a cross-border basis under the freedom to provide services or the freedom of establishment by banks authorised in other Member States.

According to Commission Delegated Regulation (EU) No 1151/2014 supplementing Articles 35 and 39 of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions, EU banks are required to notify the competent authorities of their home Member State with specific contact information and the list of activities which it intends to carry out in Italy as well as the intended commencement date. In case of branch, EU banks are also required to communicate:

- a programme of operations detailing the business envisaged and structural organisation of branch;
- the address in the host Member State from which documents may be obtained;
- details of professional experience of the person responsible for the management of the branch;
- other information regarding, among the others, a three years financial plan, name and contact details of the Union deposit guarantee and investor protection schemes and details of the branch's IT arrangements.

Once the Bank of Italy has received the notification from the competent authorities of the host Member State, or if the three-month period has expired, EU banks will be able to start their activities in Italy.

The provision of banking services with or without any permanent establishment in Italy by non-EU banks must be authorized by the Bank of Italy, after consulting the Ministry of Foreign Affairs and International Cooperation and taking due account of the conditions of reciprocity between the home and host countries.

The authorization for the establishment of a branch by a non-EU bank is granted by the Bank of Italy taking into account the following elements:

- the information provided in the application, drafted in accordance to Circular n. 285 of the Bank of Italy dated 17 December 2013 on supervisory provisions for banks, which includes the programme of operations detailing the business envisaged and structural organisation of the branch;
- the existence of an endowment capital equal to Euro 10 million;
- fit and proper requirements of person responsible for the management of the branch;
- authorizing released by the home country supervisory authority to the cross-border activity;
- declaration released by the home country supervisory authority attesting the capital soundness as well as the adequacy of the company's organisational, administrative and accounting structure of the bank;
- commitment of the non-EU bank to have the Italian branch join a depositors' guarantee scheme;
- the absence of impediments to the effective exercise of supervisory functions;
- the existence of an anti-money laundering legal framework equivalent to the Italian one;
- the existence of information exchange agreements or the absence of obstacles to the exchange of information with the supervisory authorities of the non-EU bank's home state.

The authorization regarding the freedom to provide services is granted by the Bank of Italy taking into account the following conditions:

- information provided in the application drafted in accordance to Circular n. 285 of the Bank of Italy dated 17 December 2013 on supervisory provisions for banks which includes the programme of operations detailing the business envisaged;
- the absence of impediments to the effective exercise of supervisory functions;
- the existence of an anti-money laundering legal framework equivalent to the Italian one;
- the existence of information exchange agreements or the absence of obstacles to the exchange of information with the supervisory authorities of the non-EU bank's home state.
- the exercise of the activity in a manner similar to that of Italian banks and the possibility for the latter to carry it out, subject to reciprocity, in the non-EU bank's home state.

11. What legal entities can operate as banks? What legal forms are generally used to operate as banks?

Pursuant to Article 14 of the CBA the banks must be incorporated in form of joint-stock company or a cooperative company (“società cooperativa”)

12. What are the organizational requirements for banks, including with respect to corporate governance?

The domestic legal framework of banking organisational requirements is basically defined by the CBA and Circular n. 285 of the Bank of Italy dated 17 December 2013 on supervisory provisions for banks, in addition to EBA and ECB legal framework.

As a general principle, the administration and control systems (traditional, monistic or dualistic system) should ensure efficient management and effective controls, taking into account the costs associated with the adoption and operation of the chosen system, the ownership structure and the relative degree of openness to the risk capital market, the size and complexity of operations, medium- and long-term strategic objectives, and the organisational structure of the group, if any.

The main principles are as follows:

- the management body entrusted with strategic supervision defines the overall governance structure and approves the organisational structure of the bank, verifies its proper implementation and promotes timely corrective measures in the event of deficiencies or inadequacies. It elaborates and resolves the business model, strategic guidelines of the bank and provides for their periodic review, risk objectives, tolerance threshold (where identified) and risk governance policies and the guidelines of the internal control system.
- the management body in its management function should be responsible for the implementation of the strategies set by the management body with strategic supervision and discuss regularly the implementation and appropriateness of those strategies with the latter. The content of the delegations of management body in its management function must be determined analytically and characterized by clarity and precision, including in the indication of the quantitative or value limits and any manner of exercise. Among the others, the management body establishes operational limits to the assumption of the various types of risk as well as the responsibilities of the corporate structures and functions involved in the risk management process. It defines and supervises the implementation of the process (responsible persons, procedures, conditions) for the approval of investments in new products, the distribution of new products or services, or the launch of new activities or entry into new markets.
- the statutory auditor monitors compliance with laws, regulations and the articles of association, the proper administration and adequacy of the bank's assets, regulations and the articles of association, the proper administration and adequacy of the bank's organisational and accounting structures.

Specific requirements apply according to the size of the bank and whether it is listed on a regulated market. Banks of greater size or operational complexity must establish within the body with strategic supervisory function three specialized committees “nomination”, “risks” and “remuneration” (while so-called intermediate banks are required to establish at least the risk committee).

Banks must adopt an internal controls system so as to ensure full awareness and effective monitoring of corporate risks and their interrelationships.

The internal control functions should include a risk management function, an AML function, a compliance function and an internal audit function. The risk management and compliance functions should be subject to review by the internal audit function. The responsibilities of control functions also include to ensure compliance with AML/CTF requirements.

13. Do any restrictions on remuneration policies apply?

Yes. Banks are required to adopt and implement sound remuneration policies to all staff and specific requirements for the variable remuneration of staff whose professional activities have a material impact on the institutions' risk profile pursuant to Directive 2013/36/EU (“CRD IV”) and Directive 2019/878/EU (“CRD V”) framework as well as Circular n. 285 of the Bank of Italy dated 17 December 2013 on supervisory provisions for banks.

The remuneration policy must be designed consistently with the bank's corporate objectives and values, including sustainable finance objectives (ESG), as well as the bank's long-term strategies and prudent risk management policies, in line with the provisions on the supervisory review process.

The remuneration policy shall, inter alia, provide for:

- role and responsibilities of management body, shareholders and internal control functions;
- identification process of staff whose professional activities have or may have a material impact on the institution's risk profile (i.e., identified staff);
- performance objectives;

- variabile remuneration structure including the ratio between the variable and fixed components of total remuneration for identified staff;
- an effective framework for performance measurement, risk adjustment and the linkages of performance to reward;

14. Has your jurisdiction implemented the Basel III framework with respect to regulatory capital? Are there any major deviations, e.g., with respect to certain categories of banks?

Yes. Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("CRD IV") has been transposed into Italian legal framework by Legislative Decree dated 12 May 2015 n. 72 and Circular n. 285 of the Bank of Italy dated 17 December 2013 on supervisory provisions for banks ("Circular 285").

Directive (EU) 2019/878 amending Directive 2013/36/EU ("CRD V") and Regulation (EU) No 2019/876 amending Regulation (EU) No 575/2013 ("CRR 2") have been transposed into Italian legal framework by Legislative Decree dated 8 November 2021, N. 182 and Circular 285.

Options and discretions applied by Italian legislator under CRD and CRR are made available on the Bank of Italy website.

Under Circular 285 regulatory capital requirements are:

- €10 million for banks in the form of public limited companies, "popolari" banks and mutual loan guarantee banks;
- €5 million for cooperative credit banks.

15. Are there any requirements with respect to the leverage ratio?

Yes.

Pursuant to Article 92(1) of Regulation (EU) No 575/2013 ("CRR") Italian banks are required to maintain a minimum leverage ratio of 3% as a Pillar 1 requirement. However, in the presence of excessive leverage risk, under normal or stressed conditions, the European Central Bank and the Bank of Italy may require additional capital (leverage ratio Pillar 2 requirement, P2R-LR) beyond the Pillar 1 Leverage Ratio metrics.

Furthermore, global systemically important institutions ("G-SII") shall maintain a leverage ratio buffer equal to the G-SIIs total exposure measure multiplied by 50 % of the G-SII buffer rate applicable to the G-SII. G-SII shall meet the leverage ratio buffer requirement with Tier 1 capital only.

GSIIs are not allowed to make distributions in relation to Tier 1 capital that would result in a decrease in Tier 1 capital to a level that would no longer meet the leverage ratio buffer requirement.

Banks that do not meet the reserve requirement of the leverage ratio for G-SIIs are required to calculate the maximum distributable amount related to the leverage ratio ('L-AMD') and report it to the ECB or the Bank of Italy. So long as L-AMD is not reported to the ECB or the Bank of Italy, G-SIIs are not allowed to:

- make distributions in relation to primary tier 1 capital;
- undertake obligations to pay variable remuneration or discretionary pension benefits or to pay variable remuneration if the payment obligation was undertaken when the G-SII leverage ratio reserve requirement was not met;
- make payments on Additional Tier 1 capital instruments.

16. What liquidity requirements apply? Has your jurisdiction implemented the Basel III liquidity requirements, including regarding LCR and NSFR?

Italian banks are required to apply the liquidity requirement provided by Regulation (UE) No 575/2013 ("CRR"), which has transposed into the EU legal framework the Basel III contents. Considering the self-executing nature the CRR, the Italian banks are required to apply the liquidity requirement provided by Article 412 of the CRR, stating that credit institutions under stress must have enough funds to meet withdrawal demands over a 30-day period. The aforementioned article 412 of the CRR is complemented by the Delegated Regulation (EU) No 2015/61, which requires that the ratio between the liquidity buffer and the net liquidity outflows over 30 days (the so called "*Liquidity Coverage Ratio*", "LCR") must be at least 100 per cent (please note that this requirement applies from 2019). The Delegated Regulation also specifies which assets are to be considered as liquid assets and sets out how expected cash outflows and inflows over a 30-day period are to be calculated. The Bank of Italy's Supervisory Provisions allow banks that meet the conditions provided for under par. 1 of Article 8 of the CRR, to apply for a total or partial derogation from the application of the liquidity coverage requirements on an individual basis.

Italian banks are also required to comply with the long-term liquidity requirement set out in Article 428c of the CRR, which requires institutions to maintain a net stable funding ratio ("NSFR") of at least 100%, calculated in the reporting currency, for all their transactions, irrespective of their actual currency denomination. Please note that the NSFR is the ratio of the institution's available stable funding (as defined in Chapter 3 of Part VI of the CRR) to the institution's required stable funding (as defined in Chapter 4 of Part VI of the CRR).

17. Which different sources of funding exist in your jurisdiction for banks from the national bank or central bank?

Italian banks have access to various funding sources beyond the **Banca d'Italia (Italy's central bank)**. These sources can be broadly categorized into (1) open market operations and (2) standing facilities.

The open market operations are conducted on the initiative of the Bank of Italy, usually by means of a tender procedure and they can be broken down on (a) main refinancing operations (MROs), with a weekly maturity and frequency and (b) longer-term refinancing operation (LTROs), with a maturity of three months and a monthly frequency. Please also note that in response to the financial and economic crises that have occurred since the global financial crisis of 2007-08, the Eurosystem has introduced several refinancing operations, in euros and in foreign currency, with longer maturities than standard operations and, in some cases, with the aim of directly supporting the provision of bank credit to the real economy (by way of example, Longer-term refinancing operations (LTROs) with maturities of six months to one year, Three-year LTROs, targeted longer-term refinancing operations (TLTROs), pandemic emergency longer-term refinancing operations (PELTROs) and foreign currency refinancing operations).

Standing facilities allow credit institutions to offset any liquidity imbalances at the end of the business day by making overnight deposits with the central bank (deposit facility – DF) or by borrowing funds from the central bank to obtain overnight liquidity (marginal lending facility – MLF). The interest rates applied to these facilities normally constitute the lower bound (deposit facility rate) and the higher bound (marginal lending facility rate) for the overnight interest rate at which banks exchange funds, creating what is known as the monetary policy «corridor». The operations are managed by the Bank of Italy in accordance with the harmonized terms and conditions for the entire euro area.

In addition, the Italian credit institutions may participate to special programmes launched by the Eurosystem for the purchase of private sector securities. In order to be admitted to such a programme as "monetary policy counterparties", banks must meet the general criteria laid down in the Eurosystem's regulations and comply with administrative, technical and operational requirements. These criteria and requirements are assessed by the Bank of Italy. By way of example, under the third covered bond purchase programme (CBPP3, launched on 20 October 2014), the Bank of Italy purchased on the primary and secondary markets covered bonds issued by banks.

18. Do banks have to publish their financial statements? Is there interim reporting and, if so, in which intervals?

Italian banks, as well as other Italian joint stock companies, are required by law to publish their financial statements in order to ensure transparency and provide stakeholders with accurate financial information. The primary legislation pertaining to this obligation is Article 2435 of the Italian civil code which provides that Italian joint-stock companies shall file within the competent company register, in 30 days after the approval by shareholders' meeting, a copy of the financial statements (accompanied by the reports of the Board of Directors, the report of the board of statutory auditors, the report of the auditing firm and the minutes of the approval of the shareholders' meeting). The financial statements are prepared in accordance with Bank of Italy's Circular n. 262 of 22 December 2005 on "*Banks' financial statements: presentation and preparation*".

Italian listed banks are also required to publish, within three months of the end of the first half of the financial year, a half-yearly financial report, including (a) the consolidated half-yearly financial statements, (b) the interim management report (including, at least, an analysis of important events occurred during the first six months of the financial year and their impact on the consolidated interim financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year) and (c) the declaration provided for in Article 154-bis, paragraph 5 of the Legislative Decree dated 24 February 1998 No 58 ("Consolidated Law on Finance") concerning (i) the adequacy and effectiveness of the administrative and accounting procedures used to prepare the financial statements; (ii) the correspondence of the supporting documents with the entries in the books and records of account; (iii) the suitability of the documents to give a true and fair view of the assets and liabilities, profit and

loss and financial position of the issuer and the group of companies included in the consolidation; (iv) reliability of the analysis of the information provided by the interim management report.

In addition, Article 82-ter of the Consolidated Law on Finance allows listed companies to choose whether or not to publish additional periodic financial information, specifying the criteria and principles to be adopted. Therefore, Italian banks listed on the stock exchange may decide to publish financial information on a quarterly basis, in addition to the annual and half-yearly reports, usually as at 31 March and 30 September of each financial year.

19. Does consolidated supervision of a bank exist in your jurisdiction? If so, what are the consequences?

Article 65 of the Legislative Decree No. 385 dated 3 September 1993 on Consolidated Banking Act ("CBA") provides that the Bank of Italy exercises consolidated supervision over:

(a) companies belonging to a banking group, which is composed of the parent company (which may be a bank, financial company or mixed financial company) and the banking, financial and instrumental companies controlled by it;

(b) other legal entities, specifically listed under Article 65 of the CBA (by way of example, (i) banking, financial and instrumental companies owned at least 20% by companies belonging to a banking group or by a single bank; (ii) banking, financial and instrumental undertakings that do not belong to a banking group but are controlled by the natural or legal person that controls a banking group or an individual bank; (iii) undertakings controlling at least one bank; (iv) undertakings other than banking, financial and instrumental undertakings, when they are controlled by a single bank or when undertakings belonging to a banking group or the persons referred to in point (iii) above, even jointly, have a controlling interest; (v) financial holding companies or financial holding companies which, under certain conditions, are exempted by the Bank of Italy from the obligation to apply for authorization to assume the status of parent company; (vi) companies, other than those mentioned in the preceding points, included in the scope of prudential consolidation pursuant to Article 18 of Regulation (EU) No 575/2013 and its implementing provisions).

Entities under consolidated supervision are subject to reporting, inspection and regulatory supervision of the Bank of Italy. In particular, under the "*reporting supervision*" mandate ("*vigilanza informativa*"), the Bank of Italy is empowered to require periodic and on-demand reporting (i) by entities under consolidated supervision and (ii) by the parent company, also on behalf of the banking group's companies.

On the other hand, the "*prudential regulatory supervision*" mandate ("*vigilanza regolamentare*") pertains to the power granted to the Bank of Italy to issue mandatory rules concerning capital requirements, risk containment, governance and internal controls as well as any other area in which the Bank of Italy has been delegated to promulgate second-level regulatory provisions.

Finally, under the "*inspection supervision*" mandate ("*vigilanza ispettiva*") the Bank of Italy is empowered to conduct investigations on entities subject to consolidated supervision. It is worth noting that the scope of the inspections on entities that do not fall within the definition of banking, financial and instrumental entities is limited to assessing the accuracy of the data and information provided for consolidation purposes.

20. What reporting and/or approval requirements apply to the acquisition of shareholdings in, or control of, banks?

Article 19 of the Legislative Decree No. 385 dated 3 September 1993 on Consolidated Banking Act ("CBA") requires that any natural or legal person who intends to acquire or increase, directly or indirectly, a "qualified holding" in a bank must obtain a prior authorisation from the European Central Bank, upon proposal of the Bank of Italy. In particular, the prior authorisation is required in the following circumstances:

(a) the acquisition of holdings in a bank that may result in the ability to exercise control or significant influence over the institution, or that may confer a share of capital or voting rights amounting to a minimum of 10%, taking into account the shares already owned;

(b) any change in shareholdings where the proportion of capital or voting rights reaches or exceeds 20%, 30% or 50% and, in any event, where such changes result in the control of the Bank;

(c) the acquisition of the control, share of the capital or voting rights in a company, holding the shareholdings indicated above sub par.(a) and (b), as a result of the capital shares or voting rights held through companies, including non-subsidiaries, which in turn have voting rights or capital shares in the bank, taking account of the

demultiplication produced by the shareholdings chain.

The prior authorization by the Bank of Italy is required for the acquisition for any reason whatsoever, also in the absence of the purchase of shares (including by means of a contract with the bank or a clause in its article of association).

The authorization is released when the acquisition is suitable to ensure the sound and prudent management of the bank, having assessed the quality of the proposed acquirer and the financial soundness of the acquisition project. In this respect, the Bank of Italy takes into account the following criteria: (i) the reputation of the proposed acquirer; (ii) the integrity, fairness, professionalism and competence of those who, after the acquisition, will undertake administrative and managerial functions in the bank; (iii) the financial soundness of the potential acquirer; (iv) the ability of the bank to comply with the provisions governing its activities after the acquisition; (v) the suitability of the group structure of the potential acquirer to allow for the effective exercise of supervision; (vi) the absence of reasonable suspicion that the acquisition is related to money laundering or terrorist financing.

The Italian legal framework pertaining to the acquisition of qualified shareholdings in a bank is complemented by the Bank of Italy's *"Provisions on the Ownership Structures of Banks and Other Intermediaries*" (issued on 27 July 2022) and *"Provisions on the Information and Documents to be Transmitted to the Bank of Italy in the Request for Authorisation to Acquire a Qualified Shareholding"*" (issued on 27 October 2021).

21. Does your regulatory regime impose conditions for eligible owners of banks (e.g., with respect to major participations)?

Pursuant to Article 25 of the Legislative Decree No. 385 dated 3 September 1993 on Consolidated Banking Act ("CBA"), the holders of qualifying or controlling interests in banks shall meet the integrity requirements and satisfy criteria of competence and fairness, in order to ensure the sound and prudent management of the bank.

Article 25 of the CBA – as amended by the Legislative Decree No 72 of 12 May 2015 implementing Directive 2013/36/EU – delegates the Ministry of Economy and Finance to identify, by decree adopted after consultation with the Bank of Italy, the: (i) integrity requirements; (ii) the competence criteria, graduated in relation to the influence on the management of the bank that the holder of the participation may exercise, and (iv) the criteria of fairness with regard to, inter alia, the business relations of the owner of the shareholding, conduct vis-à-vis supervisory authorities and sanctions or corrective measures imposed by them, restrictive measures relating to professional activities carried out, as well as any other element that may affect the fairness of the holder of the shareholding.

To date, the Ministry of Economy and Finance has not yet issued the delegated decree. Consequently, Decree No 144 of 18 March 1998 remains applicable in relation to the integrity requirements only. With regard to the competence and fairness criteria, the owners / proposed acquirers of qualifying or controlling participations in banks shall refer to the Bank of Italy's *"Provisions on the Ownership Structures of Banks and Other Intermediaries*"and "*Provisions on the Information and Documents to be Transmitted to the Bank of Italy in the Request for Authorisation to Acquire a Qualified Shareholding*"", which provide the list of documents and information requested by the Bank of Italy for the purpose of assessing the eligibility of the candidate acquirers.

22. Are there specific restrictions on foreign shareholdings in banks?

Italian law does not impose any specific restrictions on the acquisition or holding of shares in Italian banks by foreign parties. However, it should be noted that the documentation and information required by the Bank of Italy from Extra UE perspective acquirers differ in part from those required from Italian acquirers. By way of example, with regard to the assessment of the integrity requirements, non-EU acquirers are required to submit, in addition to criminal records, a legal opinion. This opinion must be issued by a qualified lawyer in the State of nationality of the prospective acquirer, and it must support the suitability of the criminal records to prove that information contained therein are equivalent to those required by the Italian law.

Without prejudice to the above, Decree-Law 15 March 2012, n. 21 introduced in the Italian legal framework the so-called "golden power" empowering the Italian government to limit or stop (i) foreign direct investments ("FDI") and (ii) corporate transactions involving Italian strategic assets including credit sector. Golden power requires foreign purchasers to notify in advance the Presidency of the Council of Ministers with a full disclosure of the transaction (including relevant documents) in order to enable the timely exercise of special powers by the government.

23. Is there a special regime for domestic and/or globally systemically important banks?

The Directive 2013/36/EU ("CRD") and Regulation (EU) No 575/2013 ("CRR") provides for a special and more prudential regulatory regime for the so called "*other systemically important institutions*" (O-SIIs) and the "*globally systemically important institutions*" (G-SIIs). In particular, Article 131 of the CRD provides that Member States shall designate an authority to be responsible for identifying, on a consolidated basis, G-SIIs, and, on an individual, sub-consolidated or consolidated basis, as applicable, other systemically important institutions (O-SIIs), which have been authorised within their jurisdiction. The designated Italian authority is the Bank of Italy.

The Bank of Italy identifies and classifies the G-SIIs authorised in Italy, based on the methodology (basic and supplementary) identified by the European Commission regulation pursuant to Article 131, par. 18 CRD and the EBA "*Guidelines on the specification and disclosure of systemic importance indicators*". The basic methodology assigns a score enabling the classification of G-SIIs into at least 5 sub-categories, each of which is associated with a level of primary tier 1 capital that G-SIIs must hold at a consolidated level. Each G-SII shall, on a consolidated basis, maintain a G-SII buffer which shall correspond to the sub-category to which the G-SII is allocated. That buffer shall consist of and shall be supplementary to Common Equity Tier 1 capital. For 2025 no Italian bank, nor banking group is identified as G-SIIs.

The Bank of Italy identifies O-SIIs among banks and banking groups authorized in Italy and assesses their systemic importance on the basis of at least the following criteria (a) size; (b) importance to the Union or Italian economy; (c) importance of cross-border activities; (d) interconnectedness of the bank or group with the financial system. The Bank of Italy may require each O-SII to hold a capital buffer for O-SIIs of up to 3 per cent of total risk exposure or, subject to approval by the European Commission, higher than 3 per cent. For 2025 the Bank of Italy has identified 7 banks as O-SIIs, requiring each of them to maintain from 1 January 2025 specific O-SII buffers of their total risk-weighted exposure (from 0.25% to 1.50%).

Furthermore, it is worth noting that, in light of Italy's participation in the Single Supervisory Mechanism (SSM), the Italian banks falling within the definition of "significant" credit institutions, as set out by Article 6, par. 4 of the Regulation (EU) No 1024/2013, are subject to the prudential supervision of the European Central Bank (ECB). The Regulation (EU) No 1024/2013 and the Regulation of the ECB No 468/2014 sets out the division of responsibilities between the ECB and the national supervisory authorities on significant credit institutions, granting, by way for example, the ECB the competence to authorize the conduct of banking business and the acquisition of participations in the capital of banks, the monitoring of compliance with prudential requirements regarding own funds, limits to large exposures, liquidity, leverage, reporting and disclosure, respect of governance requirements, remuneration policies etc. Conversely, the Bank of Italy retains the supervisory authority prerogatives over significant banks with regard to matters not encompassed within the ECB's competencies. These include consumer protection, anti-money laundering, payment services, and the supervision of third-country banks operating in Italy under a permanent establishment or freedom of services regime.

24. What are the sanctions the regulator(s) can order in the case of a violation of banking regulations?

The Legislative Decree No. 385 dated 3 September 1993 on Consolidated Banking Act ("CBA") provides for a complex system of sanctions for the violation of regulatory provisions applicable to banks. In particular, some violations are punished with criminal sanctions (such as, for example, the abusive exercise of collection and credit activities), others with administrative sanctions.

Administrative sanctions may be imposed on banks, as legal entities, as well as on natural persons who hold significant shareholdings in banks (without authorization) or who act on behalf of banks (such as, for example, members of management and supervisory bodies and key-functions managers). The CBA endows the Bank of Italy with the authority to impose administrative sanctions in the event of violation of regulatory provisions by the banks, as legal entities, and by natural persons acting on their behalf or subject to its supervision (including banking institutions, shareholders, members of the management and control bodies as well as key-role managers of banks).

Administrative sanctions are mainly monetary and vary according to whether they are imposed on natural persons (generally between €5,000 and €5 million) or legal persons (generally between €30,000 and 10% of turnover). In cases where the infraction is deemed sufficiently grave, the Bank of Italy may impose an additional administrative sanction, namely disqualification from participating in the administration, management and control functions in financial

intermediaries for a duration of between 6 months and 3 years.

As an alternative to the imposition of a monetary sanction, for certain offences characterized by minimal offensiveness or dangerousness, the Bank of Italy has the prerogative to impose a cease and desist order, whereby it may require the legal entity to remedy the infringements, also indicating the measures to be adopted and the deadline for compliance.

Moreover, in consideration of Italy's participation in the Single Supervisory Mechanism (SSM), it is noteworthy that, as outlined in Article 18 of the Regulation (EU) No 1024/2013 and Article 122 of the Regulation of the European Central Bank No 468/2014, the European Central Bank (ECB) retains the authority to impose administrative penalties on (i) significant supervised entities, or (ii) less significant supervised entities where the relevant ECB regulations or decisions impose obligations on less significant supervised entities vis-à-vis the ECB. These administrative penalties are of a pecuniary nature and may be imposed on legal entities only.

Finally, it should be noted that the Italian Securities and Exchange Commission (Consob) retains the authority to impose administrative penalties on banking institutions that infringe the conduct rules provided for in the relevant Directive 2014/65/EU and related implementing Italian laws and regulations.

In regard to forthcoming developments, it is noteworthy that Directive (EU) 2024/1619, which amends Directive 2013/36/EU, has introduced the concept of "*periodic penalty payments*", consisting of (a) in the case of a legal person, a periodic penalty payment of up to 5% of the average daily net turnover which, in the case of a continuing infringement, the legal person shall be obliged to pay per day of infringement until compliance is restored (for a period of up to six months); (b) in the case of a natural person, a periodic penalty payment of up to EUR 50 000 which, in the case of a continuing infringement, the natural person shall be obliged to pay per day of infringement until compliance is restored (for a period of up to six months).

25. What is the resolution regime for banks?

Legislative Decree No. 180 of 16 November 2015 and Legislative Decree No. 181 of 16 November 2015 ("BRRD Decrees") transposed in Italy Directive No. 2014/59/EU (also known as the "Banking Recovery and Resolution Directive", "BRRD").

The aforementioned BRRD Decrees had a significant impact on the banking crisis discipline, with the introduction of measure to (i) plan the management of banking crises (banks in the normal operating phase must prepare resolution plans that identify the strategies and actions to be taken in the event of a crisis); (ii) intervene in good time, before the complete manifestation of the crisis, endowing the competent supervisory authority with intervention powers, graduated according to the problematic nature of the banking institution; (iii) manage the "resolution" phase (i.e. corporate restructuring), utilizing resources from the private sector, with a view to reducing the negative effects on the entire banking and financial system, as well as cost increases on taxpayers.

The bank resolution measures under Italian law are as follows: (i) the sale of assets; (ii) the establishment of a bridge institution; (iii) asset separation; and (iv) the bail-in. In particular, with regard to point (iv), further information on this subject can be found in response to question no. 27.

26. How are client's assets and cash deposits protected?

In relation to the assets of the client (by way of example financial instruments), Article 22 of the Legislative Decree dated 24 February 1998 No 58 ("Consolidated Law on Finance") establishes a general requirement for asset segregation. This provision states that the assets of clients who deposit them at a bank or other financial intermediary are to be regarded as assets separate from those of the intermediary and other clients for all purposes. It is worth noting that no actions by or on behalf of the bank or intermediary's creditors, nor actions by or on behalf of the creditors of any custodian or sub-custodian, are permitted on such assets. However, actions by creditors of individual customers are permissible, provided that these actions do not exceed the limits of the assets owned by those customers. In the event of a bank being considered failed or likely to fail, the assets of its customers are not subject to bail-in measures.

Nonetheless, the regulations pertaining to segregation do not apply in the context of cash deposits with banking institutions. Article 1834 of the Civil Code stipulates that upon the deposit of a sum of money with a banking institution, the bank acquires ownership of the deposited sum and is obligated to return it in the same monetary denomination at the expiration of the mutually agreed term or at the request of the depositor, subject to the notice period established by the parties or by customer.

Consequently, banking institutions are obligated to adhere to the most stringent capital requirements stipulated by the EU CRD and CRR, with the aim of ensuring the restitution of client cash deposits at any time.

Pursuant to Article 96 of the Legislative Decree No. 385 dated 3 September 1993 on Consolidated Banking Act ("CBA") , all Italian banking institutions are obligated to participate in one of the depositor guarantee schemes that have been established and recognised in Italy. Specifically, they must adhere to: (a) the Interbank Deposit Protection Fund ("*Fondo Interbancario di Tutela dei Depositanti*") to which all Italian banks incorporated as joint-stock companies and cooperative banks are required to adhere, or (b) the Cooperative Credit Depositors' Guarantee Fund ("*Fondo di Garanzia dei Depositanti del Credito Cooperativo*"), which covers depositors of banks incorporated as cooperative credit banks. Both of these depositor guarantee schemes are private consortia, financed by contributions from the respective banking institutions. The Italian depositors' guarantee schemes provide reimbursements of up to EUR 100,000 per depositor in the event of crisis resolution and compulsory administrative liquidation of Italian banks and branches of non-European banks.

27. Does your jurisdiction know a bail-in tool in bank resolution and which liabilities are covered? Does it apply in situations of a mere liquidity crisis (breach of LCR etc.)?

The bail-in mechanism was implemented into the Italian legal framework by Legislative Decree 181/2015 in order to: (a) restore the capital of the bank under resolution procedure to the extent necessary to meet prudential requirements and appropriate to restore market confidence, if the application of the bail-in, even in combination with corporate reorganisation measures, is sufficient to provide a prospective recovery and (b) in the context of the transfer of assets and legal relationships, reduce the nominal value of the liabilities transferred, including debt securities, or to convert these liabilities into equity.

The bail-in mechanism allows for the absorption of losses and recapitalization of failing banks by writing down or converting into equity certain liabilities (rather than relying on taxpayer-funded bailouts). In particular, the bail-in applies in a hierarchical order, with losses imposed on creditors in the following sequence:

i. shareholders;
ii. holders of other capital instruments;
iii. other subordinated creditors;
iv. unsecured creditors;
v. individuals and small businesses for the part of their deposits above Euro 100,000; and
vi. the deposit guarantee fund, which contributes to the bail-in in the place of guaranteed depositors

The following elements are excluded from the scope of application of the bail-in measure and thus cannot be written down or converted into capital:

i. deposits protected by the deposit guarantee scheme, i.e. those up to EUR 100,000;
ii. secured liabilities, including covered bonds and other guaranteed instruments;
iii. liabilities arising from the holding of customer assets or by virtue of a fiduciary relationship, such as the contents of safe deposit boxes or securities held in a special account;
iv. interbank liabilities (excluding intragroup relationships) with an original maturity of less than seven days;
v. liabilities arising from participation in payment systems with a residual maturity of less than seven days;
vi. payables to employees, trade payables and tax payables provided they are privileged under bankruptcy law.

The bail-in tool does not automatically apply in the case of a mere liquidity crisis, such as a breach of the Liquidity Coverage Ratio (LCR) or Net Stable Funding Ratio (NSFR). The bail-in measure applies in instances where specific preconditions for the implementation of bank resolution measures are met. These preconditions include the following: (i) the bank is deemed to be failing or likely to fail; and (ii) no alternative measures can be identified to address the situation of failure (such as early intervention measures or extraordinary administration) .

28. Is there a requirement for banks to hold gone concern capital ("TLAC")? Does the regime differentiate between different types of banks?

The "Total Loss-absorbing Capacity (TLAC) Term Sheet", published by the Financial Stability Board on 9 November 2015 (the 'TLAC standard'), was implemented into the EU banking regulatory framework through amendment of the Regulation (EU) No 575/2013 ("CRR"), Regulation (EU) No 806/2014 ("SMRM") and Directive 2014/59/EU ("BRRD") in order to better ensure that the loss absorption and recapitalisation of Global Systemically Important Institutions (G-SIIs) entities banks occurs through private means (bail-in) when those banks become financially

unviable and are, subsequently, placed in resolution.

The above-mentioned rules have been implemented into the Italian legal framework by the Legislative Decree 180/2015 which requires: (i) all banks to hold a Minimum Capital Requirements of Eligible Liabilities (MREL) (ii) G-Siis banks to hold Total Loss Absorbing Capacity (TLAC).

With regard to the TLAC, article 16 sexies of the Legislative Decree 180/2015 specifically provides that for institutions designated for resolution that are G-SIIs or are included in the scope of prudential consolidation of an entity that qualifies as a G-SII, the minimum requirement of own funds and eligible liabilities shall consist of the sum of the following

a. the requirements set out in Articles 92a and 494 of the CRR; and
b. the additional requirement established by the Bank of Italy for the cases which the requirements set forth under point a) above are not sufficient to meet the minimum requirements of own funds and eligible liabilities provided for all banks (MREL). This measure is not expected to be adopted by the Bank of Italy, since no Italian banking institution is currently identified as G-SII.

Pursuant to Article 92a of the CRR, starting from 1 January 2022, G-SII entities must hold an amount of TLAC equal to:

a. 18% in terms of risk-weighted assets (representing the own funds and eligible liabilities of the institution expressed as a percentage of the total risk exposure amount); or
b. 75% of the leverage exposure measure (representing the own funds and eligible liabilities of the institution expressed as a percentage of the total exposure measure).

29. Is there a special liability or responsibility regime for managers of a bank (e.g. a "senior managers regime")?

Yes. Pursuant to Article 144-ter of the Legislative Decree No. 385 dated 3 September 1993 on Consolidated Banking Act ("CBA"), in the event of non-compliance with specific obligations under the legislation, a pecuniary administrative sanction ranging from EUR 5,000 to EUR 5 million shall be imposed on persons performing administrative or management functions, as well as on staff, when the non-compliance is a consequence of the breach of their duties or of those of the body to which they belong and one or more of the following conditions are met:

a. the conduct has significantly affected the overall organisation or risk profiles of the company;
b. the conduct has contributed to the failure of the company or entity to comply with specific measures adopted by supervisory authorities.
c. the violation regards regulatory obligations listed by CBA.

If the advantage obtained by the infringer exceeds the above-mentioned ceilings, the administrative pecuniary sanctions shall be increased up to twice the amount of the advantage obtained, provided that this amount can be determined.

In addition, the Bank of Italy may apply the accessory administrative sanction of temporary ban, for a period of no less than six months and no more than three years, from carrying out administrative or management functions.

Finally, it is worth mentioning that the Supreme Court of Cassation has developed a well-established orientation regarding the liability of non-executive directors of a bank stating that non-executive directors have the duty to act informed as well as to take the initiative to ask for information in the presence of so -called "danger signs" (c.d. «*segnali di allarme*»). Given that, the liability of non-executive directors of a bank exists when they fail to take action to prevent the event or to eliminate or mitigate its harmful consequences in the presence of warning signs.

30. In your view, what are the recent trends in bank regulation in your jurisdiction?

Bank regulation in Italy is evolving in response to economic challenges, digital transformation, and EU regulatory changes. The key trends that are currently being observed include stricter capital requirements, digital finance rules, ESG compliance, and enhanced consumer protection.

Italy, in line with the rest of the EU Member States, is implementing the Basel III and Basel IV regulatory framework, which requires banks to hold more capital to absorb shocks. In particular, the implementation of CRR III/ CRD VI (adopted by the European Council and Parliament on 20 June 2024) will require the Italian banks to comply with the new provisions on the treatment of credit, market, CVA and operational risks, the output floor and the calculation of own funds by January 1, 2025.

The CRD VI will require Italian banks to integrate

Environmental, Social, and Governance (ESG) risk assessments into their capital frameworks, mandatory climate risk assessments, and the identification and disclosure of climate-related financial risks. They will also be required to report their Green Asset Ratio (GAR) to demonstrate how much of their lending aligns with the EU's sustainability goals. This will result in higher compliance costs for ESG risk reporting and potential capital add-ons if a bank has high exposure to climate-related risks

With regard to digital finance, it is worth noting that a framework for secure and open access to customer data across a wider range of financial services is currently under legislative proposal. As part of the package that was proposed by the Europea Commission in June 2023, the initial set of measures encompasses amendments to modernize the payment services regime (PSD2) and to establish a Payment Services Regulation (PSR). These amendments are designed to ensure that consumers can continue to make electronic payments and transactions in a safe and secure manner, both nationally and cross-border, in euro and non-euro. While safeguarding their rights, the objective is to augment the selection of payment service providers in the market. A second set of measures is contained in a proposal for a Regulation on a framework for access to financial data (the so called "FiDA" Regulation). This framework will establish clear rights and obligations to manage the sharing of customer data in the financial sector beyond payment accounts. In practice, this will lead to more innovative financial products and services for users and stimulate competition in the financial sector.

Furthermore, several EU legislative proposal pertaining to customer protection are under examination or implementation by the Member States. By way of example, the Member States are required to implement by 20 November 2025 the Directive (EU) 2023/2225 on credit agreements for consumers aiming at extending consumer protection, as follows: (i) broadening the scope of the CCD; (ii) ensuring that borrowers have easier access to all information and are informed of the total cost of credit; (iii) establishing stricter advertising rules to reduce abusive credit to over-indebted consumers and effective measures against excessive pricing; and (iv) imposing creditworthiness assessment procedures on lenders to assess whether consumers can effectively repay their credit.

31. What do you believe to be the biggest threat to the success of the financial sector in your jurisdiction?

One of the major challenges currently facing Italian banks is the rapidly expanding presence of fintech companies and digital banking, which are fundamentally transforming the financial landscape. Traditional Italian banks, which are known for their high operating costs and delayed digital adoption, are facing significant challenges in maintaining their competitive edge against fintech companies, due to the latter's agility, efficiency and customer-centric approach.

Many Italian banks still rely on legacy IT systems and large branch networks, making digital transformation difficult and expensive, while international fintech firms and neobanks operate with lean, technology-driven models, allowing them to offer services at lower costs. Furthermore, digital banks and fintech firms appeal to millennials and Gen Z people, who prefer mobile-first experiences and low fees, therefore, if traditional banks do not offer innovative digital services, they risk to lose entire generation of customers, reducing long-term revenues.

The transition of traditional banks to digital business models is progressing slowly and at a high cost, due to the high cost of technology and competition from major tech companies that are entering the financial market, particularly in payment and trading services, taking advantage of their technological superiority and large customer bases.

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