

COVID-19

Press release of 20 March 2020

Bank of Italy – extension of deadlines and other temporary measures to mitigate the impact of the COVID-19 emergency on the Italian banking and financial system

Preliminary clarifications

The Bank of Italy has announced a range of measures to facilitate compliance activities by non-supervised banks and intermediaries in the challenging circumstances caused by the emergency.

In line with the initiatives taken by the European Banking Authority and by the European Central Bank, the Bank of Italy has decided to extend the deadlines (and introduce other temporary measures for all banks, including large-sized banks) in connection with a number of obligations concerning organizational structure, capital requirements and anti-money laundering (AML) rules.

The extensions affect both deadlines for approval of documents by the board of directors of the regulated entities and deadlines for transmission of documentation to the Supervisory Authority.

- ◆ A **60-day extension** applies to compliance obligations regarding:
 - The ICAAP/ILAAP for banks (including the Italian branches of non-EU banks not resident in Canada, Japan, Switzerland and United States – Bank of Italy’s circular no 285 of 17 December 2013, Part I, Title III, Chapter 1, Section 1) and securities brokerage companies (“SIMs”, *società di intermediazione mobiliare*) and the ICAAP for the financial intermediaries under article 106 of the Italian consolidated banking legislation (the “Financial Intermediaries”); the original deadline was 30 April;
 - Recovery plans and reports on outsourced functions concerning banks (including Italian branches of non-EU banks) and Financial Intermediaries; the original deadline was 30 April;

- Reports on the organizational structure for SIMs, asset management companies (“SGRs”, *società di gestione del risparmio*), fixed-capital investment companies (“SICAFs”) and variable-capital investment companies (“SICAV”). The original deadline was 31 March. Reports on the organizational structure for payment institutions (“Payment Institutions”) and electronic money Institutions (“Electronic Money Institutions”) (if required in connection with significant organizational changes). The original deadline was 30 April;
 - Self-assessment of continued compliance with depository’s requirements by a) Italian banks, b) Italian branches of EU banks, c) SIMs, d) Italian branches of investment firms, when acting as depositories pursuant to article 47 of legislative decree no 58 of 24 February 1998 (the collective management regulation, Title VIII, Chapter I, Section IV). The original deadline was 31 March;
 - Report by the AML function, including the 2019 risk self-assessment report. This obligation applies to: a) banks; b) SIMs; c) SGRs; d) SICAVs; e) SICAFs; f) Financial Intermediaries; g) Electronic Money Institutions; h) Payment institutions; i) Italian branches of banking and financial intermediaries with registered office and headquarters in another EU Member State or in a third country; l) banks, Payment institutions and Electronic Money Institutions with registered office and headquarters in another EU Member State that are required to designate a central contact point in Italy pursuant to article 43, comma 3 of legislative decree no 231 of 21 November 2007; m) the fiduciary companies registered in the register pursuant to article 106 of the Italian Banking Legislation; n) MGSs (mutual guarantee schemes - *confidi*); o) institutions granting micro-credit pursuant to article 111 of the Italian Consolidated Banking Legislation. The original deadline was 30 April;
 - Customer due diligence procedures pursuant to legislative decree no. 231 of 21 November 2007, with particular regard to retrieving existing customers’ data (Bank of Italy’s Enactment of 30 July 2020 containing “Customer due diligence provisions to prevent money laundering and terrorist financing”). The original deadline was 30 June 2020 and has been postponed to 29 August 2020.
 - Report on the compliance with the obligation to keep clients’ instruments under custody and sub-custody, and on the compliance obligations under the transitional rules for the “Regulation implementing article 4-*undecies* and article 6, comma 1, let. b) and c)-*bis*, of the Consolidated Law on Finance” adopted by Bank of Italy’s enactment of 5 December 2019 (article 2, comma 2 of the Regulation and relevant enactment), by intermediaries providing investment services. The original deadline was 30 June.
- ◆ A **150-day extension** for transmission of the first Report on the operational and security risks for banks (Bank of Italy’s circular no 285 of 17 December 2013, Part I, Title IV, Chapter 4, Section VII). The original deadline was 30 April.
 - ◆ A **60-day extension** for responses on ongoing regulatory consultations (the terms for the consultations that will begin in the next few days will be extended).

The Bank of Italy has also **extended to 30 June the deadline for submitting the updated plan on the reduction of non-performing loans by less significant banks.**

The new deadline considers the suspension period provided by article 103 of decree law no 18/2020 (*"Suspension of deadlines of administrative proceedings and of the effects of administrative documents nearing their expiration date"*), when the documentation concerns the Bank of Italy's administrative proceedings.

As specified in the 20 March 2020 press release, less significant banks and non-bank intermediaries may temporarily operate below the key objectives set on completion of the supervisory review and evaluation process (SREP), the Capital conservation buffer (CCB) and the Liquidity coverage ratio (LCR). Should this occur, the Bank of Italy will examine the readjustment plans submitted by the intermediaries.

The Bank of Italy also specified that:

- ◆ the timetable of inspections is currently being rescheduled;
- ◆ they are considering some flexibility in the deadlines to submit regulatory reports and reports to the central risk register, in coordination with the European supervisory authorities.

The 20 March 2020 press release ended with the recommendation for less significant banks and other supervised intermediaries to revise their business continuity plans to reflect actions that may be taken to mitigate the risks in connection with the Covid-19 epidemics.

For additional information or clarification please contact:

Pirola Pennuto Zei & Associati

- ◆ **Lorenzo Banfi:** lorenzo.banfi@studiopirola.com