

Italy: urgent financial measures in the event of the Hard Brexit scenario

Guidance Note

The purpose of this note is to provide some guidance on the urgent measures adopted by the Italian Government in order to ensure the financial stability in the event of the withdrawal of the United Kingdom from the European Union in a no-deal scenario.

In particular, this note outlines the provisions of Italian Decree No 22 dated 25 March 2019 ("**Italian Brexit Decree**"), concerning the rules applicable to the UK payment service providers operating in Italy at the date of the withdrawal.

Provision of services and activities by UK service providers during the Interim Period

According to Article 3 of the Italian Brexit Decree, during the period between the date of the withdrawal and the end of the **18th month thereafter** ("**Interim Period**"), the following UK service providers **will continue to operate in Italy, subject to prior notification to the Bank of Italy**:

1. UK banks that carry out the activities allowed to mutual recognition pursuant to Article 1(2)(f) of the Consolidated Banking Law;
2. UK banks that carry out the activity of collecting savings under the freedom to provide services, to the extent necessary for the management of relationships established before the withdrawal date and without the possibility to conclude new contracts, or to renew those already existing;
3. UK banks and UK investment firms that provide investment services and activities under the freedom to provide services, only in relation to eligible counterparties and professional clients as well as exclusively for the management of the events of the life cycle of the over-the-counter derivatives;
4. UK banks and UK investment firms that provide investment services and activities under the right of establishment through branches;
5. UK electronic money institutions that provide services under the right of establishment through branches.

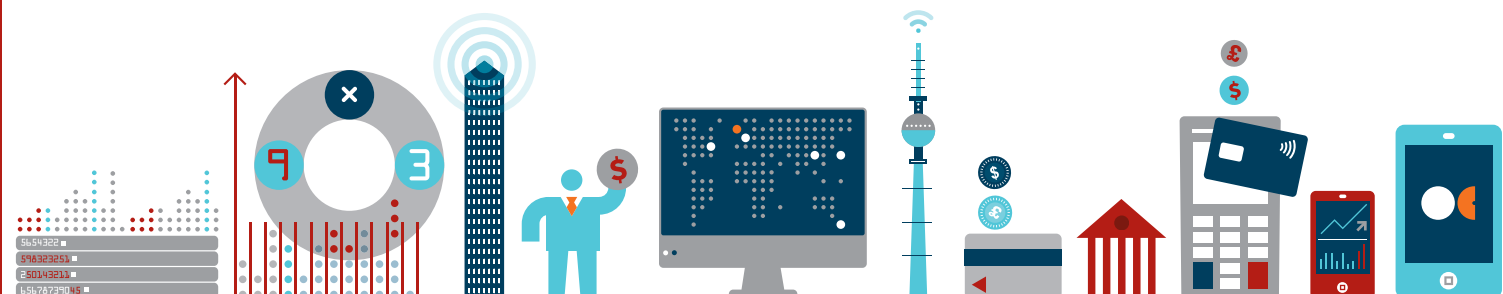
The notification to the Bank of Italy must be made **no later than 3 working days before the date of the withdrawal**, in accordance with the procedures to be provided by the Bank of Italy.

The UK payment service providers referred to in paragraphs 1 to 5 above, which intend to continue their business in Italy after the end of the Interim Period, must submit, **within a maximum period of 6 months from the start of the Interim Period**, the relevant application for the authorisation to carry out their activities in Italy or the request to be authorised as Italian payment service providers.

Termination of services and activities of UK service providers operating in Italy

According to Article 4 of the Italian Brexit Decree, the following UK service providers operating in Italy **must cease carrying on business in Italy before the date of the withdrawal**:

1. UK payment institutions;
2. UK funds managers;
3. UK collective investment undertakings (UCIs);
4. UK electronic money institutions that operate in Italy either under the right of freedom to provide services or through agents or contracted persons;
5. UK banks and UK investment firms that provide investment services under the right of freedom to provide services for retail clients.



The above is without prejudice to the operations necessary for the orderly termination of the relationships already in place but, in any event, these operations **must not continue beyond the maximum period of 6 months from the withdrawal date ("6 Month Period")**.

The above-mentioned UK service providers **must inform their clients** of the actions adopted to ensure the orderly termination of the relevant activities **by 10 April 2019** (15 days from the date of entry into force of the Italian Brexit Decree).

The UK banks, UK electronic money institutions and UK investment firms referred to in Article 3, must also cease their activities according to Article 4 of the Italian Brexit Decree, in the event that:

- (a) they have not submitted the notification to the Bank of Italy allowing them to continue to operate in Italy during the Interim Period;
- (b) after the end of the Interim Period, they have not submitted the relevant application for the authorisation to carry out their business in Italy to the Bank of Italy. In this case the 6 Month Period will start from the end of the period for filing the relevant application.

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