



Italian Transitional Regime

Brexit Services

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In case the UK crashes out of the EU without a deal, the Italian government has issued rules to regulate continuity of banking, financial and insurance services provided by (i) UK entities operating in Italy and (ii) Italian entities operating in the UK.

These rules are laid down in Law Decree no. 22 of 25 March 2019 (the **Decree**), converted with amendments by the Italian parliament into Law no. 41 of 20 May 2019, published in the Official Gazette of 24 May 2019.

Background



Transition

The Decree establishes an **18-month** transition period (the **Transition Period**), starting from the date of the UK's withdrawal from the EU without a deal (**Withdrawal Date**). During the Transition Period, UK entities such as banks, investment firms and e-money institutions may continue to operate in Italy to the extent allowed by the Decree. The Transition Period rules also apply to - inter alia - Italian banks, e-money institutions and investment firms operating in the UK.

Measures

To benefit from the Transition Period, **UK banks, investment firms and e-money institutions** operating in Italy must notify the **Bank of Italy** or **CONSOB** (depending on the applicable supervisory regime) at least three business days before the Withdrawal Date.

UK insurance undertakings are allowed, on certain conditions, to continue business during the Transition Period, in respect of existing contracts. Insurance intermediaries, however, must cease operations within six months of the Withdrawal Date.

Application

To operate in Italy after the Transition Period, **UK banks, investment firms and e-money institutions** must, within six months of the Withdrawal Date, apply for authorization to do so.

Reciprocity

Italian banks, investment firms and e-money institutions may continue to operate in the UK during the Transition Period, **provided they give notice** to the supervisory authorities (notice is not necessary if they have already applied to the competent authorities for authorization). To continue operating in the UK after the Transition Period, **they must** apply to the competent authorities for authorization.

Italian insurance or reinsurance undertakings may **continue to operate in the UK** in accordance with UK rules.



Highlights

UK entities in Italy

Banking

- **UK banks operating under the mutual recognition regime** may continue to operate in Italy during the Transition Period, after giving prior notice to the Bank of Italy.
- **UK banks operating under the freedom to provide services** and engaged in **deposit-taking activities** may continue to operate in Italy during the Transition Period, but only in order to manage contracts existing before the Withdrawal Date (no new contracts).

Investment

- **UK banks and investment firms operating under the right of establishment** may continue to operate in Italy during the Transition Period, after giving prior notice to the competent authority.
- **UK banks and investment firms operating under the freedom to provide services** may continue to operate in Italy during the Transition Period, after giving prior notice to the appropriate authority. However, they may only provide services to 'per se professional clients' and 'eligible counterparties' (as defined in

Legislative Decree no. 58/1998).

Insurance

- **UK insurance undertakings** must cease operations in Italy, but contracts existing before the Withdrawal Date can be managed over the Transition Period.
- **UK insurance intermediaries** must cease operations in Italy but have six months from the Withdrawal Date to terminate contracts existing before that date.

E-money

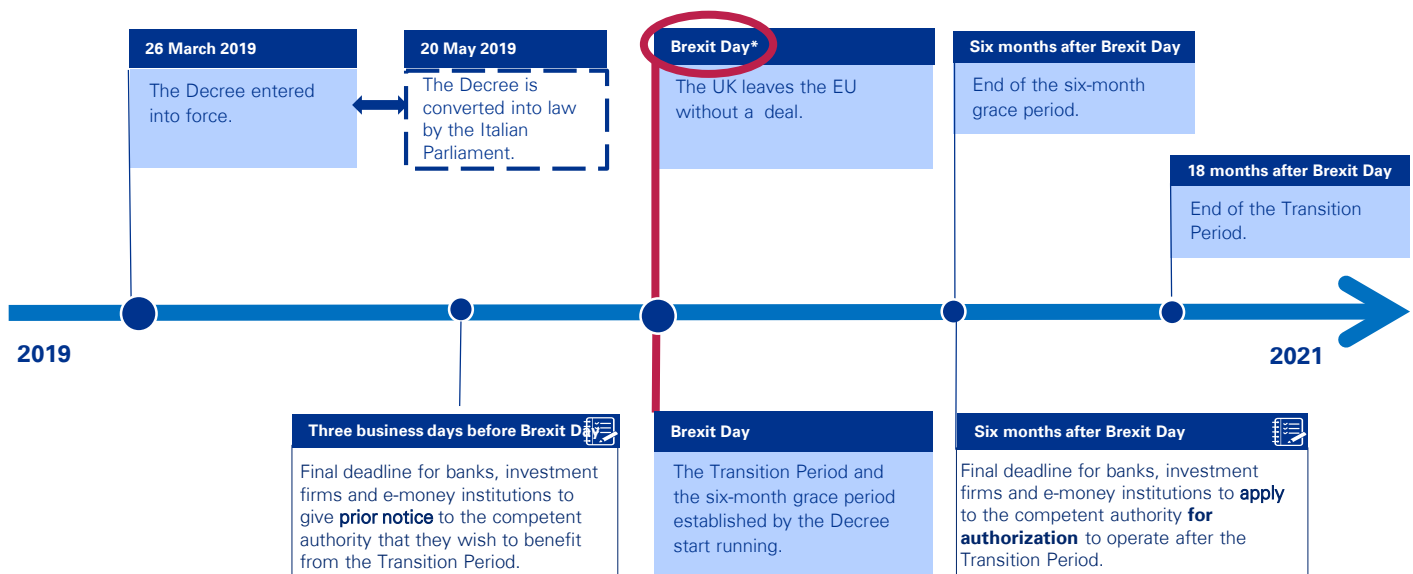
- **UK e-money institutions operating in Italy under the right of establishment** may continue to do so during the Transition Period, after giving prior notice to the Bank of Italy.
- **UK e-money institutions operating under the freedom to provide services** must cease operations in Italy; however, there is a six-month grace period for the management of contracts existing before the Withdrawal Date.

Italian entities in the UK

Banking, investment, insurance, e-money

- **Italian banks, investment firms and e-money institutions** may continue to provide banking, investment and e-money services in the UK, after giving prior notice to the appropriate authority (notice is not necessary if they have already applied to the competent authorities for authorization).
- **Italian insurance and reinsurance undertakings** may continue to operate in the UK in accordance with UK legislation.



Milestones



* Brexit Day means 31 October 2019 or any other date on which the UK leaves the EU (any extension being subject to further agreements between the UK and the EU).

Key insights

Banking services (UK banks in Italy)

Entities	Applicable regime	Actions required
 <p>UK banks providing services under the mutual recognition regime (article 1[2][f] of Legislative Decree no. 385/1993).</p>	<p>They may continue the activity carried out before the Withdrawal Date (but see below for deposit taking under the freedom to provide services). Article 3(1) of the Decree</p>	<p>To benefit from the Transition Period, they must give notice to the Bank of Italy at least three business days before the Withdrawal Date. Article 3(6) of the Decree</p>
 <p>UK banks engaged in deposit-taking activities under the freedom to provide services.</p>	<p>They may continue the activity carried out before the Withdrawal Date, but only in order to manage relationships existing before the Withdrawal Date (no new contracts). Article 3(2) of the Decree</p>	<p>To continue their activities after the Transition Period they must apply for authorization from the Bank of Italy within six months of the Withdrawal Date. Article 3(7) of the Decree</p>





If **notice** to the Bank of Italy is **not sent**, or **arrives late**, banking activities **must be terminated by the Withdrawal Date**. However, to avoid harm to customers, there is **a six-month grace period** for the termination of contracts. Only existing business may be continued during the grace period (no new contracts and no renewals). If notice is given but no application for authorization is submitted, the six-month grace period starts running from the end of the six-month window for applications.

Article 4(3) of the Decree





Investment services (UK banks and investment firms in Italy)

Entities	Applicable regime	Actions required
 <p>UK banks and investment firms providing services under the right of establishment.</p>	<p>They may continue the activity carried out before the Withdrawal Date. Article 3(4) of the Decree</p>	<p>To benefit from the Transition Period, they must give notice to the Bank of Italy or CONSOB at least three business days before the Withdrawal Date. Article 3(6) of the Decree</p>
 <p>UK banks and investment firms providing services under the freedom to provide services.</p>	<p>They may continue to provide services, but only to 'eligible counterparties' and 'per se professional clients' (as defined in Legislative Decree no. 58/1998), regional authorities, autonomous provinces and public bodies, and only until the adoption of an equivalent decision by the European Commission or, at the latest, until the end of the Transition Period. Article 3(3) of the Decree</p>	<p>To continue their activities after the Transition Period, they must apply for authorization from the Bank of Italy or CONSOB within six months of the Withdrawal Date. Article 3(7) of the Decree *</p>
	<p>They must cease to do business in Italy by the Withdrawal Date, with respect to retail clients and clients who have opted up to professional status (as defined in Legislative Decree no. 58/1998). Article 4(1) of the Decree</p>	<p>These activities do not benefit from the Transition Period. There is a six-month grace period only for the management of existing contracts. Article 4(1) of the Decree</p>



* If **notice** to the appropriate authority is **not sent**, or **arrives late**, investment activities **must be terminated by the Withdrawal Date**. However, to avoid harm to customers, there is a **six-month grace period** for the termination of contracts. Only existing business may be continued during the grace period (no new contracts and no renewals). If notice is given but no application for authorization is submitted, the six-month grace period starts running from the end of the six-month window for applications.

Article 4(3) of the Decree

Insurance services (UK insurance undertakings and intermediaries in Italy)

Entities	Applicable regime	Actions required
 <p>UK insurance undertakings operating under both the right of establishment and the freedom to provide services.</p>	<p>They may continue the activity carried out before the Withdrawal Date but only until the end of the Transition Period and only to the extent necessary to manage contracts existing before the Withdrawal Date (no new contracts). These entities must be deleted from the list of EU undertakings operating in Italy from the Withdrawal Date. Article 9(1) of the Decree</p>	<p>Within 90 days of the Decree's entry into force they must submit, to the Italian supervisory authority (IVASS), a contingency plan setting out the management measures for the correct performance of contracts existing on the Withdrawal Date, including payment claims. Article 9(2) of the Decree</p>
 <p>UK insurance intermediaries operating under both the right of establishment and the freedom to provide services.</p>	<p>They must cease to do business in Italy by the Withdrawal Date and must be deregistered. Article 10(1) of the Decree</p>	<p>These entities do not benefit from the Transition Period. There is only a six-month grace period for the termination of existing contracts. Article 10(1) of the Decree</p>



E-money services (UK e-money institutions in Italy)

Entities	Applicable regime	Actions required
 <p>UK e-money institutions operating in Italy under the right of establishment.</p>	<p>They are allowed to continue the activity carried out before the Withdrawal Date. Article 3(5) of the Decree</p>	<p>To benefit from the Transition Period, they must give notice to the Bank of Italy at least three business days before the Withdrawal Date. Article 3(6) of the Decree</p> <p>To continue their activities after the Transition Period, they must apply to the Bank of Italy within six months of the Withdrawal Date. Article 3(7) of the Decree</p>
 <p>UK e-money institutions operating under the freedom to provide services.</p>	<p>They must cease to do business in Italy by the Withdrawal Date. Article 4(1) of the Decree</p>	<p>These entities do not benefit from the Transition Period. There is a six-month grace period only for the management of existing contracts. Article 4(1) of the Decree</p>



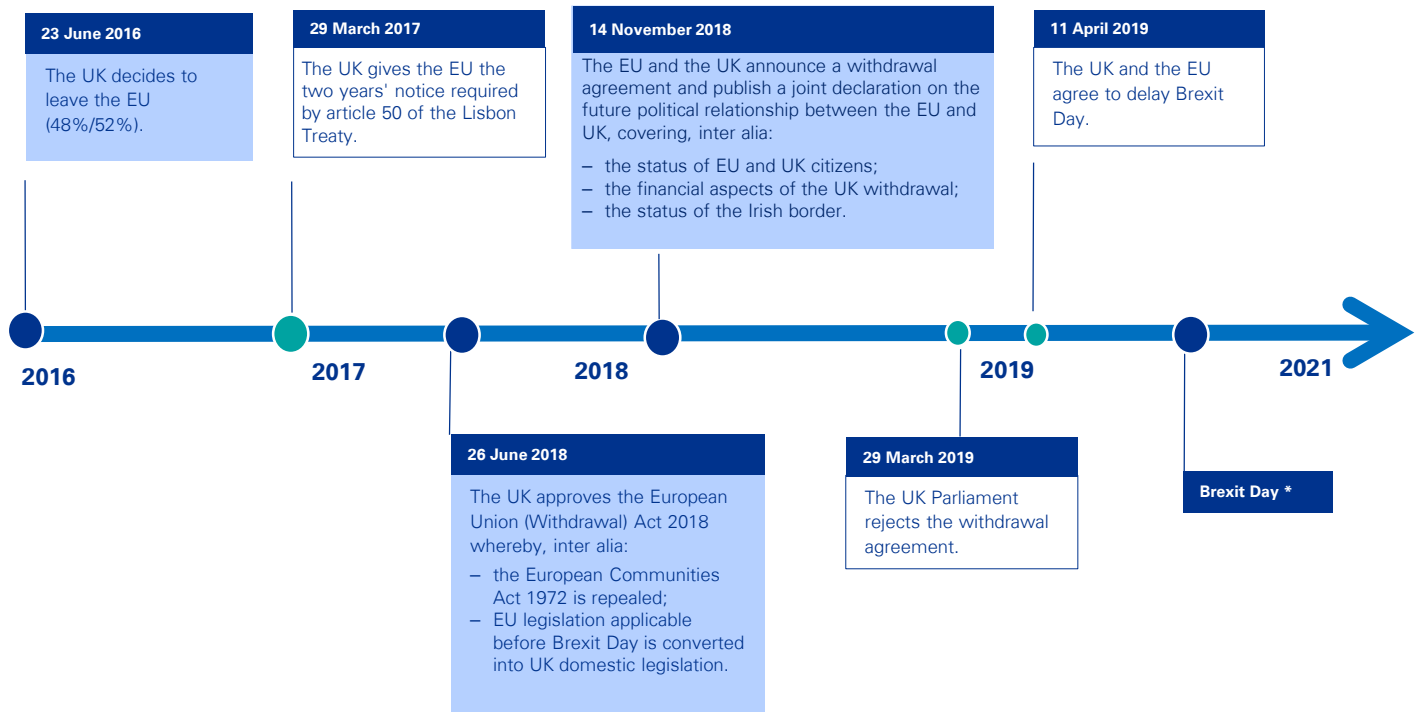
If **notice** to the Bank of Italy is **not sent**, or **arrives late**, e-money services provided in Italy by UK e-money institutions operating there under the right of establishment **must be terminated by the Withdrawal Date**. However, to avoid harm to customers, there is a **six-month grace period** for the termination of contracts existing before the Withdrawal Date. If notice is given by a UK e-money institution operating in Italy under the right of establishment but no application for authorization is submitted, the six-month grace period starts running from the end of the six-month window for applications.
Article 4(3) of the Decree

Reciprocity (Italian entities in the UK)

Entities	Applicable regime	Actions required
 <p>Banks, investment firms and e-money institutions that have a head office in Italy and that are operating in the UK at the Withdrawal Date.</p>	<p>They may continue the activity carried out before the Withdrawal Date. Article 5(1) of the Decree</p>	<p>Prior notice must be given to the competent authority at least three business days before the Withdrawal Date and in accordance with UK legislation (notice is not necessary if authorization has been requested from the competent authorities by the Withdrawal Date). Article 5(2)(3bis) of the Decree</p> <p>The application for authorization must be submitted to the competent authority at least 12 months before the end of the Transition Period. Article 5(3) of the Decree</p>
 <p>Italian insurance and reinsurance undertakings which, at the Withdrawal Date, are allowed to operate in the UK under both the right of establishment and the freedom to provide services.</p>	<p>They may continue to operate provided that prior notice is given to IVASS in accordance with article 22 (for insurance undertakings) and article 59-<i>quinquies</i> (for reinsurance undertakings) of Legislative Decree no. 209 of 7 September 2005 and in accordance with UK legislation. Article 11 of the Decree</p>	



The road to Brexit



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