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Introduction to ITALY

Italy, the third largest economy of the Eurozone, is barely recovering from the debt and financial crisis (GDP growth stood at 11% per annum between 2014 and 2018, falling back to zero in 2019). Some progress has been made to reduce unemployment, which stood below 10% by mid-2019 for the first time in 8 years.

The Italian commercial sector is characterised by family-owned companies that offer particular specialisation, often grouped into "industrial districts". However, most Italian firms are small and suffer from weak productivity. Investment is structurally low and Italy's integration in global value chains remains limited.

As a result of these factors, the recovery path from the crisis is still long. Output is still below pre-crisis levels, compared with the Eurozone as a whole that has now closed the gap. A decade after the crisis, real disposable income per capita remains below pre-euro accession levels. The crisis is not at the root of all the problems in the Italian economy, which is widely seen as a low-potential growth economy with structural weaknesses. Several restrictions on both labour and production and the huge level of public debt are weighing on productivity, investment and activity growth. An imperfect match of the skills of the working population to market need and low R&D spending also affect growth.

Public finances are recovering slowly. The country exited the European excessive deficit procedure early in 2012, and the European Commission expects the fiscal deficit to reach 2.5% of GDP in 2019. The public debt ratio is 133.7% of GDP in 2019 and still rising, albeit less rapidly.

Summary

BNP Paribas presence

Italy is one of BNP Paribas' 'home' markets, and is the fourth largest bank in the country, with comprehensive capabilities for all customer segments. BNP Paribas is a leader in corporate banking in Italy, with 46 business centres, and more than 70 people specifically dedicated to cash management services. The bank also provides a complete service offering in trade finance across 5 trade centres. Corporate customers include Italian companies of all sizes, together with Italian subsidiaries of foreign companies. These organisations are attracted to the bank's strong balance sheet, depth of domestic and international products and services, including proximity services across Italy, international footprint and commitment to service quality.

Working with BNP Paribas

BNP Paribas is a leader in corporate banking in Italy, with comprehensive cash management and trade finance solutions, services and local support. The bank supports all local products (Ri.Ba., MAV, Assegni circolari, F24, etc.), and innovative solutions such as virtual IBAN to streamline and automate bank reconciliation and account posting.

Currency

- Italy uses the euro (EUR).
Exchange Rates

<table>
<thead>
<tr>
<th>Exchange rate: EUR per USD</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.7537</td>
<td>0.9017</td>
<td>0.9040</td>
<td>0.8873</td>
<td>0.85</td>
</tr>
</tbody>
</table>


Central Bank

- The Italian central bank is the Banca d'Italia (www.bancaditalia.it).
- Banca d'Italia is a member of the European System of Central Banks (ESCB) and operates certain activities, such as issuing currency, under the authority of the European Central Bank (ECB – www.ecb.europa.eu).

Bank Supervision

- In November 2014, the ECB, via the Single Supervisory Mechanism (SSM), assumed responsibility for supervising the financial stability of banks operating within the euro zone. However, while the ECB has final supervisory authority over all banks operating within the euro zone, it will only directly supervise those banks classified as 'significant' under the terms of the SSM (117 significant banking groups have been recognized to date). ‘Less significant’ banks will continue to be supervised by the national supervisory authority, i.e. the Banca d’Italia.
- The Italian Securities and Exchange Commission (CONSOB – www.consoc.it) regulates the securities sector.

Bank accounts

Resident / non-resident status

- A company is generally considered resident in Italy if its place of effective management is located there.

Bank accounts for resident entities

<table>
<thead>
<tr>
<th></th>
<th>Inside Italy</th>
<th>Outside Eurozone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Currency</td>
<td>Permitted without restriction, fully convertible.</td>
<td>Permitted without restriction, fully convertible.</td>
</tr>
<tr>
<td>Foreign Currency</td>
<td>Permitted without restriction, fully convertible.</td>
<td>Permitted without restriction, fully convertible.</td>
</tr>
</tbody>
</table>
## Bank accounts for non-resident entities

<table>
<thead>
<tr>
<th></th>
<th>Inside Italy</th>
<th>Outside Eurozone</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Currency</strong></td>
<td>Permitted without restriction, fully convertible.</td>
<td>Permitted without restriction, fully convertible.</td>
</tr>
<tr>
<td><strong>Foreign Currency</strong></td>
<td>Permitted without restriction, fully convertible.</td>
<td>• Account opening and management is relatively straightforward in Italy, subject to standard know your customer (KYC) and compliance requirements. Please contact your BNP Paribas relationship manager for more information.</td>
</tr>
</tbody>
</table>

### Lifting fees

- Lifting fees are applied on payments between resident and non-resident bank accounts.

### BNP Paribas insights

- Please contact your BNP Paribas Relationship Manager for more information.

## BNP Paribas Cash Management Capabilities

### Liquidity Management

<table>
<thead>
<tr>
<th></th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in ITALY or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical cash pooling</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>Notional pooling</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Collections
### Payments

<table>
<thead>
<tr>
<th>Service</th>
<th>Supported by BNP Paribas</th>
<th>Not required / permitted in ITALY or not supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash withdrawals</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Cheque payments</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Direct debit payments</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Domestic outgoing transfers</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>International outgoing transfers</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Card issuing</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

### Channels

<table>
<thead>
<tr>
<th>Service</th>
<th>Supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local e-Banking</td>
<td>✔</td>
</tr>
</tbody>
</table>
Market overview

- Italy's banking sector has consolidated since the 1990s as a result of banking reform with a series of high profile mergers and acquisitions since the turn of the century. Foreign-owned banks now hold around a quarter of total banking assets in Italy. During the global financial crisis, a number of domestic banks relied on the government's bailout fund for financial support. Many corporations are seeking to work with banks with a combination of financial stability, a strong domestic presence and an extensive pan-European presence.

Payment systems

| TARGET 2-BI | Type | • Real-time gross settlement.  
|            |      | • Italian component of the pan-European TARGET2 system.  
|            | Participants | • 70 direct, 39 indirect.  
|            | Transaction types processed | • High-value and urgent EUR-denominated domestic and cross-border credit transfers.  
|            | | • Net obligations from BI-COMP.  
|            | Operating hours | • 07:00–18:00 CET, Monday to Friday.  
|            | Clearing cycle details (e.g. cut-off times) | • Payments are cleared and settled in real time.  
| | | • Interbank payment cut-off time = 18:00 CET.  
|            | System holidays | • TARGET2 is closed at weekends and on 1 January, Good Friday, Easter Monday, 1 May, and 25 and 26 December.  
| HAM | Type | • The Banca d'Italia's Home Account Module (HAM) is the real-time gross settlement system for domestic transfers.  
| | Participants | • 81 direct.  

Supported by BNP Paribas

Not required / permitted in ITALY or not supported by BNP Paribas
<table>
<thead>
<tr>
<th><strong>Transaction types processed</strong></th>
<th>• Domestic EUR-denominated credit transfers.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating hours</strong></td>
<td>• 07:00–18:00 CET, Monday to Friday.</td>
</tr>
<tr>
<td><strong>Clearing cycle details (e.g. cut-off times)</strong></td>
<td>• Payments are cleared and settled in real time.</td>
</tr>
<tr>
<td><strong>System holidays</strong></td>
<td>• HAM is closed on all TARGET2 holidays.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>BI-COMP - RETE DETTAGLIO</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td><strong>Participants</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>BI-COMP -  RECAPITI LOCALI</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td><strong>Participants</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TRANSACTION TYPES PROCESSED</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• SEPA payments (credit transfers and direct debits).</td>
</tr>
<tr>
<td>• Paper-based payments (cheques below EUR 3,000 and banker’s drafts below EUR 12,500).</td>
</tr>
<tr>
<td>• Niche payment instruments outside of the scope of SEPA (e.g. MAV, Bollettino Bancario and RIBA direct debits).</td>
</tr>
<tr>
<td>• ATM and POS payments.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Clearing cycle details (e.g. cut-off times)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cut-off times depend on which bank is effecting the payment.</td>
</tr>
<tr>
<td>• Settlement time depends on the bank and payment instrument but is a minimum of two days.</td>
</tr>
<tr>
<td>• There are six clearing cycles for SEPA credit transfers: 21:00 (returns), 07:15, 10:15, 12:00, 14:30 and 17:05 CET, Monday to Friday. The net settlement of legacy payment instruments and SEPA direct debits (SDDs) takes place at 12:00 CET. The net settlement of SEPA Instant credit transfers (SEPA Inst) takes place at 14:30 CET. Net settlement takes place via TARGET2.</td>
</tr>
</tbody>
</table>

| **System holidays**      | • BI-COMP is closed on all TARGET2 holidays. |

<table>
<thead>
<tr>
<th><strong>BI-COMP - RECAPITI LOCALI</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td><strong>Participants</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TRANSACTION TYPES PROCESSED</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cheques with a value greater than EUR 3,000, banker's drafts with a value greater than EUR 12,500, bank receipts and bills of exchange.</td>
</tr>
</tbody>
</table>

| **Operating hours** | • BI-COMP does not have official operating hours. |
### Clearing cycle details (e.g. cut-off times)
- Cut-off times depend on which bank is effecting the payment.
- Settlement takes place in Target2-BI on day two of the clearing cycle.

### System holidays
- BI-COMP is closed on all TARGET2 holidays.

### Transaction volumes by instrument

<table>
<thead>
<tr>
<th></th>
<th>Transactions (millions)</th>
<th>% change</th>
<th>Value (EUR billion)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheques</td>
<td>186.2</td>
<td>167.0</td>
<td>-10.3</td>
<td>479.4</td>
</tr>
<tr>
<td>Credit card payments</td>
<td>776.4</td>
<td>855.0</td>
<td>10.1</td>
<td>62.3</td>
</tr>
<tr>
<td>Debit card payments</td>
<td>1,836.5</td>
<td>1,941.0</td>
<td>5.7</td>
<td>111.8</td>
</tr>
<tr>
<td>Credit transfers</td>
<td>1,362.6</td>
<td>1,390.0</td>
<td>2.0</td>
<td>6,994.0</td>
</tr>
<tr>
<td>Direct debits</td>
<td>790.7</td>
<td>822.0</td>
<td>4.0</td>
<td>365.2</td>
</tr>
<tr>
<td>Card-based e-money</td>
<td>461.2</td>
<td>583.0</td>
<td>26.4</td>
<td>20.6</td>
</tr>
<tr>
<td>Other payment instruments</td>
<td>284.6</td>
<td>272.0</td>
<td>-4.4</td>
<td>605.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5,698.2</td>
<td>6,030.0</td>
<td>5.8</td>
<td>8,638.5</td>
</tr>
</tbody>
</table>

### Credit transfers
- Credit transfers are used by companies to pay salaries and suppliers, and to make tax, benefit and treasury payments.
- Low-value SEPA credit transfers (SCTs) can be settled via BI-COMP Rete Dettaglio, STEP2 or via correspondent banking networks. Participants in BI-COMP can clear payments bilaterally with participants in clearing systems in Austria (Clearing Service International for SCTs) and the Netherlands (equensWorldline Clearing and Settlement System for SEPA direct debits and SCTs).
- Approximately 448 banks in Italy participate in the SEPA credit transfer scheme.
- The niche paper-based MAV (Mediante Avviso— a paper-based giro issued by the creditor’s bank) and Freccia (Bollettino Bancario – a paper-based giro issued by the creditor) remain outside of the scope of SEPA and are not affected by the SEPA end date regulation.
- High-value and urgent domestic and cross-border (within the euro zone) credit transfers can be settled in real time via TARGET2-BI.
High-value and urgent cross-border payments can also be settled via the Euro Banking Association’s EURO1 system. Thirteen banks in Italy participate directly in EURO1.

Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.

In November 2017, the European Payment Council’s SCTInt scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) went live across all SEPA countries. The scheme enables the transfer of funds (the maximum threshold value for SCTInsts is EUR 15,000) to another account in less than ten seconds. Participation in the European Payment Council’s SCT Inst scheme is optional. There are 27 SCT Inst participants in Italy.

EBA Clearing and Italy’s SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. The new system went live on the launch date of SCT Insts in November 2017. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments. RT1 was launched in Italy in November 2017.

A new pan-European service for the settlement of instant payments in central bank money, TIPS, was launched on November 30, 2018. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

Direct debits

- Direct debits are used for low-value, regular payments, such as utility bills.
- Direct debits can be settled via BI-COMP Rete Dettaglio or, in the case of SEPA direct debits, by STEP2.
- The RIBA (Ricevuta Bancaria), a non-preauthorised direct debit, remains outside of the scope of SEPA migration and is not affected by the SEPA end date regulation.

Cheques

- The cheque is an important cashless payment instrument, used by both consumers and small companies.
- Cheques with a value greater than EUR 3,000 are cleared through Recapiti Locali.
- Cheques with a value equal to or below EUR 3,000 are truncated into electronic items before being cleared on a next-day basis via Rete Dettaglio. However, it can take up to a week for funds to be credited to the beneficiary.

Card payments

- Card payments are the increasingly popular, especially for retail transactions.
- There were 56.3 million debit cards and 14.8 million credit and delayed debit cards in circulation at the end of 2018.
- Bancomat/PagoBancomat is Italy’s national debit card scheme.
- Visa V Pay debit cards are issued by five Italian banks.
- Debit card payments are settled through BI-COMP Rete Dettaglio.
- Domestic Nexi (formerly CartaSi) credit cards are issued in conjunction with Visa and MasterCard. Nexi credit card payments are cleared by EquensWorldline.
- Some banks also offer their own proprietary credit card in conjunction with Visa and MasterCard.
- Contactless card technology is available in Italy.
- All cards issued are SEPA-compliant with EMV chips.

ATM/POS

- There were 40,396 ATMs in Italy at the end of 2018.
- There were 3.17 million POS terminals in Italy at the end of 2018.
- All payments through the Bancomat (ATM) or PagoBancomat (POS) network are settled through BI-COMP Rete Dettaglio.
- All ATMs and POS terminals are EMV-compliant.

**Electronic wallet**

- There were 28.4 million multi-purpose pre-paid cards in circulation at the end of 2017.
- Approximately 17 million Postepay pre-paid cards are offered by the Italian Post Office in conjunction with Visa and MasterCard. They can be used at ATMs and POS terminals.
- Mobile payment schemes are also available.

**BNP Paribas capabilities**

- BNP Paribas provides comprehensive cash management including all domestic payment, collection and cash management services (both SEPA and legacy instruments) including RID, RiBA, MAV, assegni circolari etc.) as well as international solutions.

**Electronic banking**

**Market overview**

- The CBI (Customer to Business Interaction) Consortium online banking platform is mandatory for banks in Italy.
- Over one million companies use CBI Consortium electronic banking standards, established by the Italian Bankers' Association (ABI).
- Transaction and balance reporting, automated end-of-day sweeping, and some transaction initiation services are available on a domestic and cross-border basis.
- CBI Consortium has introduced a multibank digital signature standard as well as XML-based standards for SEPA credit transfers and direct debits, the electronic exchange of invoices, invoice financing, and structured statements.
- Online and mobile banking services are provided by the country's leading banks.

**BNP Paribas capabilities**

- BNP Paribas provides comprehensive electronic banking channels in Italy, including CBI Consortium-based services, as well as its full international portfolio of electronic banking solutions.

**Liquidity management**

**Domestic: notional pooling**

- Domestic notional cash pooling is not available in Italy.

**Domestic: cash concentration**

- Domestic cash concentration structures are widely available.
- Resident and non-resident bank accounts can participate in the same cash concentration structure, as can different legal entities.
- Zero balancing is the most commonly used structure.
- Multi-bank cash concentration is offered by some Italian banks.
Cross-border notional pooling

- Cross-border notional cash pools are not usually based in Italy because of the restrictions on banks offsetting credit and debit balances.

Cross-border cash concentration

- Cross-border cash concentration structures are not normally based in Italy.
- Residents in Italy are able to sweep cash from their resident bank accounts into non-resident accounts on a daily or weekly basis.
- Italian resident entities are also permitted to participate in cash concentration structures where the header account is located outside Italy.

BNP Paribas insights

- Most header accounts for cross-border cash pools are located outside of Italy due to credit/debit balance offset restrictions. BNP Paribas works with customers to understand cash and liquidity requirements in detail and create solutions to meet their specific needs.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted for resident and non-resident companies.

Demand deposits

- Demand deposits are permitted for resident and non-resident companies.

Time deposits

- Time deposits are available in EUR or major foreign currencies for terms of one night to one year.

Certificates of deposit

- Certificates of deposit (CDs) are not commonly used in Italy.
- CDs can be denominated in EUR, GBP, USD or CHF, for terms ranging from three months to five years.
- CDs can be issued paying fixed or floating interest.
- CDs with a term greater than 18 months cannot be redeemed before the expiry of the first 18 months.
- There is no secondary market.

Treasury (government) bills

- The Italian Ministry of Finance's Treasury department issues Treasury bills (Buoni ordinari del Tesoro – BOTs).
- BOTs can be purchased online or through intermediaries. Terms are typically three, six or 12 months. There is an active secondary market.
- Buoni obbligazionari comunali are issued by regions, provinces and municipal authorities.

Commercial paper
The cambiale finanziaria is typically issued with maturities ranging from three months to one year.
- The minimum investment is EUR 50,000.
- Large Italian companies offer commercial paper outside Italy
- Italian companies can invest in Eurocommercial Paper.

**Money market funds**

- Money market funds are available in Italy.
- The minimum investment is EUR 25,000.

**Repurchase agreements**

- Repurchase agreements (pronti contro termine – PCTs) have become popular in Italy.
- Maturities range from one week to three months, although 60% of PCTs have a spot-value date.

**Banker’s acceptances**

- Banker’s acceptances are not commonly used in Italy, but maturities of between three and 12 months are available.

**BNP Paribas insights**

- Please contact your BNP Paribas relationship manager for support and guidance on liquidity management.

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**BNP Paribas Trade Finance Capabilities**

### Trade payments

| Documentary credits | ✔ |
| Documentary collections | ✔ |

#### Supported by BNP Paribas

<table>
<thead>
<tr>
<th>Supported by BNP Paribas</th>
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</table>

#### Not required / permitted in ITALY or not supported by BNP Paribas

<table>
<thead>
<tr>
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</tr>
</thead>
</table>

### Guarantees

| Bank guarantees | ✔ |
| Standby letters of credit | ✔ |
Supply chain management

| Receivables   | ✔️ |
| Payables      | ✔️ |
| Inventory     | ✔️ |

Trade channels

| Connexis Trade | ✔️ |
| Connexis Supply Chain | ✔️ |
| SWIFTNet Trade for Corporates | ✔️ |
| Connexis Connect | ✔️ |

General trade rules

- As a member of the EU, Italy follows the EU customs code and applies all associated regulations and
commercial policies.
- Trade with other countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

**Trade agreements**

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Mercosur (the Southern Common Market), Uruguay, Myanmar and the USA.

## Imports / exports

<table>
<thead>
<tr>
<th>Imports</th>
<th>Engineering products</th>
<th>Chemicals</th>
<th>Transport equipment</th>
<th>Energy products</th>
<th>Minerals and non-ferrous metals</th>
<th>Textiles and clothing</th>
<th>Food</th>
<th>Beverages</th>
<th>Tobacco</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Import sources</td>
<td>Germany (16.3%)</td>
<td>France (8.8%)</td>
<td>China (7.1%)</td>
<td>Netherlands (5.6%)</td>
<td>Spain (5.3%)</td>
<td>Belgium (4.5%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>Engineering products</td>
<td>Textiles and clothing</td>
<td>Production machinery</td>
<td>Motor vehicles</td>
<td>Transport equipment</td>
<td>Chemicals</td>
<td>Food</td>
<td>Beverages</td>
<td>Tobacco</td>
</tr>
<tr>
<td>Export markets</td>
<td>Germany (12.5%)</td>
<td>France (10.3%)</td>
<td>USA (9.0%)</td>
<td>UK (5.2%)</td>
<td>Spain (5.2%)</td>
<td>Switzerland (4.6%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Import / export volumes

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- goods USD m</td>
<td>517,128</td>
<td>450,174</td>
<td>453,707</td>
<td>497,628</td>
<td>537,532</td>
</tr>
<tr>
<td>- services USD m</td>
<td>113,987</td>
<td>98,278</td>
<td>100,444</td>
<td>111,503</td>
<td>121,528</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- goods USD m</td>
<td>454,602</td>
<td>393,595</td>
<td>389,869</td>
<td>435,079</td>
<td>481,932</td>
</tr>
<tr>
<td>- services USD m</td>
<td>115,337</td>
<td>101,205</td>
<td>104,126</td>
<td>116,322</td>
<td>125,919</td>
</tr>
<tr>
<td>Current account as % GDP</td>
<td>+ 1.8</td>
<td>+ 1.5</td>
<td>+ 2.5</td>
<td>+2.7</td>
<td>+ 2.5</td>
</tr>
<tr>
<td>------------------------</td>
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<td>-------</td>
<td>-------</td>
<td>------</td>
<td>-------</td>
</tr>
</tbody>
</table>


### Trade finance - imports

#### Documentation

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to import goods into Italy from outside the EU:
  - customs declaration
  - commercial invoice
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

#### Import licences

- Import licences are required for all textiles from Belarus and North Korea.
- Import licences are also required for certain steel products from Kazakhstan and for wood from Russia.

#### Import taxes and tariffs

- Tariffs are set according to the EU customs code for all imports from outside the EU, with higher tariffs for agricultural imports.
- There are currently two free zones operating in Italy (in Trieste and Venice).

#### Financing requirements

- None

#### Risk mitigation

- None

#### Prohibited imports

- Italy prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.


**Documentation**

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to export goods from Italy outside the EU:
  - customs declaration
  - commercial invoice
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

**Export licences**

- Export licences are required for items subject to international export controls.

**Export taxes and tariffs**

- None

**Financing requirements**

- None

**Risk mitigation**

- Italy has implemented the EU directive on export credit insurance.
- Gruppo SACE (Servizi Assicurativi del Commercio Estero), Italy's national export credit agency, provides state-supported export credit insurance.
- Export credit insurance is also available from private insurance companies.
- The state-owned Italian Corporation for Foreign-based Ventures (Societa Italiana per le Imprese All Estero – SIMEST) provides financial support by subsidising export credits.
- Export financing is also available privately from a certain number of commercial banks.

**Prohibited exports**

- Italy prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

**Regulatory requirements**

**Reporting regulations**

- Resident entities have to report transactions with non-resident entities on a monthly, quarterly or annual basis,
Exchange controls

- Italy does not apply exchange controls.
- Restrictions apply to foreign investment in specific industries (the media, airlines and shipping).

Anti-money laundering / counter-terrorism financing

- Italy has enacted anti-money laundering legislation, including legislation implementing the first five EU anti-money laundering directives and counter-terrorist financing legislation (Decree No. 231 of 2007 as amended; Law No 197 of 1991, which has since been amended extensively; and Decrees No 141, and 143 of 2006). The Banca d'Italia and the FIU have also issued related Instructions and guidance notes.
- A Financial Action Task Force (FATF) member, Italy observes most of the FATF+49 standards. Italy is also a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) with observer jurisdiction status.
- Italy has established a financial intelligence unit (FIU), housed within the Banca d'Italia. The FIU is a member of the Egmont Group.
- Account opening procedures require formal identification of the account holder and beneficial owners.
- Anonymous accounts are prohibited, as are bearer passbooks with a balance exceeding EUR 2,500.
- Financial institutions are required to adopt a risk-based approach to on-going customer due diligence.
- Relationships with shell-banks are prohibited.
- Financial institutions in the broadest sense (with the exception of credit reference services) are required to record and report to the FIU suspicious transactions plus all occasional transactions above EUR 15,000 or several transactions aggregating to EUR 15,000.
- Financial institutions are required to maintain a centralised electronic AML database for all transactions (including wire transfers) over EUR 15,000 and to submit this data monthly to the FIU.
- All cross-border transactions involving suspicious, non-declared or falsely declared currency and other bearer instruments must be reported.
- All credit card or e-payment transactions of EUR 3,000 must be reported to the Agenzia delle Entrate.
- Individuals entering or exiting the EU must declare currency of EUR 10,000 or more to the customs authorities.
- Financial institutions must file all account information with the central archive. These records must be kept for a minimum of ten years.

* Data as at June 2019.

Resident / non-resident

- A company is resident for tax purposes if its legal seat, place of effective management or main business activity is in Italy for the greater part (i.e. at least 183 days) of the fiscal period.
- A foreign company that holds a controlling participation in an Italian company is deemed to have its place of effective management in Italy and, therefore, to be resident in Italy for corporate tax purposes if the foreign company is controlled by an Italian resident or managed by Italian residents representing the majority of its board of directors.

Financial instruments

- Open-ended and closed-ended investment funds investing in securities (Fondi comuni di investimento mobiliare
aperti and Fondi comuni di investimento mobiliare chiusi respectively) and SICAVs (collective investment vehicles in the form of a corporation whose capital amount can vary according to the number of subscribers) are not subject to IRES and IRAP. Instead, taxation is applied in the hands of the participants in the form of a 20% withholding tax on distributions or realisation of the investments.

- Closed-ended investment funds investing in immovable property (Fondi comuni di investimento immobiliare chiusi) are not subject to IRES. A 20% withholding tax applies to distributions or realisation of investments to resident investors or non-qualifying non-residents. From tax year 2011, the income of such funds could be computed in the hands of the participants in proportion to their entitlement to the fund's profits if they have a participation in excess of 5% in the funds; a few exceptions apply.
- Qualified Italian resident listed real estate investment companies (Società di investimento immobiliare quotate, SIIQ) may opt for a special regime: income derived by an SIIQ from the leasing of real estate and dividends received from other SIIQs (to the extent such dividends are composed of income derived from leasing activities, so-called ‘qualifying profits’) are exempt from both IRES and IRAP. Income arising from other activities is taxable according to the ordinary provisions.
- Pension funds are not subject to IRES and IRAP, but must pay a substitute tax at a rate of 11% on the yearly net result (equal to the difference between the net value of assets at the end and at the beginning of the year).

**Interest and financing costs**

- Interest and similar expenses, including expenses related to financial leasing agreements, that exceed interest income (i.e. net interest expense) may be deducted each year up to 30% of EBITDA (earnings before interest, taxes, depreciation and amortisation), plus financial leasing instalments and dividends paid by foreign controlled companies. The rule applies to all interest and similar expenses, not just expenses on related-party loans. Exceptions are provided, inter alia, for interest capitalised on tangible and intangible assets according to the relevant law provisions, interest capitalised on inventory of movable goods, interest expense related to loans secured by a mortgage and interest expense related to trade payables.
- Certain entities are not subject to the rules; banks, insurance companies and other financial companies are allowed an interest deduction up to 96% of the amount payable.
- Interest expense that is not deductible in a particular year may be carried forward indefinitely for offset against available 30% EBITDA in subsequent years. The amount of EBITDA exceeding the net interest expense in a given year may be carried forward to increase 30% of EBITDA of subsequent years.
- Special rules apply for tax consolidated groups. Excess net interest expense may be transferred to another group company and the 30% EBITDA of a group company that exceeds that company’s net interest expense may be transferred to another group member and used to deduct that member’s net payable interest at the level of the tax consolidation.
- Restrictions apply to the carryforward of excess net interest expense in the case of mergers.

**Foreign exchange**

- Foreign exchange profit/loss deriving from credit or debt denominated in a foreign currency is fully taxable/deductible, irrespective of the primary or underlying transaction that generated it.
- Transactions expressed in foreign currency must be converted into EUR at the exchange rate in effect on the day on which the transaction is deemed to have been carried out.
- Specific tax rules are provided for companies adopting a multi-currency accounting system, but no specific tax reports are required.

**Advance tax ruling availability**

- Advance rulings relating to transfer pricing may be obtained from the tax authorities.
- Such rulings also may apply to dividends and royalties. A ruling also may be requested from the authorities for other reasons, such as to avoid application of the controlled foreign companies’ regime and the non-operating company regimes or anti-abuse provisions or to obtain the correct interpretation of an unclear tax provision.
Capital gains tax

- Capital gains generally are treated as ordinary income and taxed at the 24% corporate income tax rate. Capital gains derived from the sale of participations, however, are 95% exempt from taxation if the following requirements are met:
  - The participation has been held continuously at least for a period that may range between 12 and 13 months;
  - The participation is classified as a financial fixed asset in the first financial statement closed after the participation was acquired;
  - The company in which the participation is held is not resident in a country on the blacklist of tax havens annexed to Italy’s CFC legislation; and
  - The company in which the participation is held carries out a business activity (this requirement will not be met if assets are represented primarily by real property not used in the business activity).
- The last two conditions must have been satisfied continuously over the last three years (or less if the company’s life is shorter).
- Capital gains realised by non-resident companies on the sale of “nonqualified participations” ordinarily are taxed at a 26% flat rate. As from 2019, the 26% flat rate also generally will apply to capital gains from qualified participations. In some cases, capital gains from qualified and non-qualified participations may be exempt, according to specific rules or a relevant tax treaty.

Withholding tax (subject to tax treaties)

<table>
<thead>
<tr>
<th>Payments to:</th>
<th>Interest</th>
<th>Dividends</th>
<th>Royalties</th>
<th>Other income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident entities</td>
<td>0%/26%</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Non-resident entities</td>
<td>12.5%/26%</td>
<td>1.20%/26%</td>
<td>22.5%</td>
<td>30%</td>
</tr>
</tbody>
</table>

- Interest payments between resident companies are not generally subject to withholding tax. A withholding tax of 26% is levied on short, medium and long-term deposits held by residents in banks.
- Interest on loans to non-residents bears withholding tax at a rate of 26%.
- Interest derived from a direct/indirect investment in government bonds and similar securities is subject to withholding tax at a rate of 12.5% (domestic exemptions apply). Under Italy’s implementation of the EU Interest and Royalties Directive, qualifying interest payments are exempt from withholding tax.
- There is no withholding tax on interest payments from resident to non-resident companies related to a current account, provided that a double tax treaty is in place and the non-resident company is not resident in a tax haven. Careful structuring will be required for cash pooling arrangements to be considered eligible for such treatment.
- Deposits and accounts held by non-residents are excluded from taxation in Italy.
- For dividend payments to non-residents, the withholding tax on dividends is equal to:
  - 1.20% on dividends paid to eligible entities that are EU/EEA resident; and
  - 26% on dividends paid to non-EU resident entities (with a potential refund of the foreign tax paid on the dividend by the recipient, up to 11/26ths of the Italian withholding tax).
- These rates may be reduced by tax treaties. A zero-rate withholding tax can be applied under the EU Parent-Subsidiary Directive.
- Royalties paid to non-residents are liable to withholding tax at a rate of 30%. The taxable income is equal to 75% of the royalties’ value. Therefore, the effective tax rate is 22.5%.
- For interest and royalty payments between EU-resident group companies, no withholding tax is applicable, provided certain conditions are met.
**Tax treaties / tax information exchange agreements (TIEAs)**

- Italy has concluded more than 100 tax treaties. Different rates of withholding tax can apply on interest, dividends and royalties, depending on the terms of the agreement with the particular country.
- Italy has exchange of information relationships with 116 jurisdictions through 105 double tax treaties and 12 TIEAs.
- Italy, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement with 30 other countries (‘the MCAA’). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With country-by-country reporting, tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA started in 2017–18 on 2016 information.

**Thin capitalisation**

- Italy does not have thin capitalization rules per se, but net interest expense is deductible only up to an amount equal to 30% of EBITDA (plus financial leasing instalments). As from January 1, 2019 (for calendar-year taxpayers), there are some changes to the interest expense deduction limitation rules. EBITDA is calculated by taking into consideration the values that are relevant from a corporate income tax perspective (i.e. not merely on an accounting basis). Excess net interest expenses may be carried forward indefinitely to increase the deduction of interest expense in a subsequent year, while an excess of 30% EBITDA may be carried forward for five fiscal years. A specific rule is provided for the use of an excess of 30% EBITDA accrued before 2019 (as calculated under the previous rules).

**Transfer pricing**

- The business income of a resident enterprise arising from transactions with non-residents that directly or indirectly control the resident company, are under the control of the resident company or are controlled by the same entity that controls the resident company is assessed on the basis of the arm's-length value of the goods transferred, services rendered or services received.
- OECD guidelines generally are followed to determine the arm's-length price and both the traditional methods (comparable uncontrolled price, cost-plus and resale price methods) and profit-based methods (such as the transactional net margin method) are used and may be acceptable based on the specific circumstances.
- A withholding tax exemption or reduced rate under an applicable tax treaty may be denied to the extent the price paid is higher than arm's length.
- Transfer pricing documentation is not mandatory but a taxpayer can obtain protection against penalties in the event of a transfer pricing adjustment by maintaining appropriate documentation and disclosing the existence of that documentation in the annual income tax return.

**Stamp duty**

- Stamp duty is levied on legal and banking transactions at varying rates.
- See also ‘Financial transactions/banking services tax’.
Cash pooling

- Cash pooling arrangements are neither defined nor governed by Italian civil and tax legislation.
- Where the interest payments under cash-pooling arrangements are on balances which qualify as a ‘current account’ (i.e. cash deposits different from a loan), these payments should be exempt from withholding tax under domestic provisions.
- Following clarifications issued by the Italian Ministry of Finance, it is likely that ‘notional’ cash pooling could be considered to have more similarities to a loan agreement than to a current account agreement for tax purposes. In this case, the 20% (or lower conventional rate) withholding tax would apply.

Financial transactions / banking services tax

- A ‘Tobin tax’ was introduced in the form of a stamp duty on transfers of shares and other financial instruments issued by Italian companies (including derivative instruments if one of the parties to the transaction is an Italian tax resident). The rate is 0.20% of the transaction value, reduced to 0.10% where the sale takes place on a listed market (a flat tax is applied on the value of derivative instruments).

Tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2019 (www.deloitte.com).