ITALY - DEPOSIT REQUIREMENTS FOR PAYMENTS ABROAD

The following communication dated 31 May 1976 has been received from the Permanent Mission of Italy.

I have the honour to forward to you herewith the text of three Ministerial Decrees of 6 May, published in the Official Gazette of the Italian Republic of 6 and 7 May, concerning:

- the frozen deposit requirement for payments abroad;
- the offer to supply foreign exchange to the "Ufficio Italiano dei Cambi";
- the foreign exchange financing requirement in respect of short-term export credits.

I take this opportunity to underline that the measures adopted under the above-mentioned Decrees are of a temporary and purely monetary nature. They constitute a whole and are designed to facilitate a return to normalcy in the Italian exchange market.

The Italian delegation is ready to furnish information on this subject to the other contracting parties at the next meeting of the Council, under the agenda item "Other business".
I. Ministerial Decree of 6 May 1976 establishing the frozen deposit requirements for payments abroad

Article 1. Purchases of foreign currencies against Italian lire, either cash or forward, by Italian residents, with a view to settling foreign transactions authorized in a general or particular way, shall be subject to the establishment by the resident concerned, of a non interest-bearing deposit in Italian lire with an authorized bank which shall be frozen for a period of ninety days, such deposit amount to 50 per cent of the Italian lire used for the purchase of foreign currencies.

The same deposit requirement shall apply to foreign payments in settlement of the above-mentioned transactions effected through the debit of a foreign exchange account or through the credit of a lire account whose holder is a foreign resident.

The deposits thus made shall be transferred daily by the authorized bank to the Bank of Italy.

Article 2. The deposit requirement referred to in Article 1 shall terminate on 3 August 1976.

Article 3. The above-mentioned deposit requirement shall not apply to the completion of mandatory foreign exchange financing operations existing on 5 May 1976 in respect of advance payment for imports; allowances granted by the "Ufficio Italiano dei Cambi" for medical care, subsistence, studies or business; Italian capital investments abroad, when subject to the deposit requirement provided under Ministerial Decree of 22 December 1975; payments effected with the cash availabilities of an authorized account; allocations under loans extended by medium-term credit by Italian institutions in pursuance of inter-governmental agreements; allocations relating to credits extended by authorized banks to foreign partners and contributing to the creation of the activities of such banks with foreign countries, in foreign exchange or in lire; transfers made through the "Ufficio Italiano dei Cambi"; payments in settlement of wheat imports (Tariff Item No. 10.01).

Article 4. The implementing provisions relating to this Decree and any possible future exceptions from the above-mentioned deposit requirement shall be issued by the Foreign Trade Ministry.

Article 5. The present Decree shall be published in the Official Gazette of the Italian Republic and shall enter into force on the day of its publication.
II. Ministerial Decree of 6 May 1976 (provisions relating to the offer to supply foreign exchange to the "Ufficio Italiano dei Cambi")

**Article 1.** The Ministerial Decree of 4 February 1976 containing provisions as regards the offer to supply foreign exchange to the "Ufficio Italiano dei Cambi", published in the Official Gazette of 5 February 1976 (No. 32) shall be amended as follows: The time limit concerning utilization set forth in paragraphs 1 and 2 of Article 2 of the Decree Law of 28 July 1955 (No. 586) modified by Law No. 43 of 4 February 1960 shall expire on the seventh day following the date when the foreign exchange has been credited to the accounts provided under Article 1 of the same Decree Law.

**Article 2.** The time-limit for the utilization of the accounts provided under paragraph 1 of the preceding Article as regards credits existing on the date of the entry into force of this Ministerial Decree shall remain unchanged.

**Article 3.** The present Decree shall be published in the Official Gazette of the Italian Republic and shall enter into force on the day of its publication.

III. Ministerial Decree of 6 May 1976 instituting a foreign exchange financing requirement in respect of short-term export credits

**Article 1.** Definitive exports invoiced in foreign currencies, involving totally or partly deferred payment within a time limit not exceeding 120 days as from the date of customs clearance, shall be subject to the requirement that an Italian bank shall initiate foreign exchange financing in the name of the exporter for an amount equal to 30 per cent of the deferred payment.

The above financing shall be effected by means of foreign exchange coming from abroad.

**Article 2.** The modalities concerning the initiation and the termination of the foreign exchange financing process referred to in the preceding Article shall be specified in provisions to be issued by the Foreign Trade Ministry.

**Article 3.** The present Decree shall be published in the Official Gazette of the Italian Republic and shall enter into force on the day of its publication.
IV. Similarly the "Ufficio Italiano dei Cambi" has issued two circulars concerning the technical arrangements for foreign exchange negotiations.

The one provides that cash transactions against lire to be settled within two to seven days as from the date of the negotiation, shall be charged to the "pronti contro termine" ceiling, i.e. shall cease being regarded as cash transactions and shall become forward transactions.

The other prohibits foreign exchange transactions against lire involving settlement on the same day, or on the next day following the negotiation (so-called "overnight" and "tomorrow next" transactions).