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## LEGAL ALERT

### Bank of Italy issues new supervisory rules on real estate investments and REOCOs

Following public consultation, on 19 October 2018, the Bank of Italy issued new supervisory rules on real estate investments made by banks (the “Rules”), in order to improve the management of real estate guarantees and the recovery of claims secured by real estate assets by the same banks.

Most notably, the Rules allow the banks to acquire real estate assets for recovery purposes beyond the general limit, without having to adjust their regulatory capital and to dismiss such assets “as soon as possible”.

Upon exceeding the limit, the bank will now have to submit to the Bank

of Italy a program for the dismissal of the relevant real estate assets (or the increasing of regulatory capital) within a reasonable time frame, which shall be consistent with the need to preserve the realisable value of such assets (normally not more than four years).

The Rules also contain supplemental provisions: (i) for the implementation of internal organizational and management controls necessary to adequately manage the risks related to real estate activities; and (ii) regarding the supervisory treatment of the real estate assets owned by REOCOs and the financial liabilities of the REOCOs against the banks