



Compounding of interest in banking transactions: CICR resolution no. 343/2016

21 September 2016

As announced in a former [client alert](#) focused on the new legal framework governing compounding of interest set out under article 120, paragraph 2, of the Italian Banking Act (as amended by law decree dated 14 February 2016, no.18 converted into law 8 April 2016, no. 49), the Inter-Ministerial Committee of Credit and Saving (*Comitato Interministeriale per il Credito ed il Risparmio*, the "**CICR**") has adopted the resolution 3 August 2016, no. 343 which provides for the procedures and criteria for accrual of interest in order to implement the above mentioned legal framework on the matter and confirms the general prohibition of compounding of interest except for specific exceptions (including default interests and specific cases of overdraft facilities) (the "**Resolution**"). The Resolution applies to transactions entered into between banks and financial intermediaries, on the one hand, and clients (excluding financial entities such as, *inter alia*, banks, financial intermediaries, insurance companies, OICRs, AIFs and other entities exercising financial intermediary activity), on the other.

Legislative news

The Resolution provides, *inter alia*, that:

- accrued interest payables cannot generate further interest, except for default interest;
- in relation to bank accounts or payment accounts transactions, interest shall be calculated on 31st December of each year (or, if earlier, on the termination date of the contract) and same interest periods (being at least equal to one year) shall apply for interest receivables and interest payables;
- with reference to overdraft facilities' ('*apertura di credito in conto corrente*', '*apertura di credito in conto pagamento*' and so called '*sconfinamenti*'), *inter alia*:
 - accrued interest payables must be calculated on 31st December of each year and become due and payable the 1st March of the following year; in any case interest accrued will become due and payable only after 30 days the client has received the notice from the bank/financial intermediary in accordance with the applicable provisions of the Italian Banking Act;
 - the client can authorize (also in advance) the bank/financial intermediary to debit accrued interest on the bank account once they have become due and

payable. In this case the debited interest amount is considered as principal. Such authorisation can be revoked in any moment prior to the occurrence of the relevant debit on the bank account;

- once the relevant overdraft facility is terminated interest shall become immediately due and payable. Interest may accrue on the final balance for the principal component while the interest component cannot generate further interest.

Banks and financial intermediaries shall apply this Resolution, at the latest, to interest accrued as of October 1st 2016. The Resolution also sets out a specific regime for the amendment of the pending banking contracts in order to comply with its provisions. As per other banking legislation provisions, a derogation from the legal regime is allowed only if in favour of the client.

If you are interested in obtaining more information or discussing any of the above, please contact [Andrea Arosio](#), [Francesco Faldi](#), [Ettore Consalvi](#) or your usual contact at Linklaters.

Contributor to this alert: [Valentina Armaroli](#), [Sara Astrologo](#).