

The Organisation of Exchange Control in Italy

I - Bodies in Charge of Exchange Control.

1. — In Italy the most important organisations responsible for planning and administering exchange control are: the « Ministero per il Commercio con l'Estero » (Ministry for Foreign Trade), and particularly one department thereof, the « Direzione Generale delle Valute » (General Direction of Foreign Exchange); the « Istituto Nazionale per il Commercio Estero » (National Institute for Foreign Trade), directly subordinate to the Ministry for Foreign Trade; the Treasury; the Ministry of Finance; the Ufficio Italiano dei Cambi (Italian Foreign Exchange Office); the Bank of Italy; and the so called « banche agenti » (agent banks). Let us glance at each of these organisations in turn.

A. - The « Ministry for Foreign Trade » is the central organisation performing all functions connected with the control of foreign exchange and foreign trade, whether with reference to individuals and firms or to public agencies or government departments, except where those functions fall within the field covered by the Ministry for Foreign Affairs. In particular it is responsible for:

- the coordination and fulfilment of import and export programmes and the control of the resulting payments;
- the negotiation of treaties and international agreements concerning the exchange of goods and services, and the payments entailed;
- the supervision and approval of finance operations relating to the exchange of goods with foreign countries;
- the control of foreign exchange movements relating to imports and exports;
- the stipulation and implementation of any other form of agreement regarding Italy's supplies;
- the solution of problems connected with entrepôt and transit trade and any other form of merchanting trade.

The « Direzione Generale delle Valute » of this Ministry is specifically in charge of the formulation of exchange control regulations pertaining to economic relations with foreign countries. In coopera-

tion with the appropriate departments of the Treasury, and with the assistance of the Foreign Exchange Office, it looks after the movement of foreign exchange balances and the trend of the balance of payments with the various countries, promoting the necessary adjustments in the exchange of goods and regulating the various financial transactions. It also takes a prominent part in the negotiation of payment agreements, and issues directives for their implementation.

B. - The « Istituto Nazionale per il Commercio Estero » (I.C.E.) is directly subordinate to the Ministry of Foreign Trade (1). It is a public agency mainly concerned with the encouragement and development of trade between Italy and other countries, and more especially of Italian exports. It therefore systematically studies problems relating to exports, imports and the transit of foreign goods through Italy. In co-operation with the agencies concerned, I.C.E. works for the promotion of Italian sales on foreign markets, regulates Italian participations at foreign shows and fairs, encourages and assists any initiative aimed at improving the organisation of the import trade, including credits, services and freights.

I.C.E. is also in charge of the coordination of exchanges under the so-called global barter agreements concluded with some countries, and to this end collects the operators' applications and arranges the issue of licences. I.C.E. (or its subsidiary offices) validates the currency forms and the invoices relating to the export of agricultural products or of goods subject to minimum price controls.

C. - The Treasury. Besides continually cooperating with the Ministry of Foreign Trade to ensure vigilance over foreign exchange reserves, the Treasury is responsible for all matters relating to Italian securities issued abroad, to foreign investments in Italy, to Government purchases and to allotments of foreign exchange for the requirements of Government departments (2).

(1) Art. 5 of Decree Law 16th January 1946, No. 12.

(2) The Treasury is also in charge of the services of the « Contenzioso Valutario » (Legal Office for Foreign Exchange Controversies) and the Advisory Committee for Currency Offences (Royal Decree Law 12th January 1938, transformed into the Act of 9th January 1939, No. 380).

D. - The Ministry of Finance's activities in the field of exchanges with foreign countries are conducted chiefly through its « Direzione Generale delle Dogane e Imposte Indirette » (General Direction of Customs and Indirect Taxation) and relate to restrictions, tariffs and customs' duties.

The Ministry of Finance releases licences in respect of import applications approved by the Ministry of Foreign Trade. Exceptions to this rule are imports to be paid for in « free currency » (U.S.A. dollars, Canadian dollars, free Swiss francs) and Sterling, where licences are released through the Italian Foreign Exchange Office (3). This procedure relates, of course, to goods still subject to ministerial import licence. As is known, in recent years, with the development of liberalisation, the goods that may be imported without ministerial authority have increased in number and importance. Hence the distinction between « licence imports » (i.e. those requiring authority from the Ministry) and « customs imports » (i.e. those requiring none).

E. - The Ufficio Italiano dei Cambi (U.I.C.), or Italian Foreign Exchange Office, is the central organisation administering the Italian exchange control (4). For this purpose U.I.C. enlists the services of the Bank of Italy, of a wide network of commercial banks classified as « agent banks » (*banche agenti*), « associate banks » (*banche aggregate*), « minor banks » (*banche minori*) and « delegated banks » (*banche delegate*), and finally those of exchange dealers and of the collecting centres of tourist and hotel organisations.

All dealings in foreign currency and in any other means that may be used to make payments abroad, are reserved to U.I.C. Furthermore this Office has the sole right to deal in gold outside Italy, and may suggest to the Treasury measures concerning the internal gold market. It also acts as central cashier for payments and receipts relating to clearing agreements concluded with foreign countries. All opera-

(3) In other words the situation may be summarised as follows: authority to import goods is issued by the Ministry of Foreign Trade, on application of the importer and after a mercological and foreign exchange investigation, within the limits of the trade treaties in force. This authority, a copy of which is sent to the applicant for information, may follow one of two channels: it is sent to U.I.C. if it relates to imports free currency, or to the Ministry of Finance if it involves imports free of payment or imports from countries with which there is a clearing agreement.

(4) U.I.C. is an autonomous incorporated public agency subject to the vigilance of the Treasury. It has an endowment fund of Lit. 100 million, conferred by the Bank of Italy, and is managed by a Board presided over by the Governor of the Bank of Italy and consisting of several members, two of whom represent the Treasury, two the Ministry of Foreign Trade and one the Ministry of Foreign Affairs.

tions in Italy are transacted on behalf of U.I.C. by the Bank of Italy, and that is why the branches of that Bank are also qualified « Representatives of U.I.C. » (5).

U.I.C. is the principal agent of the Ministry of Foreign Trade and also its adviser on matters of policy. In fact its duties are to supply that Ministry (6) with statistics of the means available to make payments abroad and any useful suggestion relating thereto; to carry out the directions and instructions of the Ministry of Foreign Trade in the field of foreign exchange (particularly in regard to the destination of payments, to financing operations relating to the exchange of commodities, to the release of import and export permits in the specified cases, etc.). U.I.C. issues notices drawing the attention of the banks to these directions and instructions, and explaining technically the working thereof. It also has the task of supervising all regulations in force in the field of foreign exchange.

F. - « Agent » (or « authorised ») banks. The expression « authorised banks » originates from the fact that such banks are permitted to conduct foreign exchange business on specific authority of the Bank of Italy (7). The expression « agent » derives from the wording of the law which, in respect of the services entrusted to them, qualifies them « agencies » of the Bank of Italy. Technically speaking, the expression « agencies of the Bank of Italy » means that agent banks carry out duties that normally the branches of the Bank of Italy might perform.

The Ministerial Decree (statutory order) of 8th December 1934 that institutes agent banks contemplates no other type of bank authorised to conduct foreign exchange business; subsequently however, as distinct from agent banks, others, the « associate » banks, were permitted to transact foreign exchange business on the initiative of the Bank of Italy. Today the only difference between « associate » and « agent » banks is that while the latter are in direct contact with U.I.C. through their own departments (established in Rome and denominated « Collecting Centres »), associate banks only communicate with U.I.C. through the Bank of Italy. As regards their powers, the two types of banks are on a perfectly equal plane. Agent and associate banks both operate fully in foreign exchange and hold accounts abroad in their own name.

(5) For some operations U.I.C. also works through two offices of its own, established at Trieste and Milan respectively; furthermore for purposes of studying foreign markets and collecting information U.I.C. keeps Representatives, jointly with the Bank of Italy, in some of the main foreign centres.

(6) Decree Law 16th January 1946, No. 12, art. 5.

(7) Ministerial Decree 8th December 1934, Artt. 10-11; Decree Law of the Lieutenantcy 17th May 1945.

The so-called « minor banks » carry out an activity similar to that of associate banks (8) but since they are not allowed to hold accounts with foreign correspondents, they must refer to the branches of the Bank of Italy for every single operation abroad. Finally we should mention the so-called « delegated banks », that operate as detached counters of the Bank of Italy solely to release import and export permits. In the performance of the services delegated to them, banks, exchange dealers and collecting centres must strictly conform to all the instructions issued by U.I.C. to implement the directions of the Ministry of Foreign Trade — and for this they are held directly responsible to the Government.

Banks authorised to deal in foreign exchange, exchange dealers and collecting centres must keep a record of all operations in foreign exchange. Their records must distinctly indicate, in order of date, all deals, both purchases and sales, with the name, nationality and residence of buyer and seller, and also give details of the nature and conditions of the transaction, as well as of the type of currency. Exporters and importers are also bound to keep such records and note their respective export and import operations, besides the sales or purchases of the relative means for making payments outside Italy.

Banks authorised to deal in foreign exchange are rightly included in the group of bodies delegated to exercise control; in fact in the performance of their services they are not mere executive organs, since the exchange regulations in force prescribe that they should carry out a series of preliminary and subsequent enquiries and controls in respect of the operators requiring their services for transactions abroad. It is true that the banks' investigations are later renewed and extended at a higher level, but there is no doubt that the initial investigation on the part of the bank has fundamental importance: in fact the bank is held responsible to the Government for the carefulness and accuracy of the investigation. Furthermore, not only the branches of the Bank of Italy, but the banks themselves release, very largely at their own discretion, administrative documents, such as import and export permits, to complete the transactions they make.

G. - *Exchange Dealers.* The Ministerial Decree of 8th December 1934 mentions exchange dealers in general terms as dealers for limited amounts of foreign currency. Their dealing in foreign currency is also subject to their receiving authority in advance from the Bank of Italy, which grants, refuses or revokes this authority at its own discretion.

(8) Minor banks are a sub-group of the associate banks and are qualified « minor » only as regards exchange control, by reason of their minor functions.

The authority may be general or specific, that is to say it may refer to all operations of a particular nature for a given amount, or concern one specific operation.

II - The Working of Exchange Control.

2. — The regulations by which, in Italy, the Government intervenes in the field of foreign exchange — with the main object of achieving and maintaining equilibrium in the external balance of payments — form a system of « complete » control, that is to say a system not limited to action in some sections, but covering all the innumerable operations connected with receipts from and payments to other countries.

This system substantially consists of a series of restrictions which may be outlined as follows:

a) control over the entering into any engagements which involve future foreign exchange outgoings;

b) control over payments relating to the debit side of the balance of payments. This control is exercised directly through the regulation which makes all payments abroad subject to authorisation, and indirectly through the regulations which forbid the export of foreign currencies and instruments of credit;

c) control over payments relating to the credit side of the balance of payments. This control also takes place directly under the provisions which require that foreign credits should be cashed in the specified foreign currencies, and indirectly under those which relate to the movements and the use of the national currency (9) as a means of settlement in respect of foreigners.

To this intent, all foreign balances (cash, bills, credits) accruing to Italian concerns or individuals resident in Italy are withdrawn from their free ownership and use.

Foreign currencies in cash must be offered for sale to U.I.C. or paid, in the name of the owner, into special bank accounts — to which we shall refer later — subject to the control of U.I.C. This offer for sale and/or payment into such accounts must be made within a specified period. The Ministerial Decree of 14th July 1943 prescribes a period of fifteen days. Actually this only refers to Treasury or Bank notes, but the same period is also applied to other means of payment for which, strictly speaking, the sale should be immediate.

(9) See Report on *Disegno di legge valutaria*, Istituto Poligrafico dello Stato, Rome, 1943.

The means of payment that are offered for sale and are not accepted, or the means that are not immediately negotiable against lire must be reported (10). Foreign credits, foreign and Italian securities issued abroad must be reported to the Bank of Italy. Foreign and Italian securities must not only be reported, but also deposited either with the Bank of Italy or with an authorised bank. Otherwise they may be deposited with a bank abroad, for account and in the interest of the owners, in the name of the Bank of Italy or of a bank authorised to open such accounts (11).

The obligation to report and to offer for sale any means for making payments abroad, entails the prohibition of all dealings in foreign exchange, and also the prohibition to enter into transactions known as « compensation deals », unless authorisation is sought in advance from the Ministry of Foreign Trade. Up to a limit of Lit. 200,000 this authorisation may be granted by U.I.C., and up to Lit. 50,000 by the Bank of Italy. In some particular cases, where sufficient documentary evidence supports the application, even authorised banks are empowered to grant authorisations (12).

3. — Having thus broadly outlined the fundamental principles of the exchange control system in force, let us explain how it works. At this point it will serve our purpose to explain that the balances in foreign currencies either surrendered to U.I.C. or credited in the name of the owners to special bank accounts, consist of:

a) « free currencies » (13);

(10) The law of 9th January 1936, No. 103, directed that banks and corporate bodies should report the variations in their credits and securities for each month within the first ten days of the following month. The same law directed that individuals should present these reports every three months (within the first half of March, June, September and December).

As regards credits belonging either to corporate bodies or to individuals a regulation issued by « Ministero Scambi e Valute » (Ministry for Exchange and Currencies) on 16th March 1942 ordered that variations should be reported every six months.

(11) In special cases and on application of the party concerned, the Ministry of Foreign Trade may release the owner from the compulsory deposit of the securities, if it is considered that the reasons put forward are justified and if adequate guarantees are given.

(12) For instance commission due to foreign representatives of Italian firms may be deducted from the export proceeds, if the commission does not exceed 5 per cent, or if U.I.C. has granted a general permit covering settlement in the required measure; however the specific commitment must always be stated on the relevant export permit.

(13) « Free currencies », as defined by the Italian exchange control administration, include the U.S.A. \$, the Canadian \$ and the « free » Swiss franc, in as much as these are the currencies mostly used in international settlements, although

b) sterling;

c) non transferable currencies of countries with which there is a general « decentralised » clearing agreement (14);

d) units of accounts agreed to in respect of general « centralised » clearing agreements (15).

4. — As a general rule, all receipts of foreign currency, no matter what the source, accruing to firms and individuals of Italian nationality domiciled in Italy must be entirely surrendered to the Foreign Exchange Office through authorized banks. Receipts so channeled and pooled are then distributed to users for making permitted payments abroad in accordance with the established methods of payment.

However, exchange proceeds resulting from certain transactions and in certain currencies, can be retained, wholly or partially, by the recipients subject to these proceeds being paid into special bank accounts, which are required to ensure their utilization for the payments prescribed by the exchange control regulations. These retained accounts are divided into two broad categories called, respectively, « *Conti autorizzati in Valuta* » (Authorized F.E. A/cs) and « *Conti Valutari* » (F.E. A/cs). Here, keeping to a strictly technical description, we shall rapidly enumerate their essential features.

actually other foreign currencies are freely convertible such as the following:

Haiti	= Gourde	Gourdes	5 = \$ 1
Honduras	= Lempira	Lempira	1 = \$ 0.50
Panama	= Balboa	Balboa	1 = \$ 1
Salvador	= Colon	Colon	1 = \$ 0.40
Mexico	= Peso	Peso	1 = \$ 1
Guatemala	= Quetzal	Quetzal	1 = \$ 1

(14) This group also includes Swiss « agreement » francs, because these may only be used for the settlements admitted by the Italo-Swiss agreement, and therefore may not be converted into other currencies.

(15) In « centralised clearings » the payment by the debtor and the payment in favour of the creditor, each in the respective national currency, are made to the Central Clearing Offices to the debit or credit of an account — denominated « clearing account » — and opened by the one Office in favour of the other. Payment advices, which are valid as payment orders, are exchanged directly by the two Offices. Usually the clearing account or accounts — sometimes each Office opens an account in favour of the other — are held in one currency which may be that of either of the countries concerned, or even that of a third country.

In « decentralised clearings », on the other hand, payment by the national currency, are made to banks authorised to receive them through accounts reciprocally opened by such banks in each of the two countries. These bank accounts are connected with the « clearing account » which each of the two central clearing offices opens, in its own national currency, in favour of its counterpart. Decentralisation of payments can therefore take place only where each of the two

A) *Conti autorizzati in valuta* (Authorized F.E. A/cs).

These accounts, which were contemplated as from the very beginning of exchange control (16), and which were given a wider application after 1945, may be granted to special concerns, such as, mainly, shipping and insurance companies, travel and forwarding agencies, and also commercial and industrial firms whose activities are principally carried on abroad.

Such concerns, under specific authorization of the Ministry of Foreign Trade (and that is why the accounts are qualified as « authorised ») may be permitted to retain 100 per cent of the foreign exchange earned in the conduct of their business subject to its being utilized solely to cover expenses relating to their requirements abroad. These retained accounts which are subject to periodic supervision and which, at present, can be kept in « free » currencies, sterling and in some cases, also, in « non-transferable currencies » are intended to aid the relevant concerns to meet the special needs of their business which involves recurrent requirements of foreign exchange for a considerable number of transactions.

B) *Conti Valutari* (Foreign Exchange Accounts).

Under this category are included the special retained foreign Exchange Accounts introduced after World War II (17). Such accounts are the following:

1) *Conti valutari 50% Esp. e Rim. (C.V.E. e R.)*. — These are by far the most important among the various types of *Conti Valutari*. By virtue of the law of 1946 (18), and its subsequent modifications, recipients of U.S.A. and Canadian dollars from all exports and invisibles must immediately surrender to the Exchange Central Office 50 per cent of the total amount received, for which authorized banks will pay them the equivalent in lire computed at the official exchange rate. The remaining 50 per cent is credited to them by the authorized banks in special non-interest-bearing accounts called « *Conti Valutari 50% Esportazioni e Rimesse* ». The recipient must use the retained exchange within 60 days, counting from the day following the date of crediting, for paying for imports and related expenses, or for other approved items. If the beneficiary is unable to utilize the retained exchange, he can sell it to a third party who, however, is not allowed to resell it. Sales are

central clearing offices is prepared to make available its own currency, beyond the limits represented by the equivalent amount paid in by the debtor of the other country.

(16) R.D.L. 8 dec. 1934, No. 1942 and R.D.L. 28 dec. 1936, No. 2197.

(17) By the Decree Law of March 26th, 1946, No. 139, and subsequent legal provisions.

(18) Cf. previous footnote.

executed at the so called « export rates » which are quoted daily on the Italian stock exchange on the basis of the actual transactions.

Failure, in either case, to utilize the retained exchange, within the prescribed time-limit is penalized by immediate obligatory surrender to the Foreign Exchange Office at a rate 20 per cent below the official exchange rate.

None of the prescribed uses confers upon the holder of the foreign exchange any special privilege by way of the rights to import or carry out other transactions not otherwise permissible. In other words, the holder is subject to exactly the same regulations as any other operator who has to buy the exchange from the Foreign Exchange Office. The institution of these retained foreign exchange accounts is recognized to be one of the most interesting features of the Italian postwar exchange control system. It, however, would be beyond our present scope to comment on the importance and economic significance of this measure and on the repercussions it has had on the course of Italian trade with other countries.

As it exists today the 50 per cent system no longer serves the principal purposes for which it was originally intended. The continuation of the system is reportedly motivated by the desire of the monetary authorities to keep a free hand with respect to possible adjustments of the exchange rate. In fact any adjustment of an officially fixed rate would require legislative action by Parliament.

2) *Conti Valutari Noli Marittimi ed aerei* (F.E. A/cs for sea and air freights). — Recipients of foreign exchange (at present U.S.A. and Canadian dollars) from sea and air freights are also allowed to retain 50 per cent of their proceeds in special accounts, bearing the above title, with the authorized banks. The retained exchange may be utilized, either by the holder of the account or by an operator of the same category to whom it may be sold, for special expenses (such as purchases of ships or aircraft or material for their construction) within a period of 9 months counting from the first day of the month following the date of crediting.

Here again, the retained exchange not utilized within the prescribed time-limit must be surrendered to the Foreign Exchange Office at the official rate minus a 20 per cent discount as penalty. Balances of these accounts may also be sold to operators of any other category subject to the prior transfer of funds to a « *Conto Valutario 50% E. e R.* ».

3) *Conti Valutari Acquisto Navi* (F.E. A/cs for the purchase of ships). — These accounts are credited with 100 per cent of the gross receipts from freights in U.S.A. \$, accruing in favour of shipowners who

have to repay loans obtained for the purchase of foreign ships or for the assignment of naval units sold by the U.S.A. Government to Italy. The validity of these accounts — opened separately for every ship and bearing the name of the ship concerned — varies according to the financing terms obtained.

4) *Conti Valutari Commesse Navali* (F.E. A/cs the purchase of ships). — These accounts are credited with 40 per cent of exchange receipts, in U.S.A. \$ or in sterling, accruing from maritime orders.

The retained exchange may be utilized for purchases of materials necessary for shipbuilding. Balances there of may also be sold to operators of other categories subject to the funds being transferred to a « *Conto Valutario 50% E. e R.* ». The validity of these accounts is related to the time it takes to build the ship. At the expiry of the ship's delivery date the unused exchange must be transferred to a « *Conto Valutario 50% E. e R.* », or in case sterling, entirely surrendered to the Foreign Exchange Office. Failing such transfer within a specified period the balance must be obligatorily surrendered to the Foreign Exchange Office at the official rate minus a discount of 20 per cent as penalty.

5. — Italy has not yet agreed on a par value for the lira with the International Monetary Fund. The exchange rates between the lira and other currencies are at present related to the exchange rate for the U.S.A. dollar which is determined by U.I.C. on the basis of the daily « free » market quotations resulting from the negotiation of the 50 per cent dollar proceeds retained by the recipients in the « *Conti Valutari 50% E. e R.* ».

In March 1946, when these accounts were instituted, the official lira/dollar rate was Lit. 225 = 1 \$ U.S.A. (19). In August 1947 (20) it was raised to Lit. 350 = 1 U.S.A. \$.

(19) The official U.S.A. dollar rate in force from 25th May 1945, set by the Treasury with the agreement of the Allied Authorities, was Lit. 100 = \$ 1. But with the Decree Law of the Lieutenantcy 4th January 1946, the dollar rate actually became Lit. 225 = \$ 1. This quotation, which was initially limited to purchases and sales of foreign currency and to import-export operations, was further extended on 2nd February 1946, in application of Decree Law of the Lieutenantcy 28th January 1946, No. 9, and finally adopted by the Bank of Italy to fix the purchase rate for gold.

(20) Decree Law of the Provisional Head of the State 1st August 1947, No. 693. By the same Decree the Treasury was authorised to establish, in agreement with the Ministry of Foreign Trade, the legal parity between the lira and other currencies, on the basis of the above legal lira/dollar parity, and the parity of the dollar with the other currencies. In application of Ministerial Decree 2nd August 1947, the following official rates were so fixed: \$ U.S.A. 350; Sterling 1,411.38; Fr.

Therefore, at that time, owing to the gap normally prevailing between the (higher) market rates and the (lower) official rates it was unnecessary to penalize holders obliged to surrender to U.I.C. the retained exchange not utilized within the prescribed time-limit of 60 days.

But when, subsequently, it was determined that U.I.C. rates (which were recognized as the official rates) had to be related to the closing « free » market rates on the Rome and Milan exchanges (monthly averages as from November 1947 (21) and daily averages as from September 1949) (22), a penalty was imposed in the form of a 20 per cent discount on the official rate at which U.I.C. should negotiate the unused exchange retained by recipients in the « *Conti Valutari 50% E. e R.* ». The introduction of such a penalty (23) then became necessary in order to discourage holders of the accounts from delaying the offer to the market of the exchange left at their disposal.

Thus, to avoid this penalty, the account holder must carefully watch the expiry dates of his balances, particularly if he intends to sell them to a third party considering that the latter, who is not allowed to make a further sale, only buys for a particular deal, and that market demand, therefore, tends preferably towards funds with a longer period of validity, which allow a greater breathing space.

On the basis of the average dollar rate, U.I.C. establishes the daily sterling rate, by relating that rate to the official dollar/sterling parity (U.S.A. \$ 2.80 = £ 1 (24).

The daily average dollar rate is also applied for the settlement of items relating to a clearings with a general account kept in dollars, and it is taken as a basis for the determination of other clearing rates. In regard to the latter, however, it has to be added that:

1) the dollar basis is not uniform for all; small differences are due to the fact that the relative agreements were concluded at different times;

2) for reasons connected with the practical working of the clearings, the respective exchange rates are kept within limits of variation stipulated with each single Foreign Clearing Office. When the limit sti-

Fr. 2.9386; Sw. Fr. 81.59; £A. 1129.10; Arg. Peso 87.50; B. Fr. 7.99; Milreis 19.08; C. \$ 350; Danish Kr. 72.98; £E. 1,447.25; Ind. Rupee 105.50; Norw. Kr. 70.57; Dutch Fl. 131.77; £ N.Z. 1129.10; Port. Esc. 14.20; Peseta 31.96; Sw. Kr. 97.23; £T. 124.43; Union of S. Africa 1,402.45.

(21) Decree Law 28th November 1947, No. 1347.

(22) Decree Law 19th September 1949, No. 632.

(23) Contemplated in the above Decree Law 1947, No. 1347.

(24) This system has been in force since 27th November 1948 (see footnote 29).

culated case by case is reached, the exchange rate is rectified.

The exchange rate for the free Swiss Franc is the same as the clearing rate, which is fixed on the basis of the official dollar rate in Italy and the dollar parity of the Swiss Franc (Sw. Frs. 4.372.82 = \$ 1); this in turn is based on the legal gold equivalent of the two currencies (\$ 35 per ounce of fine gold - Sw. Frs. 4,920.63 per kilogram of fine gold).

It must be considered that in the calculation of averages to establish official middle rates, closing quotations of the U.S.A. dollar under Lit. 350 and over Lit. 650 are not admitted (25).

6. — As has been mentioned previously, the time-limit within which foreign exchange retained in the « Conti Valutari 50% E. e R. » has to be utilized is now two months, starting from the first of the month following that of its receipt; this means that in all cases the expiry date is the last day of the second calendar month after the month of its crediting (26).

Originally the time-limit was 90 days from the day of receipt (27); the Ministerial Decree of 31st May 1946 brought it up to 90 days from the first day of the month following that of receipt; later it was first reduced to 60 days from the day of receipt (28) and then, again lengthened by the Ministerial Decree of 20th January 1947, to 60 days from the first day of the month following that of receipt (29).

The time-limit was curtailed in order to avoid attempts on the part of exporters to speculate on the chance of an increase in export rates and therefore

(25) Decree Law 28th November 1947, No. 347.

(26) Consequently, if we calculate a month as 30 days, for funds acquired first hand, the actual period of validity goes from a maximum of 89 days (amounts received on the first of a month) to a minimum of 61 days (amounts received on the last day of a month).

(27) Art. 2 Ministerial Decree 13th April 1946.

(28) Ministerial Decree 3rd September 1946.

(29) In application of Decree Law of the Lieutenantcy 26th March 1946, No. 139, which instituted « Conti Valutari E. e R. », originally the currencies of which owners might retain 50 per cent were U.S.A. dollars, sterling and free Swiss francs. Quotations of these currencies on Italian Stock Exchanges began on May 11th 1946 for the U.S.A. dollar and for sterling, and on May 28th 1946 for free Swiss francs. Subsequently (3rd December 1947) U.I.C. regulations extended the advantages of « Conti Valutari E. e R. » to the Portuguese escudo and the Egyptian pound, but they were never quoted on the Stock Exchange. These two « Conti Valutari » remained in force up to 1st January 1949 (Portuguese escudo) and 17th September 1949 (Egyptian pound). « Conti Valutari » in sterling were suppressed by Ministerial Decree 26th November 1948, which came into force the following day. « Conti Valutari » in Swiss francs were withdrawn from January 1st 1951. Finally « Conti Valutari » in Canadian dollars were instituted by a U.I.C. circular dated 21st December 1951. The Canadian dollar was first quoted on the Italian market on 2nd January 1952.

to delay the offer to the market of the foreign exchange left at their disposal (30); it was necessary to balk any attempt of this nature both in order to ease the tension already prevailing on the market at a time when the lira was losing value, and to ensure that currencies most necessary for supplies from abroad should not be withheld from the market.

7. — The use of « Conti Valutari 50% E. e R. » centres on the following operations (31):

a) payments for goods admitted as « customs' imports » to be paid for in free currency;

b) payments for goods subject to ministerial licence, to be paid for in free currency;

c) payments for commercial services and other financial operations that the exchange control regulations allow to be settled in free currency (travel, shipping payments, commission, etc.).

Cases under a) and c) do not weight very heavily on the use of these balances. Their main use is that connected with the payments for licensed goods — case b) — where the issue of licences can be regulated by the appropriate Ministry.

The sale and purchase of « C.V.E.R. » balances is made through authorised banks. On all Stock Exchanges an official record is kept of closing rates, which may reflect business actually transacted (32), or represent the average between the last « bid » and « ask » rates (33).

In view of the particular importance, in this connection, of the Rome market (where offers of the exporters of Central Italy are mostly concentrated) and of the Milan market (where import demand is concentrated) the closing rates of their respective Stock Exchanges are taken by U.I.C. as the basis for calculating the average rate. Obviously any excess offer or demand on the Rome and Milan markets respectively may in practice be offset by arbitrage; and in fact the difference between the closing rates of the two markets is always contained within an insignificant margin of a few cents per dollar.

During the course of the way, banks operate either applying on their own initiative prices as close as

(30) See GIORDANO DELL'AMORE, *La Tecnica del Commercio Internazionale - I Contingentamenti*, Ed. Giuffrè, Milan, 1949, p. 143.

(31) To facilitate the negotiation of small amounts, banks are authorised to purchase them in their own name and credit an impersonal « C.V.E.R. » in their own name; they may then use these funds to make small payments abroad or sell the total remaining balance on the market, since amounts credited during one month have a common expiry date.

(32) In this case the relative rates on the Stock Exchange List are market « transacted » (« actual »).

(33) In this case the relative rates will be given as « nominal ».

possible to the presumable closing rates (34), or on the basis of the sales or purchase orders they receive from their customers. In each branch, sales to customers, and the residual plus or minus position is then balanced by corresponding sales or purchases made with other branches of the same bank, or with other banks and, finally, with the Head Office. The latter is then able to balance the global position. The services of a dealer are necessary for transactions made at the Stock Exchange. It must be borne in mind that every day, at the close of business, the plus or minus position of every bank must be approximately balanced. For these operations banks charge their customers a minimum premium, usually around 5-10 *centesimi*, on the accepted Stock Exchange rates.

8. — In some particular cases forward transactions are allowed (with the exception, because of technical difficulties, of currencies under a centralised clearing system). In that case the buyer must produce evidence of his undertaking to make a future payment for the import of goods, show a regular contract or an invoice and also — if the operation relates to goods under licence — the advice of authority to import. The bank will carry out the operation if sufficient evidence is produced to show that the deal will be properly concluded.

Whatever the currency, in no circumstances do Italian exchange control regulations allow forward foreign exchange contracts either against spot transactions in foreign exchange, or without any cover, or against Italian lire.

One of the principal reasons for the ban on forward contracts against spot is the difficulty, in practice, of making forwards, whether sales or purchases, in one particular currency. Experience has shown that in the present situation the forward market seems to consist either entirely of buyers or entirely of sellers. And that is why deals in spot against forward, even on a commercial basis, might have the character of a speculation or of an investment.

9. — The foreign exchange receipts that are not retained in the « Conti Valutari » or « Conti autorizzati in valuta » listed above must be offered for sale to U.I.C. against lire. From the foregoing pages it is obvious that they consist of:

a) a quota of all receipts in U.S.A. and Canadian dollars, and practically all receipts in free Swiss francs. These free currency balances formed with U.I.C. are destined to act as foreign exchange reserves and as a fund to be used for Government purchases and for the requirements of the Treasury;

(34) This procedure is followed for small amounts dealt with over the counter.

b) nearly all receipts in sterling and non-transferable currencies and all receipts expressed in units of account. This mass of balances is used for payments in the respective currencies, according to the regulations governing the corresponding operations.

Credit and debit balances in sterling, or with E.P.U. countries within the scope of the general clearing agreements (nearly all « decentralised ») are settled on a multilateral basis at the end of every month according to the rules of the E.P.U. agreement.

For settlements under general clearing agreements with non-E.P.U. countries, in order to reconcile the requirements of equilibrium with a regular flow of payments, reciprocal credit ceilings are established, usually within given limits and with special clauses for the settlement of any excess.

10. — All operations that in any way involve receipts and payments of currency abroad are entrusted to authorised banks, which operate directly with their foreign correspondents. The only exceptions are transfers to countries with which there is a centralised clearing; such payments are made by U.I.C. through the central account or accounts contemplated in the respective agreements.

Banks may also hold foreign exchange balances that are the property of foreigners, and these accounts are divided into the two following main classes:

— free accounts in free currency and, in the cases admitted, in sterling;

— authorised accounts in free currency and in sterling.

The former are credited with remittances from abroad and, with certain limitations, may be widely employed both in Italy and abroad (sterling may only be used in the Scheduled Territories and in the « admitted » countries). The latter, which are subject to particular rules, include accounts credited with free currency and sterling, held in the name of foreign sea and air navigation companies, who employ them for their business requirements in Italy.

11. — Banks may accept and grant credit facilities (35) and receive and give guarantees abroad; they

(35) The policy in regard to lending and borrowing facilities is regulated as follows:

Agent-banks may freely grant and receive credit facilities to and from their own foreign correspondents in E.P.U. countries, and must report every month to U.I.C. the facilities granted and received, country by country. The prior authorisation of the Ministry of Foreign Trade is necessary for the exchange of facilities with non-E.P.U. countries.

In particular, credit facilities in freely transferable currencies granted by any foreign bank, either directly or through another correspondent in a third country, may not be used

may also finance Italian customers in foreign currency. For the latter operations, besides the credit facilities received from their own foreign correspondents, banks also employ the mass of balances they hold on behalf of their Italian and foreign customers. When it employs such foreign exchange balances, a bank obviously acts as it would for an operation in lire: that is to say, after having ensured sufficient liquidity to meet any withdrawals, it employs the remainder for lending operations.

But in no circumstances may banks receive or pay foreign currency or operate in any way in respect of their customers outside the limits of the authority they have received. This authority is generally granted with an indication of lists of operations the banks are allowed to effect on their own initiative. For

by Italian banks as overdrafts (advance accounts, refinancing accounts, etc.). Their use is therefore limited to:

— mail credits when they are used occasionally for a very short term overdraft, not more than ten days;

— credit openings at sight or against acceptances up to 180 days.

all operations not included in the lists a specific authorisation is necessary, and according to the case involved the Ministry of Foreign Trade, the U.I.C., or the Bank of Italy is qualified to grant it.

12. — Every day banks must report, for each branch separately, the movement of purchases and sales of currencies administered by U.I.C. (U.S.A. and Canadian dollars, free Swiss francs and sterling) and of non-transferable currencies of countries under decentralised clearing agreements. Every month they must report these same movements, and those of the « Conti Valutari 50% », detailed according to currencies and purposes; the movements of their assets and liabilities in foreign exchange; and a series of data that enable the authorities to ascertain the daily foreign exchange situation and to work out, every month, the position and the foreign exchange balance sheets (overall and sub-divided by currency area) that are used by the appropriate Departments as a guide for their trade and foreign exchange policies.

ALFREDO VERNUCCI

STATISTICAL APPENDIX

ITALIAN BUDGET SUMMARY
(milliards of lire)

Table A

Fiscal year beginning 1st July	Revenue			Expenditure			Deficit			
	Assessed		Collected (a)	Obligated		Paid out (a)	Obligated			Cash
	Current	Movement of capital		Current	Movement of capital		Current	Movement of capital	Total	
1938-39	28	3	...	40	2.8	...	12	+ 0.2	11.8	..
1946-47	352	335	668	932	303	874	580	+ 31	549	206
1947-48	828	200	822	1,547	262	1,327	719	66	785	205
1948-49	1,015	45	1,020	1,519	98	1,440	504	53	557	402
1949-50	1,449	344	1,603	1,771	213	1,687	322	+ 131	191	84
1950-51	1,676	247	1,617	1,853	341	1,776	177	94	271	159
1951-52	1,720	337	2,088	2,206	274	2,276	486	+ 63	423	188
1952-53	1,872	311	2,307	2,340	137	2,541	468	+ 174	204	234
1953-54	1,990	331	2,221	2,381	181	2,353	391	+ 150	241	132
1954-55 (b)	2,058	12.6	—	2,354	78.1	—	296	65.5	361.5	—

(a) Current revenue and movement of capital; on year account and arrears.

(b) Estimates.

Source: *Conto riassuntivo del Tesoro*.

ITALIAN BUDGET SUMMARY - FINANCING OF CASH DEFICIT
(millions of lire)

Table B

	1949-50	1950-51	1951-52	1952-53	1953-54
Assessments and Obligations (a) - Deficit . . .	191,768	270,707	423,000	294,000	241,000
Receipts and Payments (b) - Cash deficit . . .	83,619	159,103	188,494	234,400	132,600
Financing of cash deficit:					
Treasury Bills	24,530	+ 98,024	+ 105,396	11,800	+ 84,733
Advances of the Bank of Italy	19,077	19,077	—	21,100	+ 88,957
Interest bearing { current accounts { Cassa DD.PP. and in- } surance instit. (c)	159,514	+ 142,216	+ 30,088	+ 150,500	+ 69,097
} Banking institutions	10,176	751	13,591	+ 15,700	5,229
Floating debt - Total	143,885	+ 220,914	+ 121,893	+ 143,300	+ 237,558
Other Treasury debits and credits (d)	40,282	+ 8,381	+ 139,188	12,100	43,247
Changes in cash position	100,548	53,430	72,587	+ 103,200	61,711
GRAND TOTAL	83,619	+ 159,103	+ 188,494	+ 234,400	+ 132,600

(a) Current revenue and expenditure and movements of capital;

(b) Receipts and payments on year account and arrears; current revenue and expenditure and movements of capital;

(c) For more than 90%, a/cs. with « Cassa Depositi e Prestiti » (Cassa DD.PP.) which collects the deposits of the Postal Savings Banks;

(d) Debits and credits with government's agencies and other public bodies;

Source: *Conto riassuntivo del Tesoro*.

ITALIAN DOMESTIC PUBLIC DEBT
(milliards of lire - Index Numbers, 1938=100)

Table C

End of period	Consolidated debt		Redeemable debt		Floating debt					Trea- sury notes	Total of domestic public debt	
	A- mount	I. N.	A- mount	I. N.	Trea- sury bills	Interest bearing current ac- counts	Ad- vances by the Bank of Italy	Total			A- mount	I. N.
								Amount	I. N.			
1950 - June	53	100	586	1,196	719	628	490	1,837	6,123	9.0	2,486.0	1,862
1951 - June	53	100	691	1,410	817	770	471	2,058	6,860	9.0	2,811.0	2,106
1952 - June	53	100	829	1,681	920	822	471	2,213	7,376	15.0	3,110.0	2,329
1953 - June	53	100	1,025	2,091	908	998	449	2,355	7,850	38.2	3,471.5	2,600
December	53	100	1,020	2,081	962	1,094	461	2,517	8,390	44.5	3,635.3	2,723
1954 - January	53	100	1,021	2,083	978	1,089	452	2,519	8,396	45.2	3,638.3	2,725
February	53	100	1,021	2,083	980	1,095	447	2,522	8,406	45.5	3,641.8	2,727
March	53	100	1,212	2,473	966	1,079	447	2,492	8,306	45.7	3,803.6	2,849
April	53	100	1,212	2,473	974	1,078	447	2,499	8,330	46.5	3,811.5	2,855
May	53	100	1,212	2,473	988	1,076	465	2,529	8,430	46.9	3,841.8	2,877
June	53	100	1,212	2,473	993	1,062	538	2,593	8,363	47.7	3,906.0	2,925
July	53	100	1,212	2,473	1,029	1,070	513	2,612	8,700	48.5	3,926	2,940
August	53	100	1,212	2,473	1,028	1,107	486	2,621	8,736	49.4	3,935	2,947

Source: *Conto riassuntivo del Tesoro*.

Table Q

MINIMUM AND MAXIMUM QUOTATIONS OF SOME ITALIAN COMPANIES QUOTED ON STOCK EXCHANGES
(Lire)

Companies	1953				1954					
	III Quarter		IV Quarter		I Quarter		II Quarter		III Quarter	
	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
<i>Financial and Insurance</i>										
Strade Ferrate Meridionali (Bastogi)	1,425	1,280	1,413	1,320	1,350	1,248	1,286	1,155	1,478	1,263
S.T.E.T. - Soc. Torinese Eserc. Telefonici	3,165	2,810	3,220	2,910	2,525	2,380	2,465	2,120	2,465	2,280
La Centrale	11,920	10,080	12,065	11,050	9,225	8,485	8,630	7,600	9,200	8,240
Pirelli & C.	1,735	1,475	1,785	1,673	1,772	1,601	1,630	1,355	1,925	1,588
Assicurazioni Generali	13,900	11,700	14,075	13,070	13,900	12,860	13,470	11,950	16,550	13,200
Riunione Adriatica di Sicurtà	6,050	5,170	6,030	5,430	5,925	5,315	5,775	5,300	7,510	5,420
<i>Textiles</i>										
Snia Viscosa	1,550	1,345	1,460	1,342	1,453	1,312	1,433	1,269	1,450	1,293
Chatillon - Soc. Ital. Fibre Tessili Art.	2,385	2,020	2,390	2,110	2,645	2,180	2,470	2,100	2,430	2,030
Linificio e Canapificio Nazionale	1,022	758	788	698	793	620	717	660	824	680
Cotonificio Vittorio Olcese	2,815	2,220	2,405	2,005	2,230	1,845	1,910	1,600	1,800	1,640
Cucirini Cantoni Coats	8,700	7,500	8,675	8,140	8,470	8,050	8,100	7,025	7,680	7,150
Cotonificio Cantoni	12,790	10,090	12,260	11,290	12,790	11,380	12,050	10,500	12,425	10,800
Lanificio Rossi	17,100	14,600	17,200	16,025	19,800	16,900	19,375	14,400	16,450	14,850
<i>Minerals, Metals and Engineering</i>										
Monte Amiata	3,600	3,200	3,725	3,350	4,460	3,600	5,790	4,180	9,225	5,650
Ilva Alti Forni e Acciaierie d'Italia	292	250	292	269	304	266	297	228	294	239
Dalmine	2,213	1,870	2,254	2,120	2,261	2,050	2,269	1,215	1,419	1,217
Terni	223	202	210	176	194	171	181	152	231	177
F.I.A.T.	642	568	651	619	723	639	771	672	912	766
Ansaldo	150	90	132	35	1,050	800	1,000	850	1,000	850
Bianchi Edoardo	483	449	515	460	508	193	517	462	647	478
<i>Public Utilities</i>										
Società Edison	1,980	1,848	2,028	1,907	2,183	1,996	2,126	1,846	2,390	2,113
C.I.E.L.I.	2,295	2,055	2,352	2,145	2,495	2,303	2,420	2,030	2,690	2,408
Soc. Adriatica di Elettricità	1,258	940	975	924	1,050	944	1,102	940	1,132	1,040
S.I.P. - Soc. Idroelettrica Piemonte	1,227	1,120	1,253	1,192	1,297	1,189	1,274	1,207	1,316	1,229
Soc. Meridionale di Elettricità	1,021	954	1,006	955	1,094	972	1,086	960	1,157	1,079
Soc. Elettrica Selt - Valdarno	4,460	3,875	3,800	2,870	3,800	3,530	3,760	3,455	4,430	3,650
Soc. Romana di Elettricità	4,435	3,910	4,474	3,965	4,930	3,597	3,755	3,490	4,425	3,650
Soc. Telefonica Tirrena - Serie A	3,515	3,075	3,570	3,165	3,650	3,130	3,610	2,900	3,415	2,965
Soc. Telefonica Tirrena - Serie B	4,620	3,825	4,525	4,250	4,380	4,050	4,350	3,900	4,550	4,000
Italcable	4,620	3,825	4,525	4,250	4,380	4,050	4,350	3,900	4,550	4,000
<i>Foodstuffs</i>										
Eridania - Zuccherifici Nazionali	19,260	16,150	19,600	18,600	22,750	18,750	23,300	20,480	26,000	21,950
Soc. Italiana Industria Zuccheri	14,525	11,525	14,950	14,150	18,400	14,425	19,950	16,500	26,700	19,575
<i>Chemicals</i>										
Montecatini	1,005	944	994	939	1,421	927	1,390	1,228	1,491	1,275
A.N.I.C. - Azienda Naz. Idr. Combustibili	158	130	1,440	147	1,458	1,403	1,457	1,230	1,395	1,275
Società Italiana per il Gas	1,324	1,182	1,336	1,165	1,364	1,174	1,447	1,259	1,497	1,368
<i>Sundry</i>										
Soc. Gen. Immobiliare	416	348	411	393	421	383	412	370	442	385
Istituto Romano dei Beni Stabili	8,350	6,750	8,660	8,100	8,600	8,108	8,280	6,180	8,650	7,475
Pirelli Soc. per Azioni	1,665	1,414	1,767	1,678	1,905	1,730	1,845	1,605	2,045	1,809
Italcementi	13,180	11,525	13,200	12,150	9,530	8,580	9,515	8,400	10,800	9,265
Cartiere Burgo	9,950	8,760	10,220	9,500	10,980	9,900	10,900	10,000	13,060	10,680

Source: Bollettino Mensile di Statistica.