

#perfarsiunidea

RESILIENT AND MODERN BANKS TO FINANCE GROWTH

The reform of the banking sector



Ministero
dell'Economia
e delle Finanze

RESILIENT AND MODERN BANKS TO FINANCE GROWTH

- ↘ Intro
- ↘ Cooperative banks
- ↘ Banking Foundations
- ↘ Guarantee on NPLs ABS
- ↘ New rules to enhance NPLs value
- ↘ New provisions for tax deductibility of loan losses
- ↘ More credit from more efficient banks

INTRO

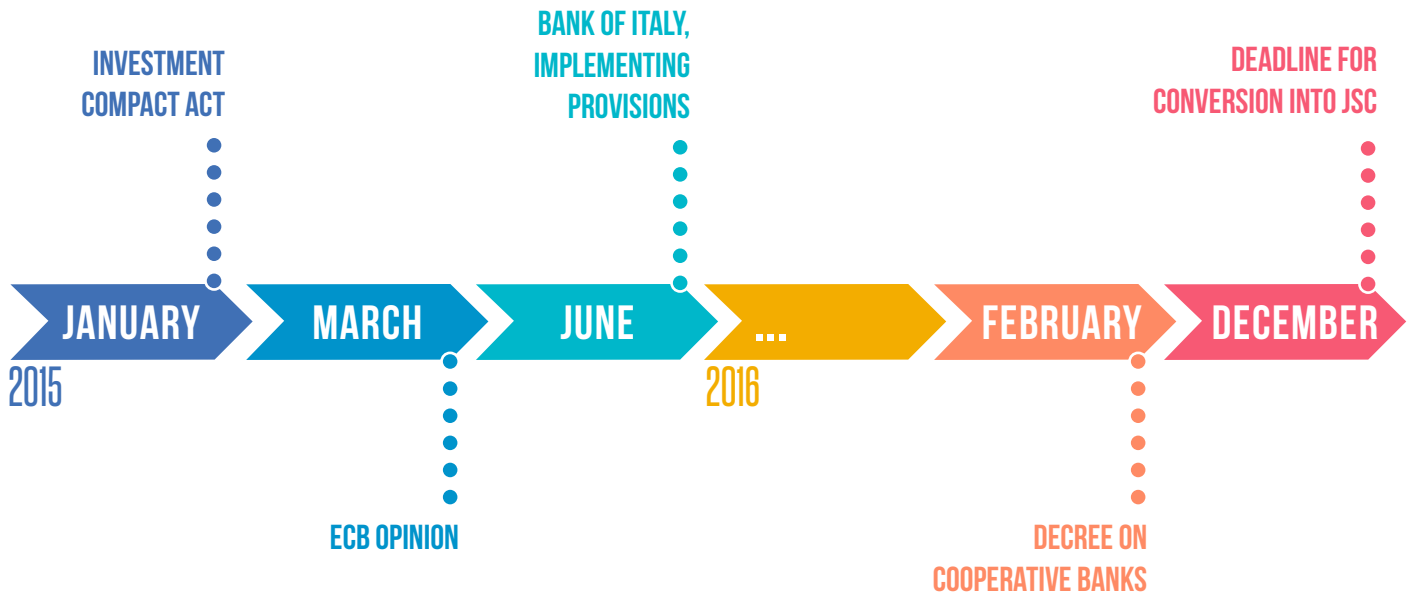
Italy's banking sector has long been characterized by various types of intermediaries of varying sizes, but these intermediaries are not organised according to differentiated objectives and means.

The government has implemented a reform of the system, in order to make the roles more uniform with respect to size and to facilitate the write-off or transfer/sale of non-performing loans (NPLs). The ultimate objective is to increase credit flows to businesses and households.

COOPERATIVE BANKS

In accordance with measures adopted in January 2015, Italy's 10 largest cooperative ("popolari") banks will be transformed into joint stock companies by the end of December 2016.

On February 2016 the Government has approved the reform of smaller cooperative banks ("BCCs") to consolidate and bolster the Italian banking system. This includes the creation of a joint-stock parent company, with expected control stake detained by BCCs and minimum capital requirement of 1 bn €. Single banks can join through a "cohesion" pact, which defines powers of the parent company over the contracting bank. This conglomerate could potentially become Italy's third largest group.

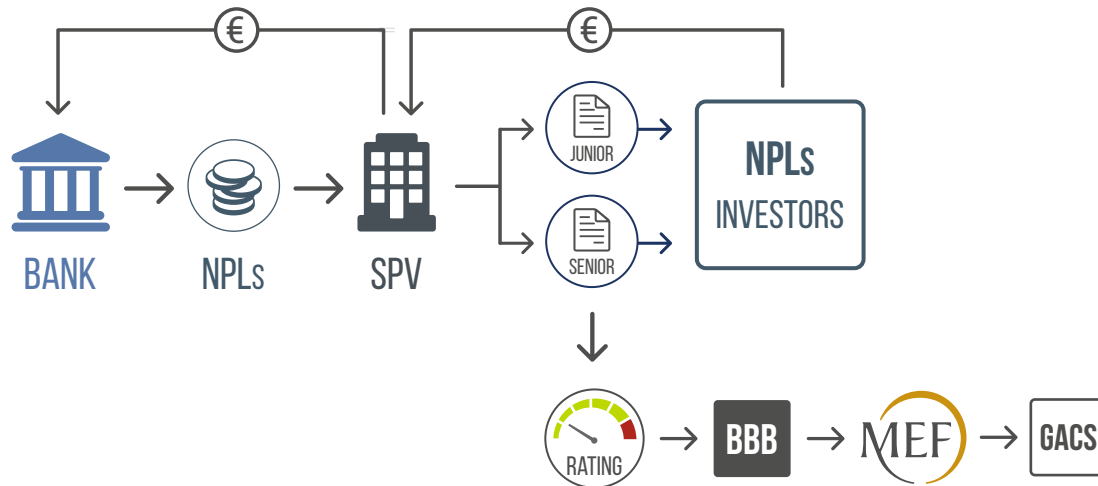


“GACS” GUARANTEE ON NPLs ABS

On February 2016 the Government has introduced a guarantee for senior tranches of securitized non-performing loans, in order to facilitate the dismissal of NPLs. The final aim is to restore and increase lending to the real economy.

The guarantee will be issued upon request of banks, which in turn have to pay a regular commission to the Treasury. Price of the guarantee will reflect the market price in order to ensure the state aid-free nature of the scheme.

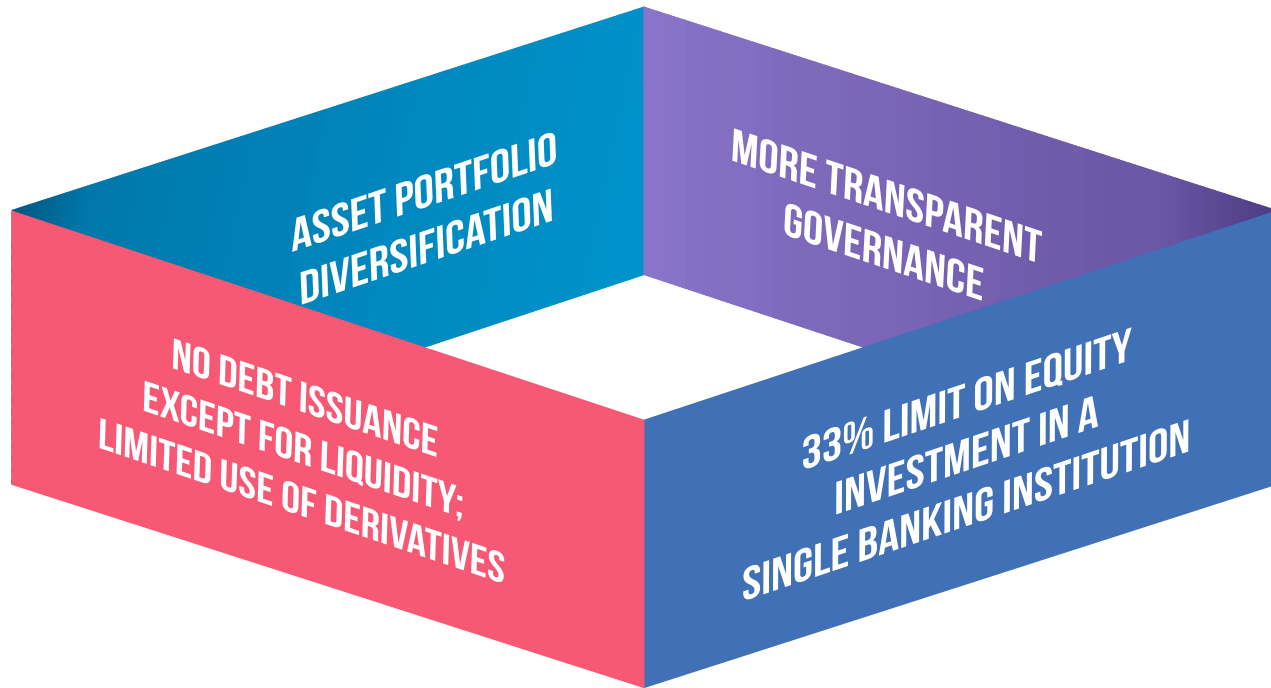
The State will guarantee only senior tranches of the Asset Backed Securities which have received a rating equal to or higher than Investment Grade by a rating agency qualified to the ECB (i.e. the main credit rating agencies). Guarantee is effective after that half of the junior tranches have been sold. The riskiest tranches (i.e. junior and mezzanine) shall not be repaid until the senior tranches guaranteed by the State have been fully repaid.



BANKING FOUNDATIONS

The reform is aimed at giving greater emphasis to the community-based initiatives of the foundations.

The reform process has been guided by the Treasury and led to the signing of a memorandum of understanding with the Italian Associations of Banking Foundations.



NEW RULES TO ENHANCE NPLs VALUE

Key restructuring measures to reduce lead-time for asset foreclosure.

PRE-BANKRUPTCY PROCEDURES ("CONCORDATO PREVENTIVO")

COMPETING PLANS AND COMPETITIVE BIDS ARE
NOW PERMITTED

TRANSFER/SALE PROCEDURES

FASTER AND EASIER TRANSFER/SALE
PROCEDURES TO ENSURE A HIGHER
REALIZABLE VALUE

NEW DEBT RESTRUCTURING AGREEMENT

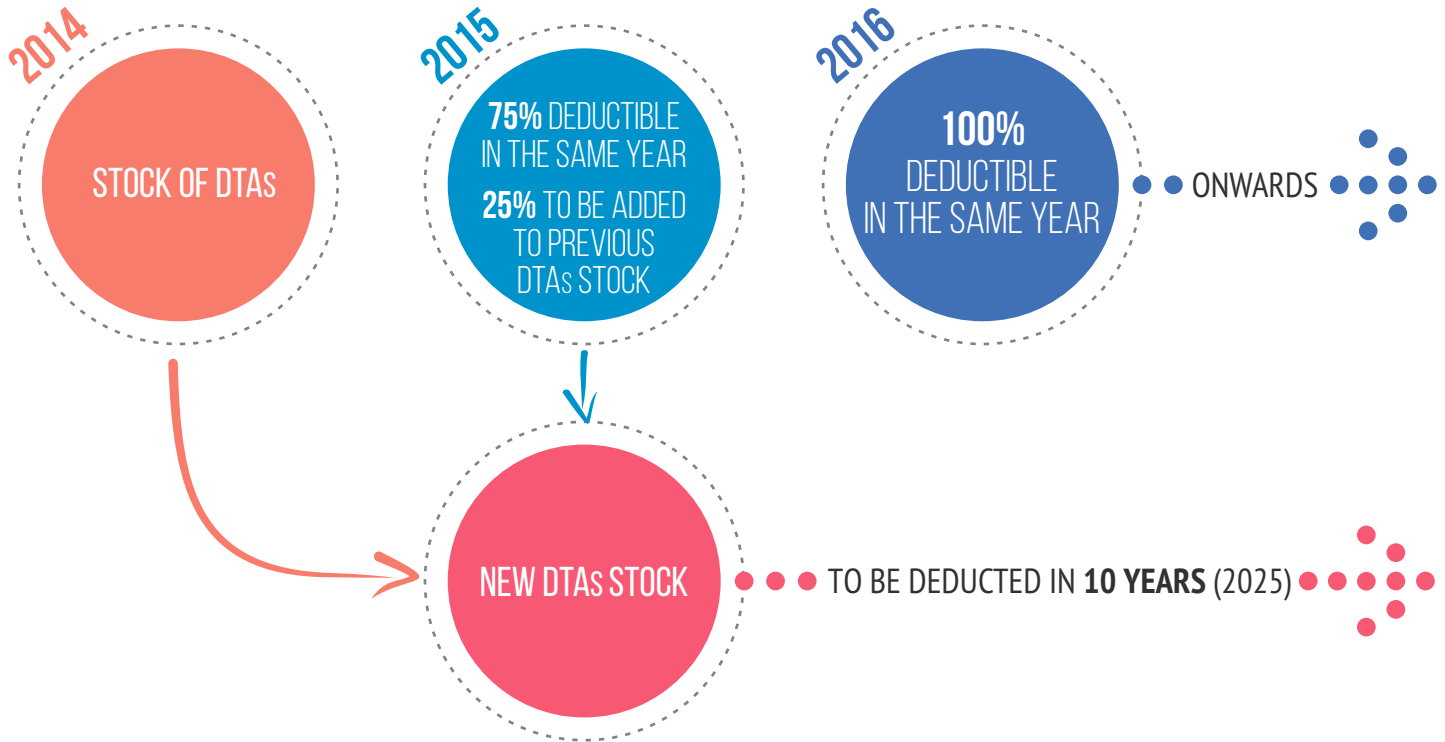
ONLY 75% OF FINANCIAL CREDITORS ARE
NEEDED TO CONCLUDE AN AGREEMENT,
IF ACCOUNTING FOR HALF OF TOTAL
INDEBTEDNESS

PROCEEDINGS

ACCESS TO INTERIM FINANCING HAS BEEN MADE
EASIER AND OFFICIAL COMMISSIONERS HAVE A
MORE INDEPENDENT ROLE

NEW PROVISIONS FOR TAX DEDUCTIBILITY OF LOAN LOSSES

The period for deductibility has been reduced from 5 years to 1 year. The deduction of the different portions of deferred tax assets (DTAs) will be offset in bank balance sheets. The government has come up with a trade-off between tax revenue flows and bank tax payments.



**MORE CREDIT
FROM MORE
EFFICIENT
BANKS**

Banks will continue to have a central role in funding businesses. The reform has therefore been focused on increasing the banking sector's efficiency, making the means and goals more consistent.

The new provisions applicable to the management of NPLs and the deferred tax assets (DTAs) ratios will help in rebuilding an healthy financial market environment, and therefore, in ensuring greater flows of credit to the economy.



www.mef.gov.it

twitter.com/mef_gov

[youtube.com mef_gov](https://youtube.com/mef_gov)

instagram.com/mef_gov

telegram.me/mef_gov

ALTRI BOOKLET DISPONIBILI SU

www.mef.gov.it/farsiunidea

