

# Spotlight

## 1. The new frontier of capitalization of companies

New opportunities for strengthening corporate finance were recently introduced by the Italian government, and institutional investors - such as insurance companies, alternative and pension funds - may channel resources towards the real economy. The "state of the art" of both the legislative framework, and the projects of institutional investors were the topics discussed in the event organized by FeBAF on Monday 27th, "La capitalizzazione delle PMI: lo Stato dell'arte". Giovanni Maggi, President of Assofondipensione (association of collective pension funds), Carlotta de Franceschi, President of the Action Institute think tank, Mauro Marè, President of Mefop (the Company for the development of the pension fund market) and Stefano Cocchieri, Advisor FeBAF, spoke to the event. The discussion showed a common view: SMEs will benefit from a wider participation of financial intermediaries in their capital to finance growth and investments.

## 2. Insurers can play a big part in recovery

Maria Bianca Farina, president of ANIA (the insurers' association) has no doubts about what her members can do to help Italy recover from the economic damage caused by the Covid-19 pandemic. "In the role of institutional investor, the promotion and strengthening of the economy is in the insurance industry's DNA," Ms Farina told a parliamentary finance commission earlier this month. She reminded the commission that the investments of Italian insurers amounted to €950 billion at the end of 2019, equivalent to 53 per cent of GDP. According to ANIA, in order to be successful, the government's recovery plan must encourage a real flow of private capital into investments for modernising the country's infrastructure and supporting a green revolution and, for

insurers, these investments must be sustainable and long-term. Ms Farina suggested that the government should offer guarantees for higher-risk projects, or other incentives that allow market yields and conditions. As for beefing up business, she pointed to the high proportion of SMEs in Italy, and particularly of micro-firms, and the obstacles that insurers face in directing investment towards them. Ms Farina noted two areas for action in order to encourage institutional investors: regulation and tax. She described Solvency II, the EU regulatory framework since 2016, as being of primary importance for Italian insurance. While the framework has numerous positive aspects, its volatility adjustment rules must be modified for insurers to direct investment towards equity and corporate bonds. “Today, investing in non-listed shares requires setting aside capital equal to 49 per cent of the investment, which is clearly very burdensome,” said Ms Farina. Regarding fiscal encouragement, this could come from giving Italians the same tax breaks for investing life insurance in individual savings plans as those for investments through pensions schemes.

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### 3. Choosing Italian private capital

Participants at a recent roadshow organised by AIFI (the private equity, venture capital and private debt association) heard an upbeat message from Innocenzo Cipolletta, the association's chairman. The roadshow's title was: What makes Italian private capital an attractive choice. “Given the levels of savings in the private-sector and households, and their low debt, the Italian economy's fundamentals remain relatively strong and solid,” he said. Recovery will be quicker than after the 2008 financial crisis and although Italy will not recover all lost GDP this year, full recovery should be reached in 2021. Support for Mr Cipolletta came from Giovanni Gorno Tempini, president of Cassa Depositi e Prestiti (CDP, a treasury-controlled financial institution). A leading exporter, Italy is Europe's second manufacturing economy and while firms' capital structures are often seen as weakness, this offers opportunities to investors, said Mr Gorno Tempini. He drew attention to how the CDP plans to invest more than €1 billion in start-ups over the next two-three years which, thanks to private capital, will bring a market of between €2.5 billion to €3 billion.

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### 4. Diversity is fund management's pole star

Diversity is becoming ever more important in the world of fund management, 900 participants heard in a recent online conference organised by Assogestioni (the fund manager's association). “The adoption of a wide concept of diversity, covering age, skills, experience and geographical origin, helps to promote the diversity of thought needed to offer the best investment choices to clients,” said Roberta D'Apice, head of legal affairs at Assogestioni. The association is keen to increase diversity. It began a project called Your Human Capital in 2017 and in July the following year it established diversity committee which last October published guidelines for asset management firms on matters of diversity and inclusion. Ms D'Apice noted that the guideline's measures aiming at gender equality in terms of treatment and opportunity would shortly after be put into legislation. According to Elena Bonetti, minister for equal opportunities and the family, diversity helps to build resilience, and resilience is needed for tackling challenges like Covid-19. “If we know how to use women's skills in every context, including finance, the country will be better able to face the challenges of the future,” she said. Another speaker was Giorgio De Rita, secretary-general of Censis, a socio-economic think-tank that has recently undertaken research on diversity in finance for Assogestioni. Among the findings of the research is that diversity counts with savers, and that 40.3 per cent of Italians would prefer to invest in a company or an investment fund run by a woman.

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### 5. A good year for crowdfunding

Despite the health emergency, or perhaps because of it, crowdfunding continues to find growing favour among Italian investors, and firms and projects looking for finance. Such are the conclusions that can be drawn from the Fifth Italian Report on Crowdfunding, released by the department of management engineering at Milan's Politecnico university on 21 July. In the 12 months ending 30 June, borrowers obtained a total of €76.6 million in equity funding and €314.2 million in loans, a new record for the market. Indeed, the researchers believe that Covid-19 may have encouraged recourse to crowdfunding by firms who preferred a rapid boost to liquidity rather than face slower and red-taped procedures through traditional channels. The 70-page report shows how this small part of Italian finance has leaped from modest beginnings in 2015 when equity funding was a little under €2 million and loans just over €6 million. Equity funding increased from €36 million in 2018 to €65 million last year, the equivalent figures for loans being €193 million and €258 million. There have been 595 funding campaigns in Italy, of which 193 in the past 12 months. And at 30 June there were 42 authorised portals, seven of which were added during the past year. The report draws attention to how universities have accessed crowdfunding and how this way of funding has been used in the fight against Covid-19.

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The senate finance and treasury commission was told earlier in July why draft legislation requiring banks to open current accounts whenever requested, and denying them the right to close current accounts that are in credit, is wrong. Giovanni Sabatini, director-general of ABI (the banking association) told the commission that the proposals were contrary to existing national and EU laws.

First-half figures from **Venture Capital Monitor**, the observatory run by AIFI and LUIIC (the Università Cattaneo), show total investment of €217 million, against €311 million in the same period last year, in 57 operations (initial and follow-on), against 69 in first-half 2019.

The **Arbitro Bancario Finanziario** (ABF, Italy's banking and financial ombudsman) has celebrated its tenth anniversary, a time for reflection on what it has done and is doing, it said in its annual report, published earlier this month. Figures for the past two years show a decline in complaints, particularly against banks, most of which were rejected. Consumers in the southern regions of Molise and Calabria complained most, those in the northeastern regions of Trentino-Alto Adige and Veneto complained least.

## SPOTLIGHT IS TAKING A BREAK AND WILL RETURN IN SEPTEMBER

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