



#RIF2019

Rome Investment Forum 2019

In co-operation with **afme** / Finance for Europe

9-10 December 2019, Scuderie di Palazzo Altieri, Rome

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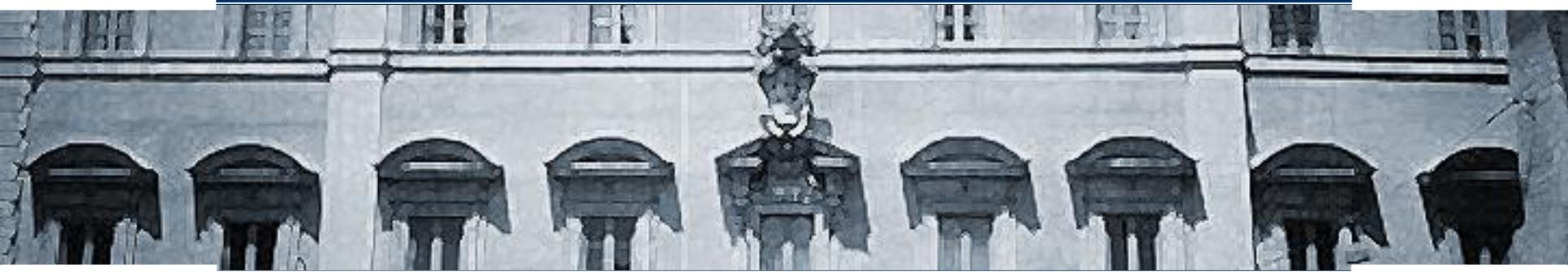


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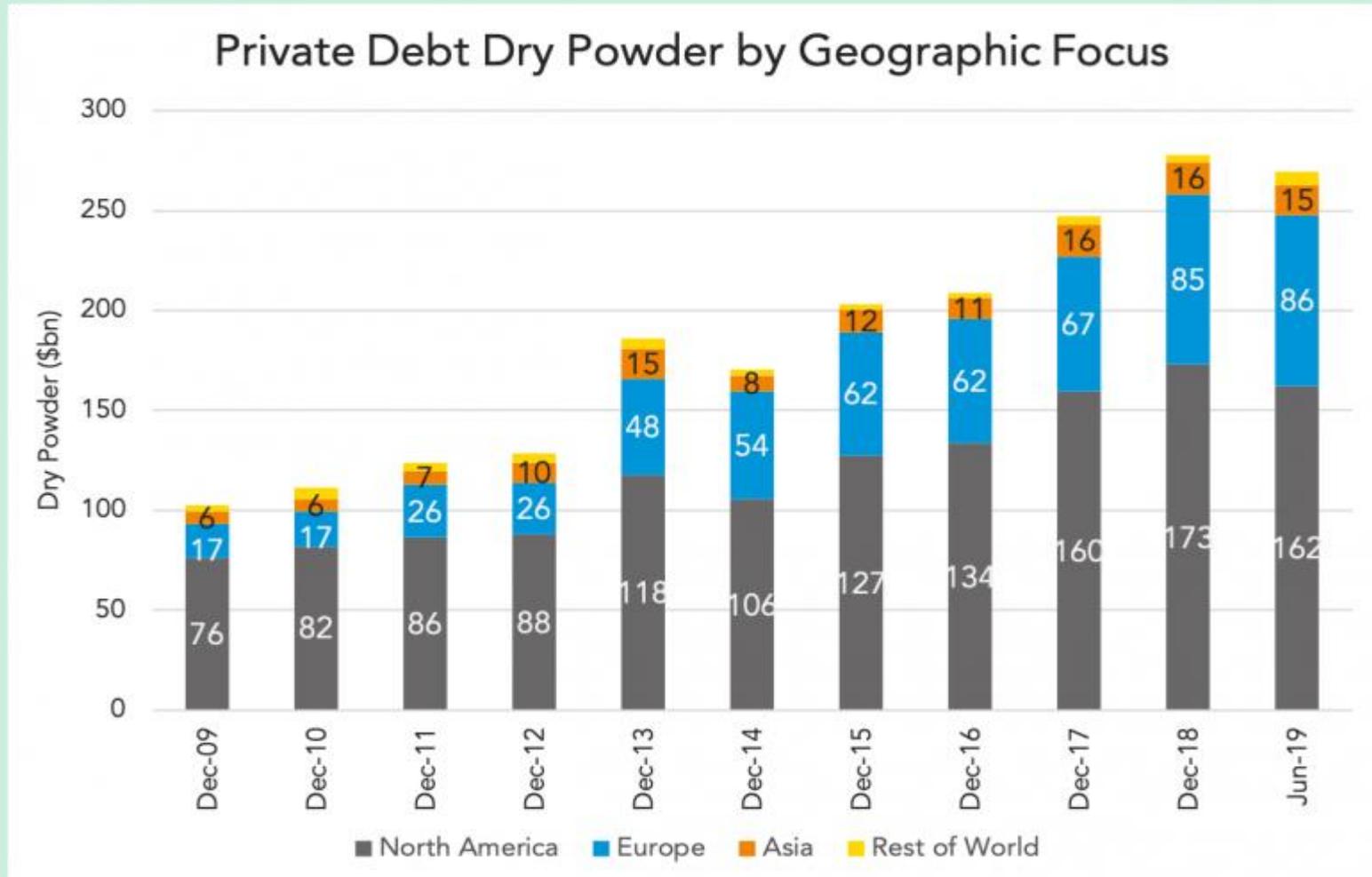




**Rome Investment Forum 2019:
Leverage Finance and Alternative Financing
Opportunities**

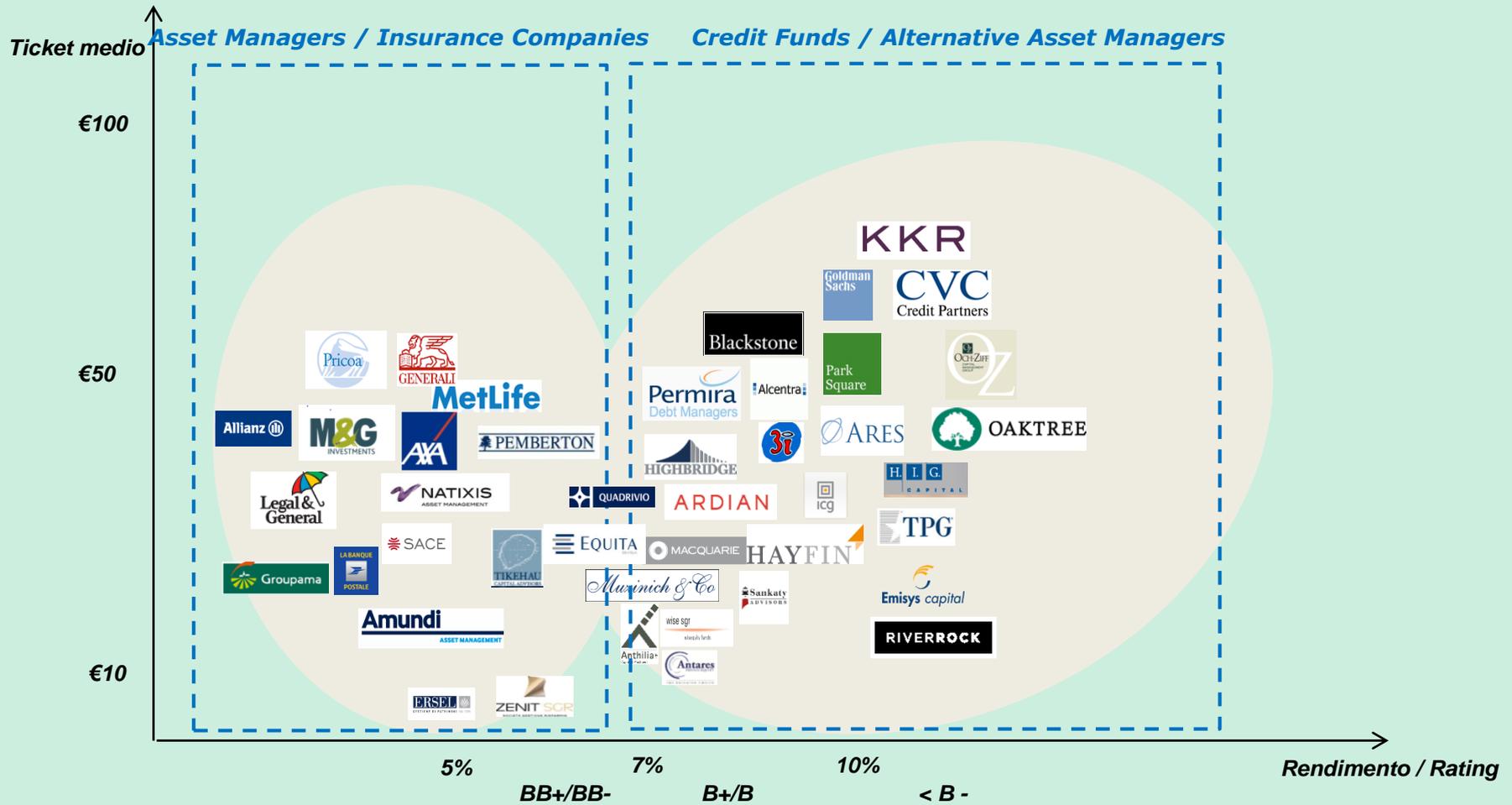
Roma 10 dicembre 2019

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Source: The lead Left

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Private Placement Monitor 2018 EPP League Table: Italy

Agent	Euro mm	Issue Count	Market Share
Banca Finint	196	8	69.01%
Unicredit	60	1	21.13%
Banco BPM	20	1	7.04%
BPER Banca	5	1	1.76%
Sida Group	3	1	1.06%
Italy EPP With Agent	284		
Italy EPP Direct	673	4	
Italy Total EPP	957		

Source: Private Placement Monitor

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Private debt/ Private Placement

	Public Rating	Liquidity	Marketing Process	Covenants	Structure flexibility
Public Issuances	Rated ✓	Secondary market ✓	Standardised process	<i>incurrence based covenants</i>	Low
Private Placement	Unrated	Buy and hold instruments	Bilateral negotiations /few investors ✓	<i>maintenance based covenants</i> ✓	High ✓

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Market drivers

- *Credit markets conditions*
- *Deals maturity/ structure*
- *Depth domestic investors market*

Regulatory drivers

- *Standardized documentation*
- *sector specific prudential regulation*

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Solvency 2 regulation establishes two credit risk assessment methods for «unrated» securities

1

Internal assessment approach

It requires the company to carry out a careful analysis of the instrument and its issuer, as well as an additional internal assessment in order to demonstrate the equivalence of the risk profile of the debt under analysis.

2

Internal model approach

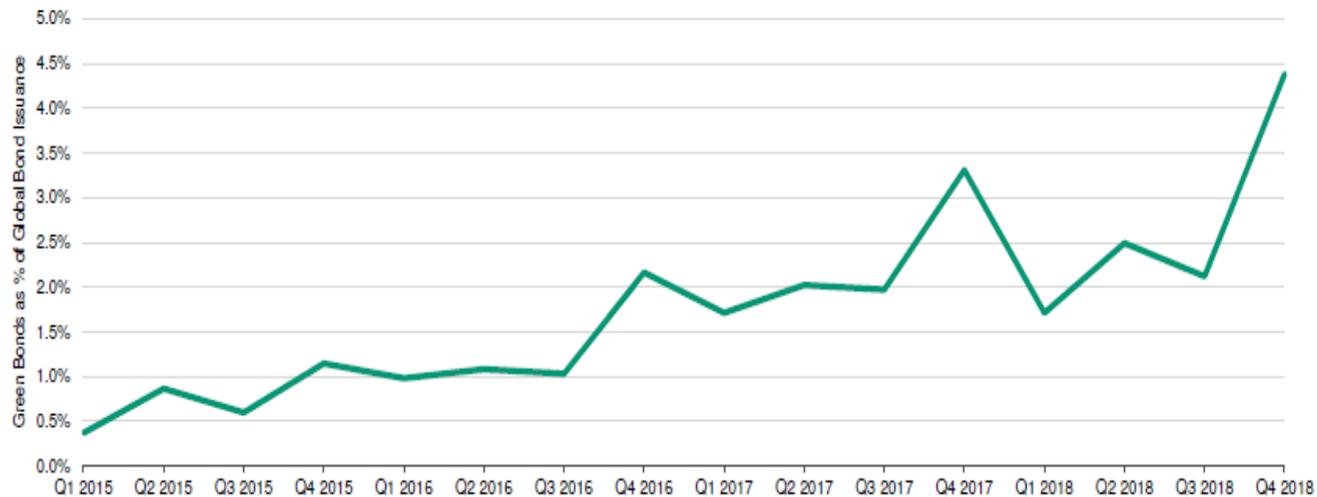
The company that co-invests with a bank uses the outputs of its IRB (internal rating based) model authorized to determine the eligibility or otherwise of the debt

Excessively restrictive and not applicable on the practical side

Global Green bond market

Exhibit 2

Green bonds represent an increasing share of global bond Issuance



Sources: Climate Bonds Initiative, Dealogic, Moody's Investors Service

GB PRINCIPLES

The common feature is the voluntary alignment with four core components

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

External Review is recommended

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EU Commission Plan on sustainable finance



Action 1

Establish a unified EU level classification system for sustainable activities

Subject to the outcome of the impact assessment, in the second quarter of 2018 the Commission will present a new legislative proposal aimed at guaranteeing the progressive elaboration of a taxonomy at EU level for climate change and sustainable activities from an environmental and social point of view, based on what has been achieved so far, where appropriate.

The objective is to insert the taxonomy at EU level into the law of the Union and lay the foundations for the use of this classification system in various sectors such as standardization, trademarks, the ecological support factor for capital requirements, the indices of reference on sustainability

Action 2

Create standards and brands for sustainable financial products

Firstly, the Commission's group of technical experts on sustainable finance will be mandated, based on the outcome of a public consultation, to draft a report on an EU standard for green bonds by the second quarter of 2019, based on the current best practices.

As part of the regulation on projects, by the second quarter of 2019, the Commission will specify the content of the prospectus for green bond issues in order to provide additional information to potential investors.

Once the sustainability taxonomy has been adopted, the Commission will evaluate the use of the Ecolabel framework

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Barriers to green bond market development	How the draft EU GBS and related recommendations seek to address these barriers
Absence of clear economic benefits for issuers	<p>The standardisation represented by the EU GBS, and its endorsement by the EC, will open the way for policy-makers to design potential incentives to increase economic benefits for issuers and, ultimately, off-set any additional costs.</p> <p>Potential incentives to support and stimulate market growth, both supply and demand side measures, are described in Section 5. They include a grant-scheme (with a sunset clause) to offset the additional cost of external verification, enhanced disclosure of EU GBS holdings by institutional investors to indirectly stimulate demand, and credit enhancement for non- investment grade issuers.</p>
Issuers concerns with reputational risks and green definitions	<p>The EU GBS builds on the proposed EU taxonomy regulation to clarify green definitions (see section 3.2.1).</p> <p>It also foresees a robust accreditation scheme for external reviewers and a clarification of their role and responsibilities to verify green definitions, aiming to reduce controversies and thus reputational risks.</p> <p>Furthermore, reporting is expanded and standardized to clarify how issuers are expected to report on impact.</p>
Complex and potentially costly procedures for reporting and external review	<p>Standardised verification process with a clear scope of services focusing on the essential components are expected to streamline the verification process, avoid duplication of effort and, ultimately, reduce costs of external reviews.</p> <p>In addition, a grant-scheme (with a sunset clause) is proposed to offset the (initial) additional cost of external verification as described in Section 5.</p>
Uncertainty on the type of assets and expenses that can be financed	<p>The EU GBS defines and broadens the scope of eligible expenditures (see 3.2.1 and section 4 of Annex 1).</p>
Unclear expectations on the tracking of proceeds	<p>The EU GBS integrates the existing concept of “management of proceeds” in the GBP while simplifying it so that it is equivalent amounts allocated to Green Projects that need to be tracked.</p>

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EU Green bond Standards

Green projects	<ul style="list-style-type: none">• Alignment with the environmental objectives and technical screening criteria as defined in the EU taxonomy• Physical or financial assets, tangible or intangible: any capital expenditure and selected operating expenditure such as maintenance costs related to green assets that either increase the lifetime or the value of the assets, as well as research and development costs, and relevant public investments and public subsidies for sovereign and sub-sovereigns• Green assets qualify without a lookback period, and eligible green operating expenditure shall qualify with a maximum of three years lookback• The use of proceeds is specified either in the prospectus or in the final terms of the bond
Green bond framework	<ul style="list-style-type: none">• Document explaining issuer's alignment with the EU taxonomy and environmental objectives, green bond strategy, project selection, methodologies and processes for allocation and impact reporting of the Green bond or Green Bond program• The issuer must produce it when confirming the alignment with the EU Green Bonds standard
Reporting	<ul style="list-style-type: none">• Allocation and Impact reporting become mandatory• Allocation report needs to be published annually until full allocation of the bond proceeds, and Impact report at least once at the full allocation, and both reports thereafter, in case of any material change.
Verification	<ul style="list-style-type: none">• Issuers shall appoint an external verifier that needs to be accredited• Verification applies (i) to the Green Bond Framework and (ii) to the Allocation Reporting

**ENCOURAGING AND REWARDING SUSTAINABILITY
ACCELERATING SUSTAINABLE FINANCE IN THE BANKING SECTOR**

Incentives as policy catalyst

Sustainable Finance Guarantee Fund

Green Loan Securitisation Framework