



**BANCA D'ITALIA**  
EUROSISTEMA

**“Nuovi strumenti di finanziamento:  
l’esperienza dei Schuldscheindarlehen in Germania e il  
confronto con i Mini-Bond in Italia”**

# **The European perspective on private placements**

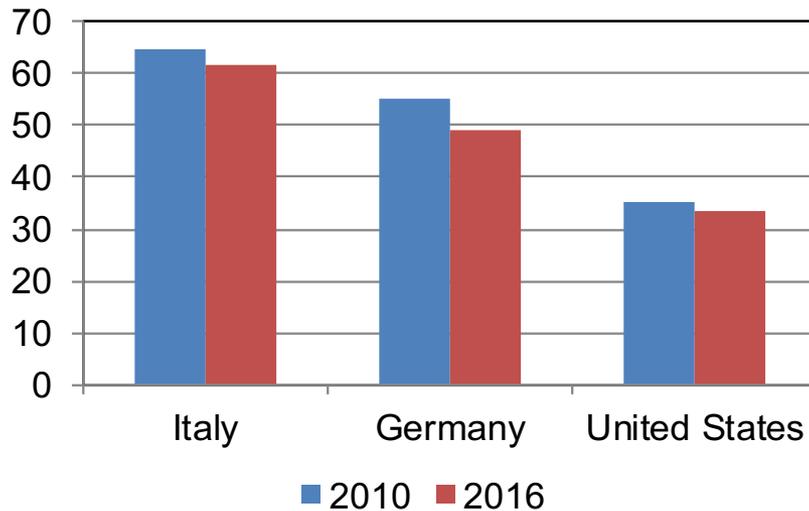
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***Servizio Stabilità Finanziaria***

- Why we need more non-bank finance
- The economics of private placements
- The case of the Italian corporate bond market
- Creating a European market for private placements

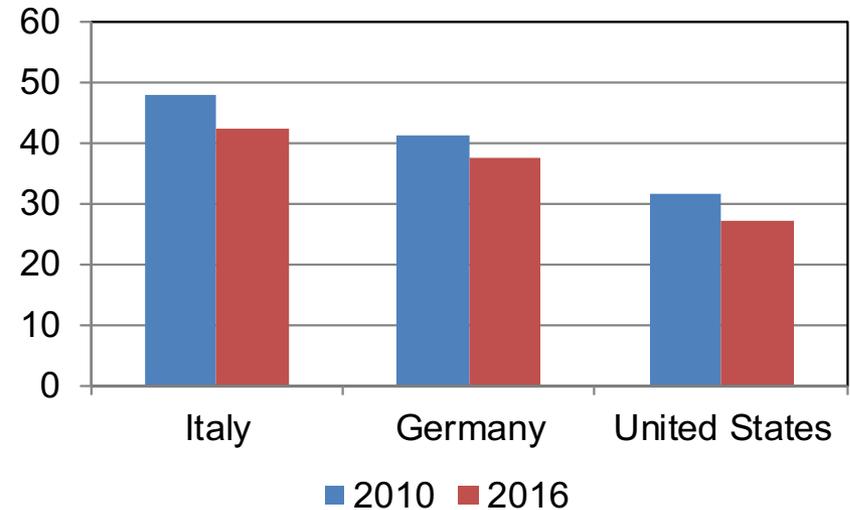
# LIABILITIES OF NON FINANCIAL COMPANIES

*percentage points*

### Bank credit/Financial debts



### Financial debts/Total liabilities



Source: ECB and Italian financial accounts.

# DRAWBACKS OF A BANK-BASED FINANCING MODEL

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## Financial stability

- during recessions a self-reinforcing mechanism links firms' financial fragility with the quality of banks' balance sheet

## Long-term financing

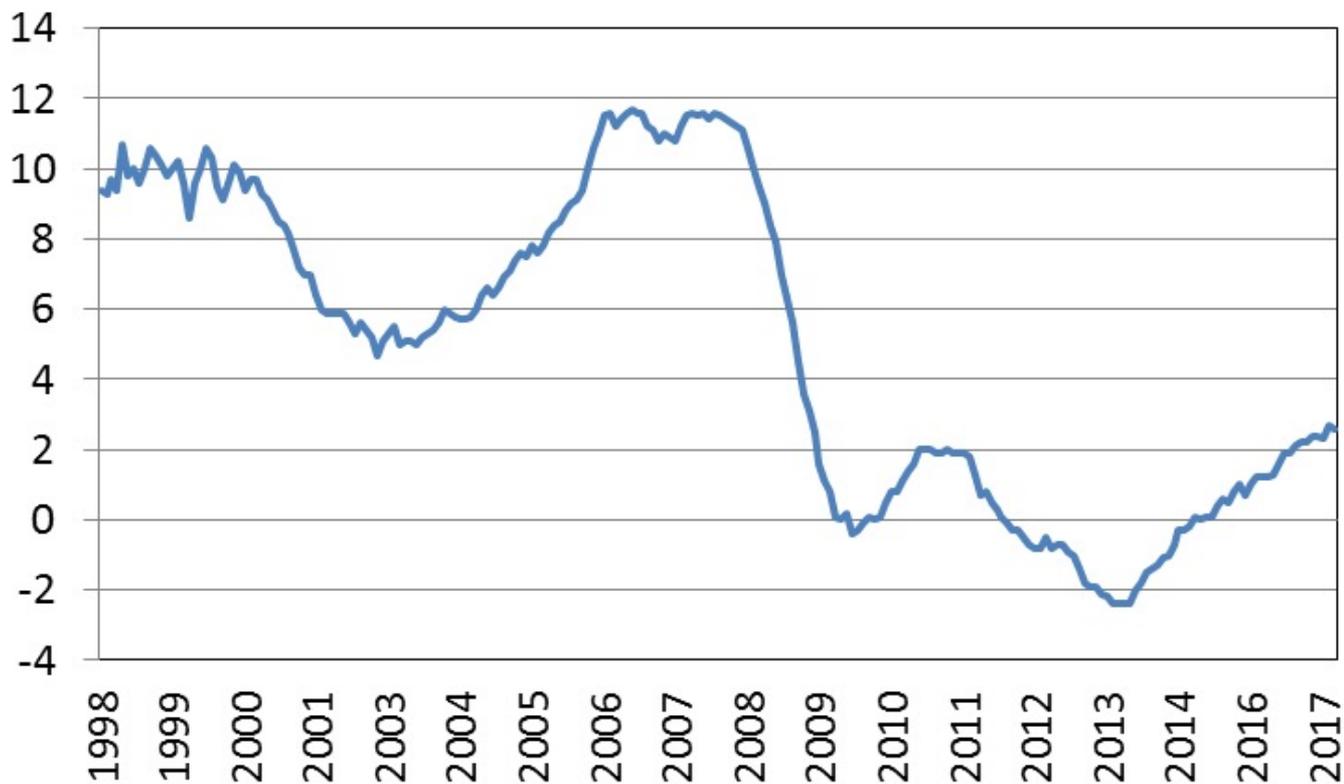
- bank credit is not best suited to address the financing needs of firms which have the highest growth potential

## Banks' business model

- tougher regulation, high operating costs, new technologies, diversification of sources of income

# EURO AREA: BANK LENDING TO PRIVATE SECTOR

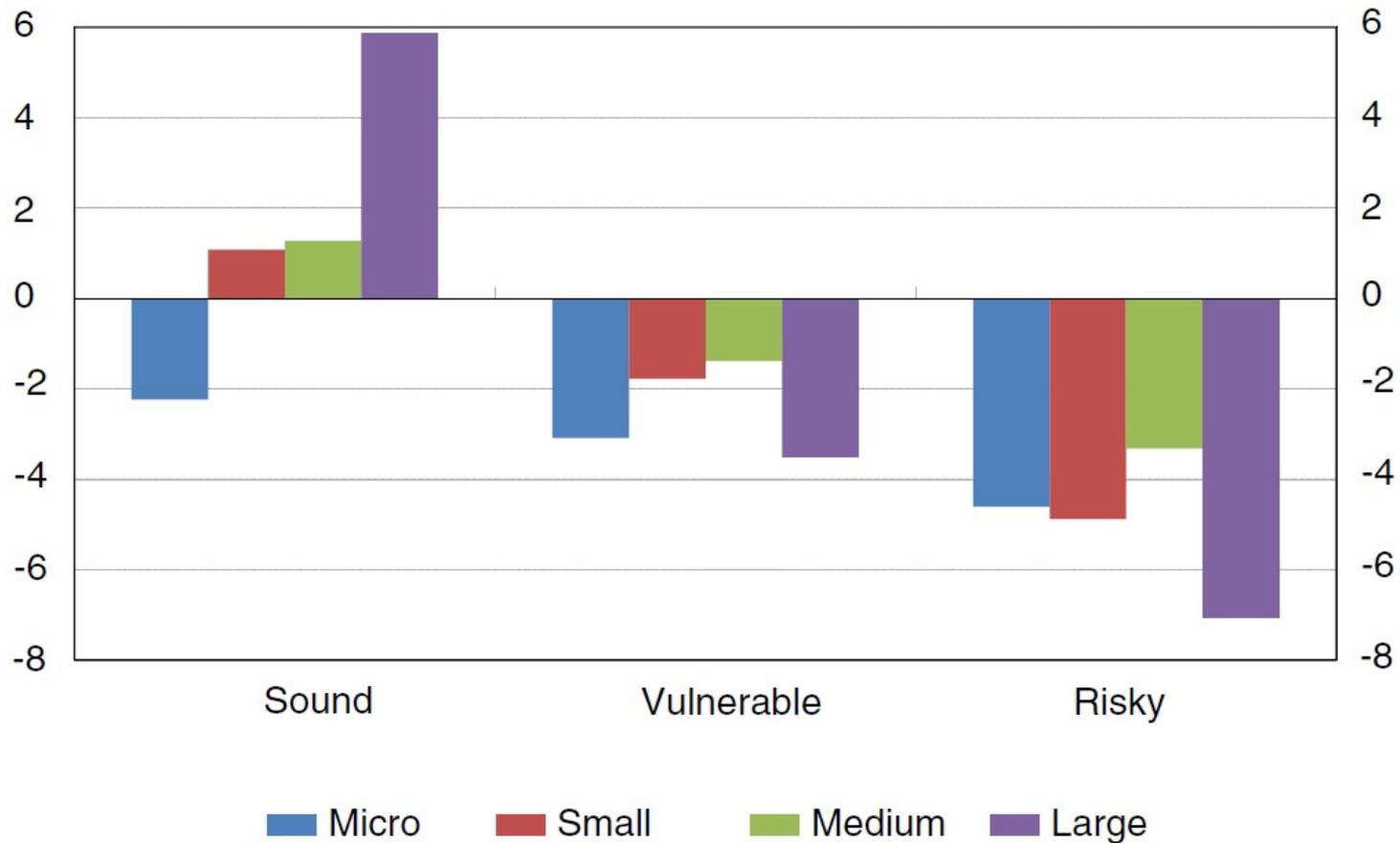
*monthly data, annual growth rate*



Source: ECB.

# ITALY: BANK LOANS BY SIZE AND RISK CATEGORY

average 2014-16; 12-month percentage changes



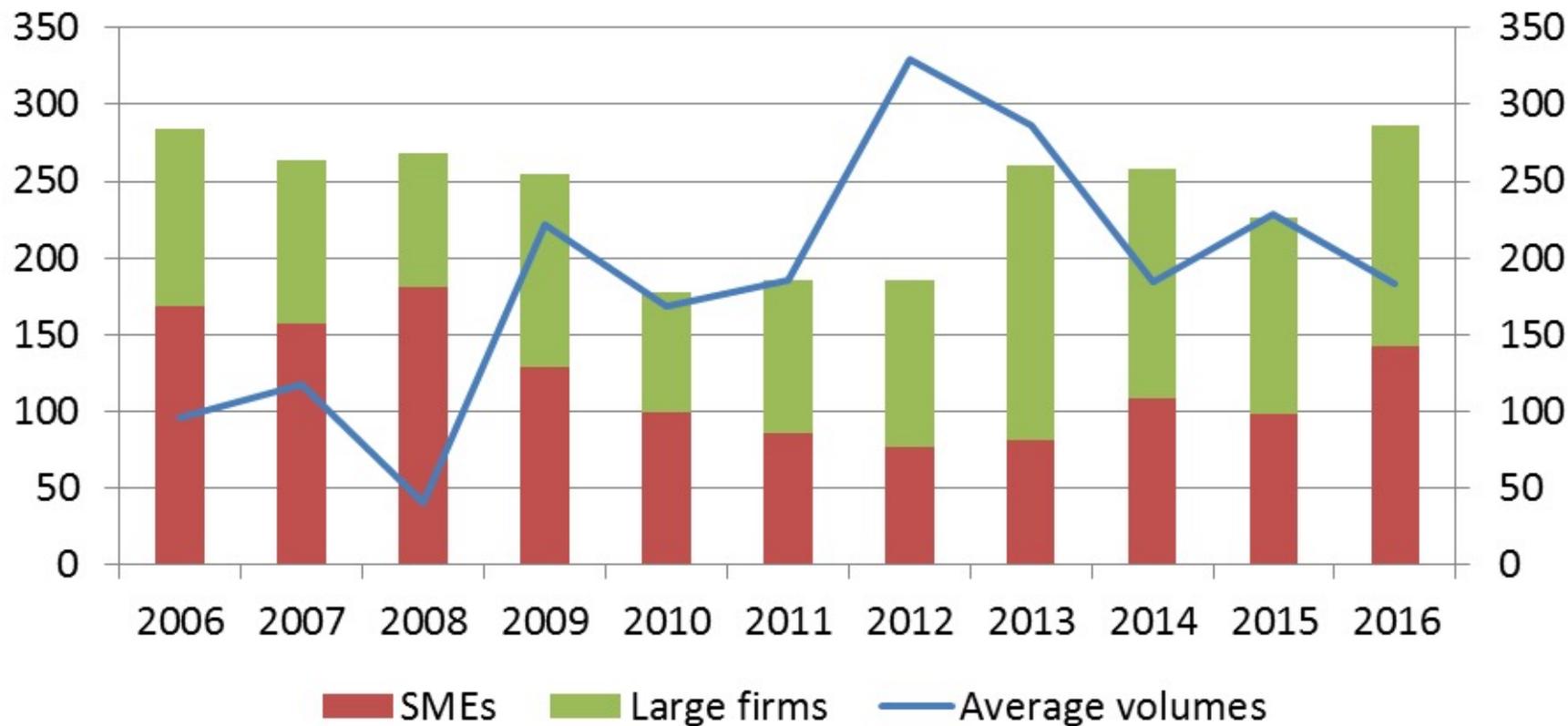
Sources: Based on Bank of Italy and Cerved data.

## Private placement *vis-a-vis* bank loans and public placements

- Issuing costs, contractual flexibility, liquidity, information, expected returns
- Firms: medium-to-large firms, with stretched balance sheet, high growth prospects, long-term investment projects
- Investors: institutional, specialized, role of banks
- Not a substitute for bank credit or public markets (market size is small: US: 0.3% of GDP)

# THE ITALIAN CORPORATE BOND MARKET

*number of issues; millions of euros*



Sources: Based on Bank of Italy and Cerved data.

An analysis of the Italian market (Accornero et al., Bank of Italy, 2015) shows that:

- issuance depends on reputation and transparency (firm size, listing), sound economic and balance sheet situation (leverage, growth), investment activity

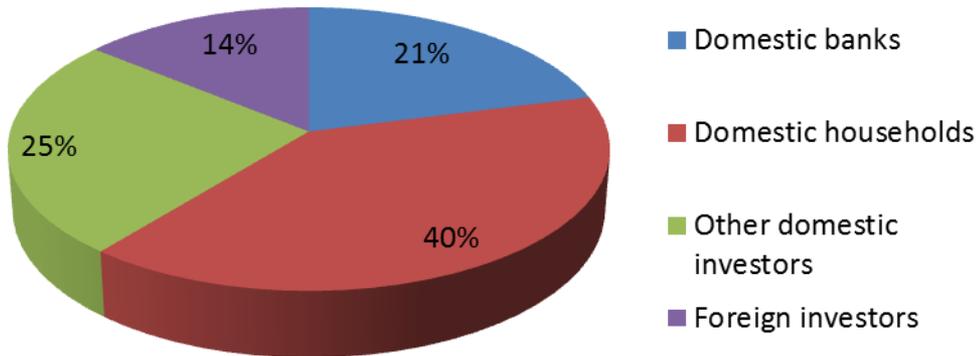
Currently, only a very small number of firms in Italy meet these conditions.

- SMEs are hindered by: opacity, cost of issuance, high leverage, lack of knowledge (in 2015 40% of firms did not know about minibonds)

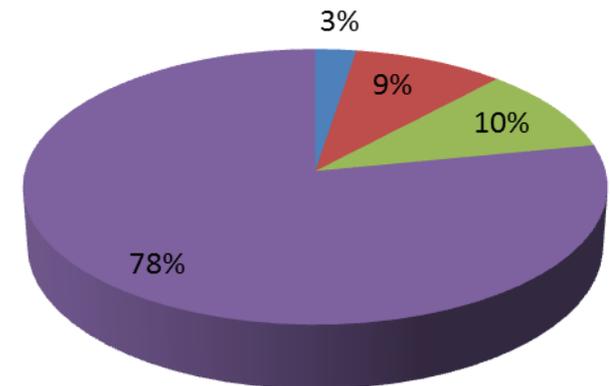
# BOND HOLDERS

*percentage shares based on outstanding amounts; end 2015*

*SMEs*



*Large firms*



*Sources: Bank of Italy, Cerved.*

## Long-term finance

- fiscal and regulatory incentives to patient capital, public sponsored investment funds

## Information

- better informed firms/investors, harmonised statistics on SMEs, financial counseling

## Market infrastructure

- harmonised rules/practices/documentation, specialized intermediaries, remove cross-border tax barriers, harmonize insolvency laws, secondary market for loans

***Thank you for your attention***