

“The Italian NPL market is under the spotlight and it will remain as such for the following year”



Interview with Enrica Ghia, Partner at Studio Legal Ghia, and Partner and Founder at JurisNet

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Enrica Ghia, Partner

1. What is the progress in the Italian NPL market? Do you see the stock moving within the next year?

The Italian NPL market is under the spotlight and it will remain as such for the following year. 2018 has been dominated by giant operations for a total volume higher than € 70 billion. The main operations have been the transfer of € 24 billion of Monte dei Paschi di Siena, € 11 billion of Intesa SanPaolo and the securitization with Gacs of more or less € 10 billion initially owned by Banco Bpm, Ubi Banca and Bper. Jumbo operations will happen also in 2019 for an estimated total amount of € 50 billion. In fact, Intesa is preparing another

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move for € 10 billion of UTP “Unlike to pay” to Prelios, an important servicer controlled by the American fund Davidson Kempner Capital Management. The sale should reproduce the same structure as the one executed by Intesa with Intrum on 2018.

What will be the outcome of these operations if early to tell!

2. What developments have there been in for corporates in regards to restructuring and insolvency in the Italian market?

The Italian Government and Legislator did work hard in the last couple of years to create a new code of rules governing business crisis and insolvency (Law No. 155 of October 19, 2017 and Legislative Decree No. 14 of January 12, 2019 “New Code”). A part from the abolition of the term ‘bankruptcy’ to fight the cultural and social negative judgement of the entrepreneur who failed, the provisions deal with a dramatic change of approach to the business crisis and insolvency, essentially focusing on: (i) the introduction of the definition of ‘crisis’ (as a status of economic and financial condition which makes likely a future insolvency of the debtor) broader than the concept of ‘insolvency’ (as the status of the debtor which is no longer able to regularly fulfil its obligations); (ii) the organizational structure of Italian limited liability companies and (iii) their shareholders’ liability; (iv) the early warning procedures which should endeavour companies to set an internal organization with a forward-looking approach to anticipate as much as possible the crisis emersion and following actions to be taken; (v) simplified court proceedings with online voting system for creditors; and (vi) crisis of group companies.

These major changes will have an impact on the governance of companies since they provide serious liabilities on the board of directors and the auditors in case of lack of action. Overall as a matter of fact, after August 2020 date in which all provisions will become

effective and mandatories for all companies, the Italian economic texture should be composed by healthier companies. At least, this is the aim of the legislator’s efforts.

3. How do you believe technology impacts the current market and furthermore how do you see it progressing the field further?

We are living a time of incredible changes thanks to technology which is having a disruptive application on every market and industry. The NPL market does not make any difference. The jumbo operation set by Intesa last year proves it: the transfer of the portfolio was done through the transfer of a platform and I believe that this has been the first of a long serious of sales with the same structure. Technology is having and will have a major impact at the Servicers level in order to increase the level of performances and the production capabilities. The market is witnessing an increasing consolidation process of Servicers and huge investments of funds such as KKR, Fortress, Arrow, Lindorff, just to name some. Consolidation brings increasing in volume and size of the company, new organization, new process and technology is a pillar stone to make it possible.

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