



Direct Lending in Italy

A checklist | March 2017

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Recent regulatory changes in Italy have opened up the market for alternative lending. Combined with the current challenges and changes in the Italian banking sector, this development potentially creates a wealth of opportunity.

Is Italy the right market for you? Take a look at our checklist to see what regulatory requirements you may need to consider.

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Direct lending in Italy: A checklist

		Italian authorised FIA	EU authorised FIA	Non authorised FIA
Structure		Closed-ended fund	Closed-ended fund - operational scheme similar to Italian FIA investing in credits	No requirements
Technique	Direct loans	Yes	Yes	No
	Purchase of fully drawn loans	Yes	Yes	Questionable
	Purchase of loan commitments	Yes	Yes	No
	Subscription of debt notes	S.r.l. (i.e. Ltd): No S.p.A (i.e. Plc): Yes, for principal up to 2x the Borrower's net assets	S.r.l.: Yes, provided FIA is 'qualified investor subject to prudential supervision' S.p.A: Yes, for principal up to 2x the Borrower's net assets or notes are listed	S.r.l.: Yes, provided FIA is 'qualified investor subject to prudential supervision' S.p.A: Yes, for principal up to 2x the Borrower's net assets or notes are listed
Type of credit	Senior and junior loans	Yes	Yes	No
	Revolving facilities	Questionable	Questionable	No
	Unitranche debt	Yes	Yes	No
	Mezzanine debt	Yes	Yes	No
	Leasing	Yes	Yes	No
	Factoring	Questionable	Questionable	No
Leverage limits	Non-reserved FIA (marketed to retail investors)	30% of total net asset value	30% of total net asset value	No limitations
	Reserved FIA (marketed to professional investors)	150% of total net asset value	150% of total net asset value	
Max exposure per Borrower	Non-reserved FIA	10% of total assets	10% of total assets	No limitations
	Reserved FIA	10% of the greater of: (a) total assets; or (b) equity (patrimonio), including investors commitments	10% of the greater of: (a) total assets; or (b) equity (patrimonio), including investors commitments	
Derivatives	Non-reserved FIA	Only for hedging purposes	Only for hedging purposes	No limitations
	Reserved FIA	Permitted	Permitted	
Maximum permitted maturity		Not exceeding life of FIA	Not exceeding life of FIA	No requirements
Substitutive tax option for loans (imposta sostitutiva) <i>Different rules and conditions apply for debt notes</i>		Yes 0,25% substitutive tax applicable Loans must have a maturity date longer than 18 months and must be formed and executed in Italy	Yes 0,25% substitutive tax applicable Loans must have a maturity date longer than 18 months and must be formed and executed in Italy	No Stamp duties, registration taxes, mortgage or cadastral tax or other governmental tax
Withholding tax for loans <i>Different rules and conditions apply for debt notes</i>		Exempted Loans must have a maturity date longer than 18 months	Exempted Loans must have a maturity date longer than 18 months	Non exempted 26% withholding tax (or lower rate provided for by double tax treaties)
Credit reporting	Bank of Italy's credit information system (Centrale dei Rischi)	Yes	Yes May need to accede through Italian licensed bank or financial intermediary	No requirements
Local 'conduct of business' rules		Articles 115 and following of Italian Banking Act Bank of Italy Rules on Fairness and Transparency	Articles 115 and following of Italian Banking Act Bank of Italy Rules on Fairness and Transparency	No requirements

“We found them to be extremely knowledgeable, very commercial and very hard-working.”

Chambers UK 2017

“The lawyers do an excellent job. They're very supportive, flexible and proactive.”

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Our leveraged finance team has been at the forefront of the direct lending market since it was established in Europe, working both with debt fund clients on unitranche and other alternative lender products (including first loss/second loss, second lien and PIK), and also with clearing banks providing super senior strips of the unitranche or working capital facilities alongside the funds.

If you have any questions, please do not hesitate to get in contact.