



EMN Legislative Mapping Report ITALY

September 2022



This national factsheet series provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-banking financial intermediaries.

The national factsheets cover the following thematic areas:

- 1 Regulation of lending activity
- 2 Supervisory framework for non-banking lending
- 3 Products
- 4 Incentives and support
- 5 Development of existing framework for non-bank microcredit provision
- 6 Inclusive entrepreneurship and microenterprise development
- 7 Digital transformation

1

Regulation of Lending Activity

In 2010, Italy passed specific regulation on microcredit.¹ In 2014, reforms to the Italian Banking Law introduced a definition for microcredit activities and created a register of microfinance institutions (MFIs), which is managed ad interim by the Bank of Italy.

According to the Italian Banking Law, MFIs can operate in the form of a specialized microcredit operator² (Art. 111), which has less stringent capital requirements than banks but needs to comply with additional conditions specific to the terms of their microcredit offer.³ Non-profit organizations⁴ are also allowed to operate under Art. 111 without any previous registered authorization.

In addition, NBFIs (for-profit organizations regulated under Article 106 of the banking law) and mutual financial operators (cooperatives with specific by-law conditions) can offer microloans, provided that they adhere to the criteria of Art. 111. This possibility also applies to banks.

Non-bank MFIs in Italy are not authorized to collect savings. Additional financial services, such as insurance, can be offered in partnership with licensed companies if specific requirements are met by the MFI (be registered as intermediary authorized to sell products from an insurance company and staff training).

2

Supervisory Framework for Non-Bank Lending

The lending activities of MFIs are overseen by the Central Bank of Italy through mandatory reporting, due diligence, the monitoring of governance mechanisms, and the establishment of capital and liquidity requirements. MFIs that want to access credit bureau data are obliged to share client data with the credit bureau.

1. Consolidated Law on Banking. Title V, Subjects operating in the financial sector: articles 111, 113.

2. MFIs are registered on a specific list and can take the form of a joint-stock company, a limited partnership company, a limited liability company or a cooperative society.

3. Microloans not assisted by real guarantees and are accompanied by the provision of assistance services and monitoring of funded clients.

4. Associations, foundations, mutual aid societies; local and governmental agencies; social cooperatives; non-profit cooperatives.

3

Products

MFIs are allowed to disburse business and personal microloans. The maximum amount for business microloans is EUR 40,000 with a maximum term of seven years.⁵ In special cases, an additional EUR 10,000 could supplement the first business microloan and the term could be extended to ten years.⁶

The threshold for personal microloans is EUR 10,000 with a maximum term of five years.

Both types of microcredits must be accompanied with non-financial support (technical assistance, tutoring and monitoring).

According to the implementing rule of Art. 111 (Decree 17/10/2014 n. 176, Art. 16), mutual financial operators can provide business loans up to EUR 75,000 (Credito Solidale).

The Italian anti-usury legislation sets the interest rate cap for business microloans while the interest rate cap for personal microloans is equal to 0.8 of the average market annual rate (inclusive of all costs borne by the client). For personal loans provided by non-profit organizations, the interest rate cap is equal to 0.4 of the average market annual rate (inclusive of all costs borne by the client). For Credito Solidale, the interest rate cap is equal to the recovery of operational costs only.

4

Incentives and Support

In Italy, there are a few national/regional level funds⁷ to support microcredit provision in the form of guarantees. Furthermore, there are regional programs funded by ESF and ERDF that, in principle, could support financial and non-financial services. However, to date, they do not suit the needs of non-bank MFIs. Since March 2020⁸, bank funding for specialized MFIs up to EUR 5 million can be guaranteed (up to 80%) by the Public National Guarantee Fund. Additionally, NBFIs have direct access to the Public National Guarantee Fund to guarantee up to 80% on their business microloans.

The current context has no incentive support in the form of tax deductions for natural persons that provide financial support to microcredit providers.

5

Development of the Existing Framework for Non-Bank Microcredit Provision

The Italian Microfinance Network (RITMI) has promoted two legislative proposals and one special project to improve the provision of non-financial services and create a partnership between non-bank MFIs and local actors/authorities. Challenges include enlarging the sector's eligible beneficiary base and creating specific schemes to invest and provide funds to non-bank MFIs, finding support for BDS, financial education, coaching and mentoring. To achieve a more efficient and measurable impact, coordination needs to be improved between European and national initiatives.

In December 2021, the Italian Parliament approved some changes to the current microcredit legislation that are not yet operational as the implementing laws are not yet passed. These changes include:

- Increasing the maximum loan amount of business microloans to EUR 75,000 (plus an additional EUR 25,000 that can be received by the client);
- Increasing the maximum duration of the business microloan from 7 to 15 years; and,
- Extending the types of companies that can receive a business microloan (limited liability company- SRL).

It is not yet clear if and when these measures will become operational as a law to implement these changes must be adopted.

5. Pursuant to Decree-Law no. 137 of 28 October 2020, art. 1 paragraph 14-quinques, coordinated with the conversion law of 18 December 2020 (DL Ristori), the maximum amount that can be granted for each individual microcredit operation is increased to EUR 40,000. Prior to Decree-Law no. 137 the maximum threshold for business microloan was of EUR 25,000.

6. Loan term could be ten years if the credit is for training and is provided by a mutual organization.

7. Such as the 'Central guarantee fund.'

8. Law Decree "Cura Italia" 17/3/2020 n.18

6

Inclusive Entrepreneurship and Microenterprise Development

In Italy, there are simplified administrative procedures in place for entrepreneurs to set up a limited liability company for young entrepreneurs, local one-window service and fiscal incentive frameworks. Furthermore, there are some specific public initiatives supporting young entrepreneurs (Garanzia Giovani) and there is a financial education plan for both youth and adult populations outside of the secondary educational curricula.

In terms of public support, there is no welfare bridge to support unemployed people in the transition towards self-employment and business development services are not publicly subsidized. However, after the implementation of the initiative "Reddito di Cittadinanza" a public debate is ongoing on how dedicated public measures supporting people looking for a job or self-employment can be promoted. In addition, there are local and regional initiatives for inclusive entrepreneurship awareness that are supported by private and social foundations for specific programs.

7

Digital Transformation

When it comes online sales, marketing and subsequent data management (security and storage), Italian MFIs are required, like other companies in Europe, to implement the GDPR regulation on data protection.

Compliance with the Italian legislation transposing the AML directive is relevant to MFIs that want to shift towards the clients' distant identification and further automate the client assessment process (e.g., gathering data from multiple external sources).

Additionally, for client identification, MFIs can only work with providers that are compliant with the national and eIDAS regulation on electronic identification and trust services (e.g., digital signature). In terms of credit risk management, changes in risk assessment (e.g., remote interviews with clients) and scoring processes are assessed by the Bank of Italy in case of inspections.

The Bank of Italy offers the financial sector to pilot new digital projects by offering regulatory sandboxes (via ad hoc calls for proposals) and MFIs can also participate in these initiatives.

As part of the Recovery and Resilience facility (RRF) and the REACT-EU funds, grants and support programs will be launched to support the digitalization of companies. Potentially, this funding can be accessed by MFIs.

9. Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data

10. Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing



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