



# EMN Legislative Mapping Report ITALY



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

The national factsheets cover the following thematic areas:

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

1

## Regulation of Lending Activity

In 2010, Italy passed a specific regulation on microcredit.<sup>1</sup> In 2014, reforms to Italian banking law introduced a definition for microcredit activities and created a register of 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 specialised microcredit operator<sup>2</sup> (Art. 111), which have less stringent capital requirements than banks but need to comply with additional conditions specific to the terms of their microcredit offer.<sup>3</sup> Non-profit organisations<sup>4</sup> are also allowed to operate under Art. 111 without any previous registered authorisation.

In addition, NBFIs (for-profit organisations 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.

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. No MFIs are obliged to share client data with the credit bureau. Additionally, they have access to the credit bureau.

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

2. MFIs registered in 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<sup>5</sup> with a maximum term of seven years. In special cases, an additional EUR 10,000 could supplement the first business microloan and the term could be extended to ten years. The threshold for personal microloans is EUR 10,000 with a maximum term of five years.<sup>6</sup>

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 set according to Decree 17/10/2014 n. 176, which stipulates that the usury level is calculated as the difference between the interest rate cap and the average market effective annual percentage rate (TAEG).<sup>7</sup>

### 4

## Incentives and Support

In Italy, there are national/regional level funds<sup>8</sup> to support microcredit provision in the form of guarantees. Furthermore, there are regional programmes funded by ESF and ERDF that, in principle, could support financial and non-financial services. However, to date, they do not fit the needs of non-bank MFIs. Since March 2020<sup>9</sup>, bank funding for MFIs can be guaranteed up to 80% by the Public National Guarantee Fund up to EUR 5 million.

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

### 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.

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 10 years if the credit is for training and is provided by a mutual organisation.

7. For personal loans, the interest rate cap is equal to 0,8 of the average market annual rate. For personal loans provided by non-profit organisations, the interest rate cap is equal to 0,4 of the average market annual rate. For Credito Solidale, the interest rate cap is equal to the recovery of operational costs only.

8. Such as the 'Central guarantee fund.'

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

## Inclusive Entrepreneurship and Microenterprise Development

In the Italian context, 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 subsidised. 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 programmes.



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