

**Pilot Action Experimentation on the application of a
model of guarantee**

Versione n. 1

**Role of Collective Credit Guarantee Consortia in the national
economic system and specifically in Apulia Region**

Dicembre 2019



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THINGS
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INTRODUCTION



The following research has been realized within the project **“Cross-border Cooperation and Competitiveness for SMEs – 3C4SME”**, with the funds of the Programma Interreg IPA CBC Italy-Albania-Montenegro, co-financed by the European Union, O.S. 1.1 To create better general conditions for the development of the cross-border market for SMEs.

The research describes the role played by the mutual guarantee consortia Fidi in the national economic system and, specifically, in Regione Puglia one, concerning the support for the development of the SMEs.

It begins with the description of the European, national and regional regulatory framework, in order to verify how the regulations had an impact on the Confidi development and activity.

Subsequently, for a precise and accurate desk research, the focus is on the descriptions of the Confidi activity, describing systems implemented in some European countries and giving an highlight to some common but also different traits.

At last, there is an analysis about all the difficulties that small and medium sized enterprises face to access the credit.

Last but not least, the description of the regional Confidi systems, giving an highlight to the common but also to different traits of these systems in some Italian regions.

1. HISTORICAL AND LEGISLATIVE DIGRESSION



By the term Confidi we define **“Fidi mutual guarantee consortia and cooperative”** and we indicate those organisations, with a consortium or cooperative nature, that operate not-for-profit, releasing mutual guarantees of Fidi and services related or instrumental to them, in favour of the associated small and medium-sized enterprises. Confidi develop and spread to pursue their essential aim which is to find a solution to the difficulties to access banking credit, becoming a tool to make easier interactions between the business world and the credit intermediaries.

Confidi scope of operation, indeed, allows the syndicated or associated enterprises not only to obtain credit more easily, but also to join a series of secondary benefits, such as the negotiation with the sponsor bank for more advantageous economic conditions. This increases the enterprise bargaining power, the reduction the bureaucratic procedures and an improved reputation of the entrepreneur to the bank.

We must consider that the benefits are bilateral and, therefore, they involve also the banks disbursing the loans. Specifically, banks can benefit from specific advantages connected to the two typical macro-purposes of the Confidi.

The first, historic, purpose is being a subject that provides guarantees in favour of the banking system concerning loans disbursed to the syndicated or associated enterprises, based on an independent endowment capital, which is constituted by the syndicated enterprises's financial contributions. Guarantees play a relevant role in the effective reduction of the credit risks, that is the risk based on the probability that the borrower might be completely or partially defaulting to the mandatory redemption of the capital and/or to the payment of the interests. The guarantees do not modify the economical risk submitted to a certain exposure, but they shift it to other subjects or goods, actually reducing the expected loss of earning in view of an eventual default from the counterpart. That means that the releasing of the guarantee by a Confidi, which will take on a part of the credit risks, can reduce the default risk of the enterprise.

It is not uncommon that in the deliberation act of the Financial Institution is inserted the “sine qua, non” clause, which means that if there is no release of the guarantee by the Confidi, the act becomes null and void, so the loan cannot be disbursed. In other words, while the loan disbursed by the bank can be considered the main bond, often, the guarantee provided by the Confidi is accessory. Therefore, if the main bond doesn't come up or extinguishes, there is a lack of effectiveness also for the guarantee accessory bond.

A second purpose is attributable to the role that Confidi play in mitigating the problems of asymmetrical information between the credit lender, which is the bank, and the payee, in this case the enterprises.

Confidi are the subjects in charge of a first evaluation about the creditworthiness of the syndicated or associated enterprises, at efficiency and effectiveness conditions much better than the ones accessible to the banking system. Particularly, guarantee institutions, which are deeply rooted to the territory, can gain a substantial competitive

advantage: they can have access to a wider range of information, even informal ones, that a bank usually does not seek for or that can obtain exclusively through an expensive, frequent and prolonged rapport with the client.

Therefore, the Confidi aim is to make a first selection of the most creditworthy subjects, through an evaluation of the creditworthiness of the enterprise, by its own loan preliminary investigation that will eventually be added, and not substituted, to the one carried out by the bank.

The presence of a double preliminary investigation will permit to gain more information, but, above all, to evaluate with more accuracy and carefulness the enterprise rating.

The Confidi function is not just about making predictive analysis, during the pre-contractual phase, during the selection of the information concerning the loan's borrower - quite useful to diminish the asymmetrical informative process bank-enterprise as a result of a faulty selection risk -, but it should go on also in the post-contractual phase, the one following the disbursement of the loan, through a checking activity of the behavior of the enterprise, in order to avoid opportunistic behaviour of moral hazard.

The moral hazard might be dampened thanks to, not only the monitoring activity done by the responsible operators, the very same enterprises being part of the Confidi (peer monitoring). The release of a guarantee by a Confidi, therefore, can be perceived from a bank as an additional certification concerning the creditworthiness of the loan's borrower.

1.1 Confidi regulatory evolution

It has been decades since consortia and Fidi mutual guarantees cooperatives have become a fundamental and vital part of the Italian financial system.

The first legal acknowledgement was with law n. 860 on July 25th 1956 or Legge Quadro for craftsmanship "*Norme per la disciplina giuridica delle imprese artigiane*", whose aim was to plan and promote the foundation of cooperative societies for the release of guarantees for that field, in order to facilitate the credit access. In that time, enterprises would raise external loans almost exclusively from the banks, suffering from an inadequate bargaining power. The chosen solution was the creation of associative subjects that could provide guarantees, covering the loans disbursed by the banking system to the single associated enterprise.

After this first input, the trend had a vigorous development in the Seventies, mainly because of the oil crisis that caused the increase of the interest rates.

The lack of a specific regulation, on one hand, has facilitated the rapid growth of the Confidi, but, on the other hand, turned them into a very fragmentary and heterogeneous phenomenon. Next to a very limited group of big size Confidi, highly operative, dozens of smaller ones were born, characterized by an extremely narrow range, both geographical and sectorial.

In the early Nineties, the necessity of giving Confidi a specific regulation was by then colpusive: it had to outline the constitutive traits and define the operational fields. With the approval of d. lgs n. 385 in 1993 or “*Testo Unico delle leggi in materia bancaria e creditizia*” (TUB), become law on January 1st 1994, for the first time the legislator requested to Confidi to respect some basic requirements, concerning both the associated enterprises and the capital.

Moreover, it requested a registration to Confidi, in a specific section within the general list of the financial intermediaries. Ex art. 106 TUB. That registration had the basic purpose to be a simple census, as the rules did not permit Confidi to carry out operations which were exclusively reserved to the financial intermediaries. So, there was only one way Confidi could be recognized and, above all, those instruments were not subjected to any specific surveillance.

The growing importance of Confidi has highlighted all the limits of the former set of rules and made it necessary a new regulatory act. Since the early 2000's, a significant reform process has started, in order to increase the regulatory asset and to define a new surveillance discipline.

1.2 A substantial intervention: Confidi Legge Quadro in 2003

Since the 2000's, Fidi consortia have been involved from a succession of laws that aimed to give an organic regulation of the field and to support the Confidi growth to make them more effective in financing SMEs. Decreto legge n. 269 in 2003, become law n. 326 in 2003, also known as “*Legge Quadro sui Confidi*”, has set the basis for a systematic rationalise intervention of the Confidi and for their functioning reform. For the very first time Articolo 13, articulated into 61 commi, established a definite regulatory framework and instituted some universal principles equal for all Italian Confidi.

The article defines, for the first time, the activity of “*Fidi mutual guarantee*” describing it as “*the use of resources, completely or partially, by the syndicated or associated enterprises for the mutual exchange of the guarantees*”, outlining it as a typical and essential trait. This doesn't mean that Confidi cannot find resources also from other sources, public or private ones. The article includes the possibility for Confidi to assume the consortium legal form, consortium or cooperative society. About the company structure, the new regulatory framework established that can be syndicated or associated micro, small and medium size enterprises, according to the definition of the Eu law, but also bigger sized enterprises, whose dimensional limits have been defined by the European union for the supporting intervention of the EIB (European Investment Bank), as long as they represent less than one sixth of all the participants.

Legge Quadro established two main innovations: the introduction of minimum capital requirement and the distinction among three possible organisational-functional models.

Concerning the first innovation, Legge Quadro has fixed two minimum capital limits that Confidi must respect to get the authorization to operate. Art. 13, at comma 12 and 13, establishes the minimum value of the social capital and the share that every enterprise can have of it, in order to avoid an excessive exposure of the Confidi towards one single enterprise, while comma 14 establishes the limit of the net worth, which is calculated by summing up

the social capital or the consortium fund with the reserve funds and the guarantee funds (unobtainable risk fund). Particularly, the requirements to respect are:

- social capital or consortium fund have to be above 100.000 euro (in case of a joint stock consortium company has to be respected the minimum limit of the joint stock societies, which is 120.000); every associated enterprise cannot hold a share of participation to the social capital or to the consortium fund above 20% e not below 250 euro;
- net worth must be above 250.000 euro, of whom at least 50.000 has to be provided by the associates/syndicated.

The main innovation of Legge Quadro is having introduced and differentiated various typologies of Confidi, characterized by the possibility to operate an extended range of activities and submitted to a diverse intensity of surveillance and regulatory duties. The legislation has set apart three different kinds of subjects: traditional Confidi or minor, monitored Confidi or major, and guarantee banks.

The traditional Confidi model, or minor, represents the typology of a more simple structure. These subjects have the authorization to do exclusively Fidi mutual guarantee activities and only in a subsidiary way concerning services connected to it or instrumental, such as for example finance advice for the client enterprises or assistance for the access to the easy-term loans.

Legge Quadro 2003 said that these subjects had to respect the obligation to register in a specific section of the non-monitored financial intermediaries general list, disciplined in art. 106 TUB, according to the text previous to the Reform of Titolo V in 2010. It pointed out that "*minor*" Confidi, also known as Confidi 106, were not under the surveillance of Banca d'Italia, which was in charge only of controlling the requirements to access the market and the compliance with the sector regulations, such as the compliance as planned in the transparency regulation concerning contractual conditions, correctness in clients relationship and anti-money laundering discipline.

The second typology are "*major*" Confidi and are distinguished from the first ones because they go beyond fixed objective limits of activity. Legge Quadro transferred to the Ministry of Treasury and Finance, after counselling Banca d'Italia, the definition of these objective criteria. The Ministry of Treasury and Finance decree on november 9th 2007 has fixed the limit beyond which starts the modification duty, finding it in the volume of financial activity equal or above 75 millions euro. Legge Quadro has given this typology of Confidi a wider operation range compared to the minor Confidi. These subjects can carry out, mainly in the favour of the associated, not only the typical Fidi mutual guarantee activity, but also other activities forbidden to the ordinary Confidi.

Particularly, major Confidi can do the management, in a residual way, in the limits of the 20% of the total assets, of the public incentive funds and, as long as not as main purpose, they can carry out activities allowed only to the financial intermediaries as in ex art. 107 TUB, as the concession of loans under any form, the provision of paid services and the intermediation in changes and the exercise concerning public activities of participation assumption.

These Confidi, according to Legge Quadro, had the obligation to register to the special list of the monitored financial intermediaries by ex art. 107 TUB.

This aspect was probably the most innovative one, as in it obliged some Confidi, detected according to the objective

criteria established by the law, to become monitored financial intermediaries and, therefore, so submit to Banca d'Italia's surveillance.

The regulation says the the financial intermediaries registered to the special list (and so also Confidi ex art. 107 TUB) had to respect the rules of the prudential surveillance "*equivalent*" to the one of the banks, as imposed with Circolare of Banca d'Italia n. 263 in 2006, that has introduced in the European law rules set by Basilea II.

Agreements on the capital of the banks, have confirmed the adoption of new surveillance principles and risk management: among these there is the capital adequacy, which is making sure to have their own sufficient resources to cover the commitment, properly analysed on their riskiness.

In this context, the guarantees play a fundamental role for the banks because, in addition do the substantial advantage of a reduction of the risks, they are known as instruments to reduce the risks, so that also the regulatory capital can be reduced.

Financial intermediaries registred to the special list – which are the monitored Confidi - must obey to the capital adequacy index, that is the result of the report between the regulatory capital and the total amount of the risk weighted assets.

Banca d'Italia, in consideration of the Confidi reduced functional possibilities in comparision with the bank ones, has imposed a minimum limit to the regulatory capital at 6% of the risk weighted assets. The set of rules is based on the proportionality principle, which means that the capital adequacy evaluation process has to take into consideration the divertity of the intermediaries, in terms of dimensions and complexity of the activities they do.

The abatement of the typical 8% to the 6% for the banks is justified by the fact that Confidi do not raise savings from the public. Moreover, major Confidi have to follow many more regulations than minor Confidi, whose compliance is evalutated by Banca d'Italia when there is the examination of the request to register into the special list of the financial intermediaries ex art. 107 TUB.

In detail, monitored Confidi are required to have an appropriate organisational structure and an adequate internal control system, articulated in first level controls on operativity, second level controls on risk management and regulatory compliance and third level controls - or internal audit – aimed at the evaluation and periodic check of the completeness, the functionality and the adequacy of the whole internal control system; they are required to have computer systems such as to ensure high security and transparency levels and, moreover, follow wider information duties, like periodic report to Banca d'Italia and to the risk central control; finally, they have to follow new accounting requirements, in reference to the compliance of the international standard principles IAS/IFRS.

The "*status*" change for those Confidi that were above the minimum limit set by the law has been quite painful.

The transition from the general list section ex art 106 TUB to the special list ex art 107 TUB has represented a radical change in Confidi operativity and in their recognition as guarantor in the financial system. The Ministry of Treasure and Finance decree granted 12 months for the registration to the special list before Banca d'Italia disposals became

effective. Later on, the deadline was posticipated on december 31th 2009.

Confidi with a financial activity range between 75 and 100 millions of euro had to face the biggest difficulties, because they had to set up a development strategy such as to let them have a choice: scale back the activity, to take it below the limit and then become minor Confidi or adjust to the duties connected with the status of monitored intermediary. It is clear that, if on one hand, the choice to remain small and swift is advantageous because it ensures more closeness to micro and small sized enterprises, on the other hand it exposes to the risk to succumb to the major Confidi competition.

The choice to turn into monitored intermediaries, after all, can bring notable competitive advantage, because the guarantee provided by the major Confidi should be, theoretically, more attractive and valuable for the bank, and so it should be able to ensure a faster and cheaper credit access to the associated enterprises. On the other hand, Legge Quadro oblige these subjects to face heavy costs both at the beginning - because of the remarkable investment for the upgrading of the organisational structure and the computer system - and also afterwards - because of their permanency in the special list.

With regard to the third model, Legge Quadro 2003 has introduced for the Confidi the possibility to make a more radical transformation and become a guarantee bank. These specific subjects have to follow the obligation to insert in the company name the word "*Confidi*" or "*Fidi mutual guarantee*", in order to make them easily identifiable and distinguishable from the traditional banks.

Art. 13, from comma 29 to comma 31, has established a series of disposals partially attributable to the typology of the cooperative banks and to the Confidi.

Guarantee banks, such as Confidi, can practice Fidi mutual guarantee activity mainly in favour of the associated, but they can also do typical banking activities, for example savings collection and loans to the associated enterprises. The key requirement is the legal status, which compulsory has to be the one of a cooperative bank with limited liability, because these subjects have to meet the criteria required for banks, such as:

- obtaining a formal authorization from Banca d'Italia;
- setting-up a minimum 2 millions euro share capital;
- compliance of the solvency ratio at 8%.

Regarding the social structure, nothing changes compared to the two previous typologies, except for two more requirements. Particularly, besides the requirement that says that all the enterprises - according to recommendation 2003/361/CE - that fit in the categorie of small and medium sized, and bigger sized enterprises maximum 1/6 of the total number of the same associates, can be associated, guarantee banks have also to consider that:

- the number of the associated can't be below 200;
- every single associate can't hold shares for nominal value below 50.000 euro.

Guarantee bank surely represents a very innovative model in the Confidi evolution. Becoming a guarantee bank is undoubtedly more expensive both concerning the capital and the organization: it requires a remarkable capital

stock to face the financial obligations and a complex organization.

At the current moment, one guarantee bank has been founded in 2007, Banca Popolare di Garanzia, as a result of the InterConfidi Nordest transformation, which faced a serious corporate crisis which ended up in a compulsory administrative winding up.

So the described system offers three different Confidi typologies that, notwithstanding the fact they all mainly do the same activity, are submitted to different surveillance regimes and are burdened by different duties. This differentiation of the regulation is justified by limited operativity, bargaining power and the variety of services offered by the minor Confidi compared to the major Confidi.

Despite this, it could have been cause of concerns the fact that an activity like the *“provision of the Fidi mutual guarantee”*, considered worthy of protection, was submitted to two surveillance regimes, greatly different from each other.

2. CONFIDI IN ITALY AND IN A FEW EUROPEAN COUNTRIES



In Italy Confidi were born spontaneously, between the Fifties and the Sixties in last century, thanks to the association of small entrepreneurs aiming to overcome the traditional difficulties in having access to the sources of funding.

More specifically, they have always operated in the Italian financial scenario as “*creditworthiness auxiliary assistance*”, known as private associative subject, no profit, in order to offer guarantees to the banks to support the associated enterprises in accessing the bank credit.

Providing a mutual guarantee has the aim of making the credit access easier, both by giving the bank a guarantee that could lessen the loss in case of default and also by helping to fulfill the information asymmetry between the bank and the supported enterprise through the provision of better information to the enterprises, a know-how which is not often at banks disposal or that it is too expensive to get.

In Italy Confidi are usually representative of a professional group, while other subjects are often linked to Public bodies like Chambers of Commerce, or as shareholders of the Regions.

Every Confidi refers to national federations divided in economical activities fields, like for example FedArt for the craftsmanship and Federascom per the trade, which are directly dependent from the professional associations.

In their turn, they are all associated to a national intersectorial association (Assoconfidi) that interfaces with Banca d'Italia and represent them in international context within Aecm (European Guarantee association).

Generally, Confidi have a very strong connection with Public bodies, from whom they receive fundings and financial facilities, or the access to counter-guarantee funds.

2.1 German System

In Germany the credit mutual guarantee system in favour of the small and medium sized enterprises is considered well developed, widespread and effective (Shmidt, Van Elkan 2006). But it is a system whose traits are radically different from the Italian one, although it follows the same purposes in favour of the same enterprise target.

Historically, German Confidi were born in the years immediately following the end of the Second World War, driven by private initiative, but after a strong impulse and support by the political power.

In this scenario, the government considered them as a strategic instrument to facilitate and to stimulate the arise of the micro-enterprising activity and of the economy in general.

In the Eighties, german Confidi system has been deeply renovated, losing their sectorial trait and, thanks to a mergers and acquisitions surge, a smaller number of more solid associations were born, with a wider range operativity.

In the very same years, it was established the German Confidi bank status and their following inclusion in the list of the monitored intermediaries, that had to submitt to the respect of capital requirements based on Basel Agreements.

After the first impulse given to their foundation, the government support to these guarantee banks has continued in a very clear, transparent and structured way.

Unlike what happened in Italy - where public intervention in the field has always been unwieldy and discontinuous - german guarantee institutions could develop in a defined operative and regulatory context, as well as in a constant and solid inclusion in the general economic policies interventions.

A substantial help was offered by the creation of a counter-guarantee system, jointly managed by the Central government (Bund) and the regional authorities.

Counter-guarantee provides for an automatic no-cost coverage of a share of the verified losses by the guarantee banks.

From what we can see, there are significant differences between italian and german mutual guarantee system, with some divergencies that can be compared and analysed to get pros and cos from both experiences.

One first important difference concerns the mutuality concept. In the italian case, Confidi are based on a direct mutual principle: enterprises benefiting of the guarantees become associated to the Guarantee institution, through the subscription of a predetermined amount of shares, anc they can participate to the management, joining the social meetings. In german guarantee banks, instead, entrepreneurs are represented in a mediated way, through the chambers to whom they must subscribe. So, the mutual principle is realized in an indirect way.

A second important difference rises by the observation of the structure behind these two mutual guarantee systems taken under exam, because Italy has an extremely high number of Confidi.

Necessarily, the majority of these Confidi has extremely small dimensions. So small that, sometimes, it calls into question the economical ratio of the initiative. Within this scattered and fragmented universe, there are few greater realities, with sophisticated organisational level, that stand out and end up mastering the market.

In Germany there are twenty guarantee banks, functioning in a monopoly regime in each one of the regions where they can exclusively operate. That means centralizing the whole market of one region, showing an average

dimension that is much more relevant compared to the typical Italian Confidi, although in an area composed of a wide range of guarantees in portfolio and with a high number of associated enterprises.

In Italy Confidi have the tendency to be born and develop within a specific territorial area and as an enactment of a given professional association. Often their activity and their customer tend to be concentrated, both under geographical profile and under sectorial profile. As a matter of principle, there is no obstacle to free competition. Confidi of greater dimension operate in more territories and work in competition to each other and other institutions that provide for guarantees to the enterprises.

In Germany guarantee banks operate in a monopoly regime, functioning exclusively in one single region. In those cases when in one region there is more than one guarantee bank, the partition of the customers occurs on a sectorial base.

In the German mutual system, so, it doesn't exist any form of free competition, since every guarantee bank can benefit from a monopoly regime. This was not established legislatively, but through the structure of the framework agreements on whose foundations, on a regional and federal level, they offer counter-guarantees in favour of the guarantee banks.

These agreements establish that the public intervention can take place only in favour of the guarantee duties undertaken by the guarantee banks in favour of enterprises from their own same region.

Another similarity between the two countries is the presence of a national Association of the guarantee societies, which is called Assoconfidi in Italy. Both the bodies play a coordination and lobbying role amongst national and European institutions.

Unlike what happens in Germany, Assoconfidi is a second level body. The single Italian guarantee societies refer directly to one of the professional associations of the field (es. Fedartfidi, federconfidi, ferascomfidi). These sectorial bodies are then united under Assoconfidi. This double level, in addition to the fragmentation of the Confidi Italian scenario, gives a sort of weakness to the national representative body, which doesn't happen in Germany. As proof of this, while every year the German professional association can gather up a series of important statistics on the performance of the guarantee societies, in Italy it is not even sure how many Confidi there are and what is the total amount of the provided guarantees.

In Italy Confidi were born in a complete lack of a regulatory framework. Generally, they have been constituted as consortia societies and traditionally they have not been considered regional financial intermediaries. Only recently, there was an attempt to provide a better legislation to the sector, introducing the needed implementing regulation, with whom it was established the surveillance body for the smaller Confidi.

In Germany, on the other hand, Confidi are full-fledged banks, even though they are specialized and entitled exclusively to signed loans (guarantees). Because of being banks, these intermediaries are submitted to the regular prudential

and inspecting supervision of the relevant authorities, as well as to the legislation applied to the credit institutions.

Italy and Germany present a bank chessboard quite similar in the structure. In both the contexts, indeed, next to a small number of big commercial banks, there is a multitude of small bank institutions (savings banks, banche popolari, cooperative credit banks) that are the natural born partners for the small-medium sized enterprises. Both Confidi and German guarantee banks have the tendency to operate mostly - even though not exclusively - with these smaller banking realities.

In Italy each Confidi set up a network of subsidized banks, working exclusively with them, prior signing up a framework agreement that regulates all the conditions to provide the guarantee, as well as, in some cases, the economical conditions on the guaranteed loans and the so called multiplier, that is the maximum amount of guaranteed fundings that can be offered in respect to the capital paid by the Confidi to the lending bank.

Since the amount of this fund represents the maximum limit of intervention of the guarantor in respect to the insolvencies that take place in the loan portfolio, the value of the multiplier defines the degree of protection offered to the guarantor. In fact, the lower is the multiplier, the most remote is the possibility that the insolvencies in the portfolio can exceed the amount of the guarantee fund, submitted by the Confidi. As a result of a private bargaining, multiplier changes from bank to bank and from Confidi to Confidi.

In Germany, guarantee banks have exclusivity with some credit institutions, even though very frequently they work with savings banks and cooperative banks particularly active on a local level.

So, the practice adopted by German guarantee banks are homogeneous and independent from the specific banking partner involved in the operation.

Likewise, the value of the provided guarantee does not depend on a private agreement reached between the lending bank and the guarantor (which is the multiplier) but depends on the general characteristics and the capital balance of the guarantee bank. The surveillance rules and, more particularly, the solvency ratio, establish the maximum amount of the commitments in comparison of the disposable stock.

In Italy, since the Confidi carries out a deposit in the bank, the guarantee is “almost” real. “Almost”, because often the deposit is not legally definable as a token and so, consequently, the amount might not be protected by the claimings of the other lenders of the Confidi, in case of its default.

In Germany there is personal guarantee. Its value depends on the reputation on the credit market of the German guarantee bank, in addition to the relevant risk relief of the public counter-guarantee system.

2.2 Relations with the enterprises

In Italy the guaranteed enterprises gain the status of Confidi associated. At the Accession act they have to get a specific minimum number of shares, paying for their relative nominal value and for the eventual emission additional cost.

As part of providing the guarantee for a loan, enterprises are then called also - in addition to paying a commission - to make a precautional deposit or to sign up a surety that will merge into the risk fund used by the Confidi to cover the insolvencies appeared in the commitment portfolio. This deposit will return back at the end of the guarantee relation, eventually reduced by the amount used to cover the intervention done by Confidi. So, ultimately, the real guarantee cost is not known ex ante, but it partially depends on the performance of the guarantee institution.

In Germany guaranteed enterprises are regular clients of the german guarantee bank, and they have to pay a rate - agreed a priori - for the received service.

In both cases, the commission applied are generally flat and do not depend neither on the creditworthiness of the enterprise nor on the characteristics of the loan.

In Italy, only greater Confidi are getting ready to be able to release a internal evaluation rating and its connection to a coherent commissional structure is far to come.

Finally, italian Confidi and german guarantee banks differ regarding the ways to connect between the guaranteed enterprise and the guarantor institution.

In Italy prevails the use of an indirect channel. Infact, generally, a small enterprise in the first instance applies to a Confidi, which makes a preliminary examination of the applicant. Only during a second phase - if the enterprise has been considered sufficiently reliable - there is a contact with one of the subsidised banks to provide a loan. The relation between enterprises and Confidi arises and develops within the professional associations, of whom the guarantor institutions represent a sort of enactment.

In Germany, instead, there is a direct contact. Generally speaking, the enterprise in the first instance applies to a bank for a funding. If the banks considers the operation risk too high, then they turn to the german guarantee bank to obtain a guarantee.

2.3 Public support the guarantee institutions activity

In Italy public interventions supporting Confidi operativity have always been characterized by fragmentation, inconstancy and territorial non-uniformity. Infact, the public interventions offered at regional and of chambers level have been carried out apart from the national planning. Instead in Germany the support to the guarantee banks have always been very steady and consistent since they were founded. Particularly, federal and regional

counter-guarantees have been offered at homogeneous conditions to all the guarantee banks, based on a five-year framework agreement. At the same time, all German guarantee banks can use a budget line at a subsidised rate on equal terms. Consequently, it is possible to state that, while in Italy Confidi are a private nature instrument, in Germany guarantee banks can be defined economic policy instruments, actively used to promote the development of small-medium enterprises.

Italian and German context differ also concerning the technical method used for the support, which is used by public authorities.

In Germany it is prevalent the counter-guarantee system, by which guarantee banks transfer (at no costs) a big part of the credit risk undertaken.

In Italy, even though it is functioning also a counter-guarantee system, often authorities intervene through the provision of contributions that will merge into the Confidi hedge funds.

2.4 Relevancy of the mutual guarantee system

On the whole, public support to mutual guarantee systems appears more significant in Germany rather than in Italy. As indirect testimony of this statement, we can use the example of the scarce use from the German guarantee banks of the European aid forms provided through the European Investment Fund. Although German mutual guarantee system is very developed and represents an important piece inside the financial scenario, in Italy its importance is even greater. Moreover, the activities of German guarantee banks have some very important traits for the development of the small-medium enterprises and of the economy in general: a relevant quotes of guarantees given to new born enterprises, a specific support to the enterprises from Knowledge intensive sectors, a greater orientation to the guarantee of medium and long term loans.

Often in the Italian context, in fact, guarantor institutions use their bargaining power to negotiate better conditions to access to the credit for their clients, both regarding the profile of the applied interest rate and the methods of reimbursement. This role lies outside the typical operativity of the German guarantee banks. Evaluating pros and cons of the two systems, De Vincentiis et al (2007) says that German guarantee system seems more steady, structured and organized than the Italian one.

To the consistent and continuous development of German guarantee banks has surely contributed a clear legislative framework and a political support lacking of any possible uncertainty. The only point that might be a bit perplexing about this kind of guarantee supply chain configuration is the complete absence of competition, advocated and favored above all by the structure of public aids to the field.

The benefits coming from a monopoly regime, as ensured by German guarantee banks, are not clear. Indeed, a question arises regarding the advantages in the efficiency and in better services to the enterprises that could result from a lesser constriction of the guarantee banks strategies.

But, of course, the safe scenario - in which German guarantee banks have prospered - , has avoided fragmentation and proliferation of tiny institutions that has instead characterized Confidi in Italy and that is, still today, Achille's heel of our mutual guarantee system.

Comparison between Confidi and German Guarantee Banks

	Confidi	German guarantee banks
Guarantee system structure	Very large number of Confidi, very small, with activities often focused on a single sector and on a restricted territorial area.	20 guarantee banks, with bigger dimensions compared to the Italian average Confidi ones. Substantial monopoly regime on a regional base, as a consequence of the structure of the public counter-guarantee system. Legal status.
Status giuridico	Consortia societies that joined only recently the list of the monitored financial intermediaries	Specialised banks, submitted to the regular banking legislation and to the surveillance of the relevant authorities.
Relations with the bank system	Exclusive relations with a certain number of affiliated banks.	Potential relations with any bank lending loans to the enterprises of the region.
Relations with guaranteed enterprises.	Guaranteed enterprises have to get the associated status.	Guaranteed enterprises are regular clients and do not have to subscribe shares.
Public support	Fragmented, fickle, not homogeneous on the national territory	Very structured, consistent and conspicuous, without any regional disparity.

2.5 Sistema Francese

Also french system reveals some differences that are worth explaining to catch the various choices about the setup of the guarantee supply chain. Regarding the operating level the two countries can be distinguished because:

- International European Fund, common counterguarantee instrument per both the State-systems, to which both countries can freely resort to optionally. But, while in Italy there is a national counter-coverage system (to whom all Confidi must adhere), in France there is not an equivalent organisational model.
- Multiplier is conveniently fixed before (about calculation and total amount) in the italian single contract, while there is not a formerly legislation that unites all guarantee bodies. In french context, on the contrary, it is previously and legally imposed by the regulamentary surveillance, but it doesn't exist any former contractual determination. So, in the two examined systems, the relation assumes a different meaning. In Italy it represents a risk control instrument, while in France (when it is estimated later) it is a measure of the completed performance, summarizing of the risks taken with the activity done.
- Italian guarantee is typically constituted by a cash deposit (Real Guarantee) in the lender credit institute, while the french one always assumes a personal form.

Mainly, what makes so different the organisation of the two markets are the numerousness, the dimensions, the economical form and the legal status of the organizations.

Because in Italy small-medium enterprises use hedging instruments a lot more, also in a comparison with the french system, italian guarantors are much more numerous than the french ones.

Structurally, both in Italy and in France the greater part of national Confidi present small dimensions, with the exception of few special cases. However, French State excels for the bigness of the owned structure (which can't absolutely be observed in Italian scenario) and for the operational-organisational performance that can be realized with it.

Regarding economical form, what can be observed is that while italian Confidi are usually a property of guaranteed small-medium enterprises, french guarantee societies can be possessed, for a majority stake, also by public or statal institutions. As a result, there is a significant difference about the mutual aspect of the service: it is always direct in the italian system; it is sometimes indirect or absent in the french one.

Regarding the legal status, it is important to know thar while italian guarantee societies can never be also credit istitutions, french ones are defined part of the financial system directly by the bank law in 1984.

The biggest difference, however, lies in the different bodies of the available legislation. Unlike what happens in the italian system, poorly and confusingly regulated, in France all organizations were legally founded and disciplined by specific legislative acts or created based on ministerial decisions.

Therefore, the Central Bank performs an attentive regulation and a constant supervision of the operativity activities, which require commitment and discipline in the guarantee activities, making it possible to offer a reliable, accountable and also economically rewarding service.

It is also possible to observe a relevant similarity - between the two countries - in the competitiveness of the system. In Italy Confidi are potentially free to compete on the whole national territory, even though actually the competition is scarce, with the exception for the one existing among the few big institutions.

In the same way, in France competition is restrained by:

- The difference in the dimension of the guaranteed enterprises;
- The typology of the banks guaranteed;
- The amount of the stocks available and, consequently, the extent of the exercisable actions.

In France operating cooperative structures are divided in this way:

- SOCAMA: cooperatives with a regional operating zone, whose social structure is composed by the enterprises belonging to professional associations. Their peculiarity, quite curious, concerns the exclusive operativity through Popolar Banks circuit (that often have the same SOCAMA social structure).
- Confidi associated to the Association Française des Sociétés (ASF), which are defined "*specialized financial institutions*". This typology of guarantor societies operates both at a regional level and for branch of activity, making integrations with several Credit institutions.

Comparison between Confidi and French Guarantee Societies

	Confidi	Società di garanzia francesi
Guarantee system structure	Very large number of Confidi, very small, with activities often focused on a single sector and on a restricted territorial area. Substantial limited competition among the smaller Confidi, but very much lively among the greater ones.	36 guarantee societies. Technically, it is a fully competitive system. In practice, the competition is restrained by the different dimensions of the actions supported, by the typology of banks guaranteed and by the amount of the stocks available.
Legal status	Consortia societies that joined only recently the list of the monitored financial intermediaries.	All societies are considered as part of the national credit intermediaries, they are disciplined by the bank law in 1984, and are submitted to the Central Bank surveillance.
Relations with the bank system	Exclusive relations with a certain number of affiliated banks.	Relations constrained to a few specific typologies of guaranteed banks.
Relations with guaranteed enterprises	Guaranteed enterprises have to get the associated status.	For the 2 societies customer relationship, for the others subscriptions of the share capital.
Public support	Fragmented, fickle, not homogeneous on the national territory.	For the two societies at public social participation, the support comes directly from the State. Lacking any form of support for the other societies.

3.3. CLASSIFICATION OF THE CONFIDI SYSTEM IN ITALY AND IN THE EU COUNTRIES



As examined before, Legge Quadro regarding Confidi has made a tripartition of the subjects operating in the field: Confidi registered to the general list ex art 106 ("*Testo Unico Bancario*") and not submitted to the prudential surveillance of Banca d'Italia; Confidi registered to the special list of the monitored intermediaries ex art 107 TUB; Fidi mutual guarantees banks. Starting from 2009, it began the major Confidi transformation process into monitored intermediaries and so submitted to Banca d'Italia supervision.

To, the system showed a complete range of possible options: on one hand, very tiny institutions, deeply rooted in the territory, with poor credit resources and sketchy evaluation procedures, characterized by low surveillance levels; on the other hand, a few greater realities, with dozens millions assets, solid investigation techniques, even more sophisticated instruments dedicated to the risk management and control, submitted to an intense supervision by Banca d'Italia.

This distinction, concerning the surveillance systems, has favoured the introduction in the scenario of subjects that, even though could be considered traditional Confidi, taking advantage by the lack of surveillance, interventions and supervision by Banca d'Italia, did unauthorised activities, such as releasing guarantees in favour of the public or the financial administration of the State. So, it emerged the need to define a better surveillance regime on minor Confidi, in order to rationalize the sector and to limit these irregular, sometimes even illegal, activities.

The d. lgs. 141/2010, implementing the directive n. 48/2008 concerning consumer credit, has reformed the Confidi legislation, trying to overcome the problem. Titolo V "*Testo Unico Bancario*" reform has confirmed the existence, even for the future, of two distinctive typologies of Confidi submitted to differentiated surveillance systems, even though in the whole more severe and potentially more effective compared to the past.

Regarding minor Confidi surveillance system, it has been completely re-designed. Particularly, the decree says that minor Confidi have the possibility to carry out exclusively Fidi mutual guarantee activity and the related or instrumental services.

To ensure better transparency and reliability, the entry requirements have been leveled up: now it is important to provide for honorability requirements, for the ones that hold shares and for the subjects with administrative, direction and supervision functions.

Art. 112 says that minor Confidi, even second level ones, have to be registered in a list held by a specific Body, having legal personality of private law or association form, provided with organisational, statutory and financial autonomy. Its components are nominated by the Ministry of Treasure and Finance, on the Banca d'Italia proposal.

The new article 112-bis of “*Testo Unico Bancario*” regulates the Body for the Confidi list management, that will not only handle the ordinary management of the list, but that will have wide information, supervision, sanctioning and intervention powers – assigned by the legislator -, included the expulsion ones, by the cancellation from the list of the non-compliance operators.

The new setting does not exclude Banca d'Italia involvement, that will still hold supervision powers concerning contract terms transparency, correctness with the customers, as well as on the regulatory profiles about anti-money laundering, whose controls will be led by Guardia di Finanza. Moreover, it will make supervision of the Body, in order to verify the compliance of the adopted procedures for the conduct of the activities.

This article outlines one of the most important changes introduced by the TUB reform: the legislation, characterized by the almost complete lack of surveillance powers, is substituted with an articulated surveillance system, in order to guarantee reliable operators to the sector.

Regarding major Confidi, new Titolo V TUB confirms that, once obtained a certain amount of financial activities, fixed by Ministry of Treasury and Finance, Confidi have to request the authorization to register into the Albo Unico of non-banking intermediaries, as in new article 106. D. lgs. n. 141/2010 has substituted the former system, characterized by a double list, one general ex art. 106, and one special ex art 107, with the introduction of one single Albo per the authorized financial intermediaries, new art 106 TUB.

Like in Legge Quadro in 2003, major Confidi, in addition to the typical Fidi mutual guarantee activity, can carry out, in a secondary way, also activities usually reserved to the financial intermediaries registered to Albo unico, as in art. 106, such as the provision of cash fundings and the signature also to subjects different from the associated. The new surveillance system does not show relevant differences compared to the system dedicated to subjects registered in the special list; they are indeed submitted to the prudential surveillance legislation of Banca d'Italia, as well as to Banca d'Italia inspecting supervision power.

Even though the new regulatory framework has introduced a surveillance regime definitely intensified on minor Confidi, it remains a substantial difference between the two typologies of subjects: prudential surveillance, concerning capital requirements, internal control systems and information duties, are applied exclusively on major Confidi, as authorized by new art. 106 TUB.

3.1 Some structural data about Confidi system

According to Turin Chamber of Commerce, Industry and Craftsmanship relative to 2013, although they represent only 11% of the totality Italian Confidi, monitored Confidi ex art 107 TUB hold 78% of the guarantees, equivalent to more than two thirds of the whole market. Symmetrically, the multitude of small sized Confidi, which represents 89% of the totality, hold only 22% of released guarantees.

Observing data concerning only the monitored Confidi, the concentration in the Confidi sector appears as even more evident: the first greater 10 hold 59% of the guarantees regarding the totality of the monitored Confidi, representing 46% of the whole market.

On the contrary, examining the Confidi distribution based on the activity sector it is clear that artisan Confidi are much more numerous, 41% of the totality, while the guarantees released are equivalent to 31%. Almost half of the released guarantees, 41%, is held by industrial Confidi, although they are just 14% of the totality. Finally, regarding the geographical distribution of Confidi in Italy, the ones operating in the South represent almost half of Italian Confidi, 48% of the totality, followed by Northern regions, 31%, and then by the Central regions, 21%. However, in the North the market rationalisation process has produced the concentration of few subjects, that hold more than half of the total guarantee stock. Particularly, Northern Italian Confidi hold 56% of the totality of the released guarantees, Central regions hold 30% and Southern regions 14%.

Confidi system, during the early years of the economical crisis, has proved to be strategic for small and medium enterprises. Guarantees market has experienced an increase equal to +4,67%. In detail, the amount of released guarantees has grown from 19.035 millions of euro in 2006 to 23.920 millions in 2011.

However, the difficult national economical scenario has requested more efforts to the Confidi sector. Between 2010 and 2011 the totality of Confidi released guarantees has registered a 9,5% decrease, in counter-trend compared to the past years trend, primarily because of the decrease of the guarantees stock reported by major Confidi, equivalent to -12,62%. The global data, instead, has been supported by a slight growth from the other players, equal to +3,52%.

4. THE MAIN OBSTACLES FOR SMES CREDIT ACCESS



Confidi development and functional strengthening, that took place in the last 20 years, are the result of a spontaneous process, that didn't involve uniformly all the components of the system.

Still today, some Confidi operate in an independent way and have a marginal role. Others, instead, have operated in an extremely more dynamic way both on the structural and on the functional aspects.

Talking of which, an example comes from the Confidi that, with merger and acquisition process, have pursued the strengthening of the first level structures regarding the credit assets, the number of the member enterprises and the operational amounts. In other cases, there has been the creation and/or the reinforcement of second level structures (regional Confidi), that often offer guarantees for medium-long term loans and do counter-guarantee and co-guarantee activities for the same first level Confidi (provinciali).

It is well known that Confidi operate in a framework scenario which is characterized by a banking system that, progressively, as a consequence of the well known fusion process, has adopted more and more standard procedures to elaborate a wealth of information concerning the assigned subjects: this wealth of information, composed by quantitative and – above all – qualitative data, is fundamental in providing loans to enterprises, becoming a vital factor in the Confidi success.

These ones, in fact, as a consequence of their mutualistic and professional matrix, can easily obtain and consolidate a significant informational advantage.

The very same greater banks became aware of the problem and have tried to solve it by creating dedicated corporate divisions. But the organizational solutions taken by the principal bank groups have not solved the problems connected to an exhaustive and deep evaluation of the creditworthiness, of the nature, the quality and the duration of the enterprises financial needs.

And, on the other hand, SMEs are the ones excluded by the activities of the corporate divisions. When checking SMEs, in fact, they use statistical scoring techniques not calibrated on the qualitative-quantitative characteristics typical of small-medium sized enterprises, which causes misleading results, not representative of the specific economical-financial situations of the examined subjects. Moreover, as known, smaller enterprises go through a differentiated processing (rationing or foreclosure to the access to credit, penalization in the cost of money) unlike what happens to large-sized enterprises. Precisely because of the consequences of the informational asymmetries described above, Confidi, being a link between business community and banking-financial one, can work very fruitfully in favour of the SMEs.

The difficult relationships between banks and enterprises are traditionally known, because of a contrast of different interests between the two subjects: banks operate respecting the efficiency principle and trying to reduce credit risks; the enterprise, on the contrary, needs loans to trigger the productive development and the self-sustaining.

The situation is even tougher for small-sized enterprises, because, in addition to the fact that they cannot offer full guarantees against a default, they cause high operational costs to the banks, concerning the examination of the loan request, not related to the investment dimension.

- Infact, sometimes, the poor financial literacy of smaller-sized entrepreneurs and management, can preclude from the compilation of a sufficiently-appropriate corporate disclosure practice in order to negotiate the funding conditions. As a consequence, the bank might give up the exhaustive examination of the small enterprise economical-financial situation, because of the high costs of the supplementary information.

Under some aspects, Confidi can be a substitute to the bank in the information producers, through their inquiry process, in order to get a more precise determination of the credit risk.

Confidi can play an important role especially for those enterprises operating in contexts where the fusion processes carried out in the banking system have depersonalized the relation with customers and have made it even more difficult the access to credit.

Particularly, Confidi, efficiently taking advantage of the closeness and of the direct knowledge of the enterprises, might be able to provide for an effective screening service and entrepreneurs evaluation, especially amongst those banks that do not share a close relation with the territory or that centralise the decisional phases regarding credits, taking away from the peripheral sections the entrepreneur credit risk checking.

From this point of view, the factors that can let Confidi to gain an informational advantage and a higher evaluation capacity are:

- The possibility to use “reserved” information, concerning the enterprise history and the personal assets of the associated;
- The social control to whom the associated is submitted, explicitly, to prevent unfair and opportunistic behaviors, typical of professional associations;
- The special relationship with the professional associations, that permit a in-depth and privileged knowledge of the characteristics of the field.

Moreover, Confidi have a credit mediation role (offering signature credits by the release of a guarantee) and a role in addressing the public contributions. So, the possibility for Confidi to provide guarantees accepted by the banks lies in:

- The credibility of the inquiry and, so, in the informational efficiency level of the chosen credit procedure;
- In the creditworthiness of the Confidi, related to the credit assets (where the amount of the asset depends on the self-financing, on the associated contributions, and, mainly, on the private and public aids).

Confidi strengths, however, represent also a weak point because their activity is carried out using fragile structures, focussing almost exclusively on the territorial closeness and on knowing the client.

If, on one hand, it is correct to underline that exactly that direct relationship with the enterprises and the associations has triggered the Confidi spread and ramification, on the other hand, it is necessary to highlight that the territorial limit has precluded their growing and the diversification, consistently with the Italian legislation that labels, for the local banks, the allowed activity as the one “prevailing towards the associated”.

In addition to this, the contributions are provided not only for the risk management, but also to cover the inefficiencies and the high operational costs, which surely doesn't led to a virtuous scheme.

4.1 EUROPEAN FUNDS IN PUGLIA

The traditional strong dependence of apulian enterprises from banking credit, and their consequent and remarkable vulnerability to the backlashes caused by the strategies of reduction of the policies concerning credit provision, invoke the need to promote targeted interventions to facilitate the supply of proper financial resources in favour of the enterprises that own adequate growth and development margins.

The main objective is to support the access to the credit market in order to finance investment and recapitalisation strategies and to diversify sources of funding for the Apulian small and medium sized enterprises and to promote the diffusion of finance instruments, which can be complementary to the traditional credit channels.

Regione Puglia, in relation to P.O. FESR 2007-2013, has set, among the specific goals of the regional industrial policies, the extension of the offer of the innovative finance instruments specifically for the regional business system, with the aim to support the access to credit.

For this purpose, within the Asse VI “*Competitività dei sistemi produttivi e occupazione*” - Linea 6.1 “*Interventi per la competitività delle imprese*”, Regione has released financial engineering instruments, according to art. 44 regulation (CE) n. 1083/2006 by Consiglio. In detail, Regione Puglia has put in place a strategy focused on the credit support, enabling an integrated financial instruments set:

- Direct guarantee for risk funds (public spending € 140 mln, new developed finance € 810 mln).
- Instrument for reducing micro-enterprises financial exclusion by micro-credit operations (public spending € 28 mln, new developed finance € 28 mln).
- Instrument for self-entrepreneurship, to support disadvantaged people in creating micro-enterprises (public spending € 26 mln, new developed finance € 26 mln).
- Counterguarantee fund (public spending € 5 mln, new developed finance € 19 mln).
- Portfolio guarantees and risk sharing loan (public spending € 85 mln, new developed finance € 330 mln).

Guarantee funds usually operate with a “*multiplier*” logic, providing guarantees with a multiple value with respect to the available resources.

- Referring to the financial engineering instruments for the guarantees, Regione has introduced n. 2 specific actions:
 - Action 6.1.6 “*Aiuti in forma di garanzia di credito (CONFIDI)*”, to support the growth of mutual corporate

guarantees from Fidi consortia and mutual guarantee cooperative societies – Confidi – of SMEs, in order to promote the development of small and medium sized enterprises through better conditions to the access to credit. By this kind of intervention, contributes have been provided for the wealth funds of the Fidi guarantee consortia. The action has been put into effect by the selection of Confidi, based on specific calls and warnings published on the Official Bulletin of Regione Puglia.

– Action 6.1.13 with whom Regione supported the strengthening of the sources of fundings of micro-enterprises and SMEs, by financial engineering instruments, such as Fondo Tranché over and Fondo finanziamento del rischio. In detail, the operations has guaranteed default risk on segmented classes of a credit portfolio (new finance in favour of the SMEs). The guarantee is pignorative, in the form of a cash collateral. The guarantees maximum coverage can not go beyond 80% of each loan below. Moreover, the instrument includes the provision of a budget in favour of the originator, with the aim to share the risk of the notional amount of each released loan. The intervention place itself within a instruments legislations “Off the shelf” (Regulamentary n. 964/2014 of Eu Commission), with respect to the “portfolio guarantees” and “risk sharing loan” measures.

- Positive feedbacks on the example of what happened in Programmazione 2007-2013 with the creation of the financial engineering instruments and the needs on the territories, suggest to carry out these activities in favour of the Apulian SMEs. Therefore, Regione Puglia intends to give continuity to the financial instruments already activated during Programmazione 2007/2013 both in the form of direct and portfolio guarantees, and in risk sharing form.
- In this perspective, P.O. Fesr 2014-2020 provides within asse III-Competitività del sistema produttivo, azione 3.8 which represents the stock for the different financial engineering instruments, to promote in the time period with reference to EU Regulamentary 1303/2013.
- Among these, the activated ones are: a) Micro-credit fund, 30 millions euro, already active at the desk from July 27th 2017, with easy-terms refundable loans in favour of the micro-enterprises that have no access to banking loans because lacking of guarantees and for their small dimensions; b) N.I.D.I that provides help to start a new enterprise (micro-enterprise) with free grants and a refundable loan, promoting the self-employment of people with difficulties in accessing the job market, activated at the desk since July 27th 2017, for a 27 millions euro stock regarding the loans and the same stocks regarding grants; c) TecnoNidi which supports innovative small enterprises investments, in order to economically promote the results of the acquired knowledge and the activities of the private and public research system, with an instrument at the desk since September 19th 2017, with 15 millions euros for the loans and the same amount for the grant; d) Environmental protection Fund supports a measure that aims to promote SMEs investments for the energetic efficiency, with a mix of different operations: financial instrument in the risk sharing loan form and support in direct grants form, activated at the desk since September 19th 2017 with a 25 million euro stock regarding the loans and 35 for the grants; e) Risk Funds amongst Guarantee Cooperatives and Fidi Consortia, with the aim to provide direct guarantees to the SMEs that request loans for their activity through activators subjects which are the Confidi, selected by a prominent public procedure, and operating since December 2017 with a 60 million euro stock.
- In the near future there is the plan to activate, with a 80 M € stock, “Fondo finanziamento del Rischio” which

includes a double intervention: the Risk Sharing Loan and Portfolio Guarantee, as well as a support intervention concerning the minibond issue, and equity intervention and a direct credit one through Fidi guarantee consortia.

- Particularly, sub-azione 3.8.f establishes the creation of *“Strumenti di finanza innovativa per le Pmi”* and in P.O. there is a clear reference to the *“development of innovative finance instruments in favour of the small and medium sized enterprises already operating and interested in joining financial instruments different from the traditional ones offered by banking credit, such as the ones required by the national legislation concerning ‘minibond’, which means bonds targeted at professional and institutional investors, issued by enterprises not listed into the Stock Market, that, in this way, can increase the stock of available resources to allocate in short and medium-long terms investments”*.

4.2 The role of Confidi in the current banking system

Before the reform carried out by Legge Quadro on Confidi (d.l. 9.30.2003, n. 269 *“legge Confidi”* with urgent interventions to promote the development and the correction of the public finances trend, converted by law 11.24.2003, n. 326 and further amendments and integrations), Confidi did not have a clear place in our regulatory system, although their presence - as mentioned at the beginning - in Italy goes back to the Fifties of the last century. Aside from some indirect legal references from some regulatory interventions in the Seventies, it is in the Nineties that the Confidi legal acknowledgement process begins within the financial legislation, particularly, with art. 6 l. 197/1991 that outlines a regulation of the subjects, called residual, that operate in the financial market. A decisive impulse to a more organic regulation of the sector comes from the publishing, by the Basil Committee, in 2001, of a document concerning the audit of the Agreement on the banks assets in 1988. There is no doubt that - since the first reform in 2003 - regulatory policy, in disciplining organisational profiles and the object of Fidi mutual guarantee activity, has tried to facilitate the evolution of the trend towards the typical banking system schemes, addressing Confidi towards the financial intermediary model ex Titolo V *“Testo Unico Bancario”*.

4.3 The relationship banks-enterprises between financial crisis and economical recession that is banking nature (so called bank-Confidi)

Notwithstanding the relevant contribution of this activity to the functioning of the credit market, the whole evolution planned by d. l. 269 in 2003 never took place. So, the legislator's initial aim has never been reached: let Confidi gain the monitored intermediary status; a status requested, in order to fully enhance the connected guarantees within the prudential surveillance rules. Regarding the rules implemented in Legge Quadro, firstly there is the definition of *“Confidi”*, that law defines as *“Consortia with external activity, cooperative societies, joint stock consortia societies, with limited liability or cooperative, that do Fidi mutual guarantee activity”*, and the precise determination of the nature of Fidi mutual guarantee activity, meant like *“the use of resources coming partly or completely from Consortia or associated enterprises for the mutual and business provision of guarantees, designed to facilitate the loans from banks and other subjects operating in the financial sector”*. The definition above refers

to first level Confidi (or first degree). Law, however, acknowledges also second level Confidi (or second degree), meaning “*Consortia with external activity, cooperative societies, joint stock consortia societies, with limited liability or cooperative, constituted by Confidi and eventually by Consortia enterprises or associated to them or to other enterprises*”. However, leaving aside the definitions, the most substantial decision taken by the legislator with Legge Quadro has been, to let Confidi a wider range of strategical options about the financial intermediary status to assume in carrying out the activity. L. 1.326/2003 has outlined a tripartition of the subjects operating in the field: - Confidi (so called “*minor*” or “*traditional*”) registered in a specific special section of the General List regarding art. 155, comma 4 from former “*Testo Unico Bancario*”; - monitored Confidi registered in the special List ex art. 107 “*Testo Unico Bancario*” (so called “*guarantee intermediaries*”); - Fidi mutual guarantee banks (so called “*Confidi banks*”).

4.4 The new Confidi List

The development impulse given by the reform has led to a redefinition of the structural and operative assets of the first level and the second level Fidi mutual guarantee Consortia. It is important to underline that, during the approval phase of the “*Testo Unico*”, Confidi were removed from the general legislation of Titolo V, although in the lack of any other equivalent surveillance system, mostly considering the small dimensions of these bodies and their widespread presence on the territory.

The new regulatory scheme, engaged on the system reorganisation started in 2003, aims at overcoming limits and difficulties appeared over time, despite keeping unchanged the substantial regulation established with law 326/2003. Confidi reform law in 2003 has been applied only during biennium 2007-2008.

This delay was caused by the peculiar historical phase during which the reform law was born. The prudential regulations review process obliged the Authorities to wait for the conclusion of the long and complicated iter of regulation reform, in order to define secondary set of rules coherently with the new developments and the new opportunities offered to Confidi by the new scenario. As a result of the amendments, new art. 112 T.U.B., that implicitly substitutes former art. 155, introduces relevant improvements to the regulatory framework, making potentially more effective the risk management, concerning the operativity of these intermediaries. It is expected the establishment of a new Confidi List (also the “*second degree*” one) that practice exclusively Fidi mutual guarantee activity, held by a specific external Authority of supervision, for its part submitted to the surveillance of Banca d’Italia (comma 1). The registration is subjected to the legal status conditions, the share capital or consortium stock, the capital nature, social object and shareholder structure as established by art. 13 d. l. 11.30.2003, n. 269. Confidi not subjected to the List registration, according to art. 106 “*Testo Unico Bancario*”, are submitted to a lightened regime, following the agents and credit broker model. However, the requirements for the List registration have been tightened, requesting also to smaller Confidi, with explicit reference to the regulation required for the banks (respectively art. 25 and 26 T.U.B.), the possession of honorability requirements for the ones that hold shares in the stock capital and honorability, professionalism and independance for the corporate members (comma 2). By the way, smaller Confidi are still submitted to the transparency and anti-money laundering regulation. Banca d’Italia is in charge of the supervision on these subjects; so, in cooperation with Guardia di Finanza, it can dispose inspections or targeted investigation to verify the comppliance to the rules. Actually, in reference to this operators

category, the regulation framework, outlined with reform law in 2003 and then with the following measures, has proven to be seriously lacking over the time. Please note, for example, that in the former scheme all the supervision on the registration requests of the subjects that did not operate towards the public and the exchange office (art. 113 and 155, comma 5), were limited to the plain checking of the formal requirements.

Much more difficult was the screening of the motions presented by Fidi mutual guarantee Consortia, behind whom, not rarely, there could be the attempt to illegally provide guarantees amongst the public. Notwithstanding the delicacy of the Confidi activity, to these subjects, for the registration, was requested to produce only the basic requirements regarding capital stock and means.

4.5 Confidi, an assorted constellation of subjects

Confidi can be described as an assorted constellation of subjects:

- a. **Confidi – financial broker.** These are the Confidi that, pointing on the financial value of the guarantee as essential source to produce worth, focus on a rapid dimensional growth all-around, out of specific sectorial or territorial areas. The aim is to trigger a positive escalation between dimensional growth and increase of the financial value of the guarantee, which will lay the foundations for a further new dimensional growth and so forth.
- b. **Confidi – network centre.** Second scheme is the Confidi traditional one, as a network centre, moving in a strong connections scenario in its own social-economical system and creating value by the development of synergy with the realities of the economical environment to which it belongs, with whom they share mission and purposes. This source of creation of value is added and overlapped in unique forms to the financial value of the guarantees, resulting in an ensemble of the same guarantees highly customized for each local situation, according to the environment needs. It assumes a certain importance also concerning the competitive relationship with greater sized Confidi – financial broker, against which it can represent the compensation of the disadvantages concerning the financial value of the guarantees.

In this peculiar meaning, Confidi can be defined mission-oriented subjects, because they do not operate in a profit logic, but to offer associated enterprises indirect benefits, as in better conditions to access the credit, regarding quantity, quality and cost of the loans. Their core business consists in the provision of guarantees on the funding provided from partner banks, which integrate and/or substitute the ones offered by the enterprise and its associated, in order to improve creditworthiness of the same enterprise. Usually, guarantees are provided to cover a 50% share of the bank risk management, to create a co-responsibility in sharing the risks, in order to prevent a scarce selection of the worst risks fully at the expense of the Confidi.

In respect to the volume of the undertaken engagements, in the first place Confidi can use its own capital stock, which is composed by cash financial resources deposited amongst the banks receiving the guarantees, in order to meet their credit needs. Moreover, desks of counter-guarantee can be activated from E.U., the Government or local public Authorities, able to refund Confidi for a quote of the losses against it, in order to improve their profile risk and to enhance the operational capacity by an additional risk sharing. The relation between volume and riskiness of the risk portfolio of the Confidi, taking into consideration the activated counter-guarantees, and the

capital asset, gives a measure of the quality of the guarantee that a single Confidi can offer to the banking system, concerning the credit risk. A SME is never requested to offer specific requirements to get access to Confidi, on the contrary, the biggest is the numbers of the associated, the more incisive a Confidi can be in playing its role. Participation is about subscribing a share of the Confidi capital asset, a share that, by the law (with reference to comma 13 art. 13 d.l. n. 269/2003, which constitutes the reference rule for Confidi legal status) cannot be below 250 euro per each enterprise, even though in practice it never goes beyond the maximum limit of a few thousands of euro.

4.6 Relation between Confidi and professional categories: distribution model and governance

The relation between Confidi and enterprise professional categories is interesting to analyze: it has peculiar traits since the industry of the guarantee had to face deep changes in the last years. The representative bodies of the business categories historically have contributed and still contribute in a decisive way to the layout of the Confidi system. Firstly, they have an impact on the total amount of Confidi operating in a region. Secondly, they have an influence on the sectorial dimension of the Confidi. Finally, they are likely to be the way to follow in the perspective of further, future rationalisations. We need only to think about the large fusion process, the relevant dimensional growth of some Confidi, the changes in the “specific weight” of some of them with respect to the membership association.

The current debate in the field is focused on finding ideas for an effective “repositioning” of the organisational, distribution and governance models. Gaining clients through the associative method has slowly lost its primacy, as a consequence of a progressive distribution structure of the same Confidi; practises conveyed by territorial associative sites represent decreasing quotes in comparison with the ones produced by the autonomous commercial work done by the Confidi crew (which is often located amongst the territorial sites of the same associations), or coming from external selling networks or directly from the banks.

The affirmation of a “multi-channels” system raises new questions, produces a new system of relations and balances between Confidi and the corresponding professional categories, with the typical problems of a full-grown field, which requires reflections and adjustments both to Confidi and associations.

This might cause a progressive marginalisation of those last ones in the production, with repercussions also in the contribution/retrocession relation in the association area; significant repercussions might take place also on the whole representative system.

The relation between Confidi and corresponding professional categories has been one the strongest points of the field, a transmission and cohesion belt that - if genuinely faced and free from possible distortions - gives a contribution to read in a better way the needs of the territories and to let a deeper qualitative evaluation of the enterprise.

In the current Confidi changing phase, this link - which is always vital, but only if correctly understood - has to be properly strengthened and updated.

It cannot be neither dispersed nor undervalued. It should continue to represent a strong point, as long as it is updated to the evolution of the times; it should not be neither undergone passively nor faced with a corporative attitude lacking of a long-term outlook. It is important to promote the current virtuous approaches that qualifies the heading and address action as expressed by each association, as a prod for the category and single associated. It should be exploited their bargaining capacity, in order to mitigate the complex inferiority that not infrequently Confidi suffer in the comparison with the banking system.

On the other hand, association sector does not have to feel discomfort if Confidi - especially the ones registered to the list 107 - give to the risk management a more business oriented approach. The enhancement of the business structures, the adoption of objective criteria in the entrustment decisions, the launch of managing methods relatively advanced (rating, pricing, monitoring), the attention to the economical balance, represent business values themselves.

They should be appreciated by the ones that really have close to their heart an efficient functioning of the mutual guarantee field, and also by the same professional associations.

What could happen is that these ones, sometimes - giving a very strict interpretation to the guarantee as a plain service and undervaluing the correspondent risk profiles - might consider Confidi, which follows a business oriented management, progressively as an outsider to the mutual and associative requests. This is a mistake that needs to be avoided. An updated and fruitful relationship with the enterprise associations can led to positive fall-outs on the counselling services provided to the enterprises, on the commercial and distributive models, on the same Confidi governance.

4.7 Consistency profiles of the current Confidi legal system

In an attempt to judge, without rethoric, Confidi economical role, some strong points emerge more than any other:

- A deeply rooted Confidi knows the enterprises of its territory, performs a relevant mitigation role of the informational asymmetries suffered from the banking system, for whom it reduces the credit risk ;
- A well organized Confidi contributes to increase financial literacy among small enterprises; it knows, with professionalism and swiftness, how to detect the financial needs and how to trigger public fundings that can better meet the enterprise necessities; in this way these resources can be allocated more efficiently for the benefit of the economy overall;
- A properly sized Confidi performs, with regard to the banking system, an important “*bargaining*” function, in favour of an efficient mutual guarantee provision. Therefore, it is possible to confirm, serenely, that Confidi system – when it is well managed – does not represent an additional cost to the enterprises (a “*double brokering*” charge), instead it is a strong point and a growth driver in support of the italian small-medium sized business scenario.

After this examination of the all doubts, it is possibile to wonder if the legal framework that gradually has grown up around the Confidi, has followed a costantly coherent road. The answer is not necessarily positive.

The reorganisation of the field started in 2003; mostly, it has achieved a fulfillment in 2010, when roughly 50 Confidi have been registered to the special list ex art 107. Who designed the law in 2003 did not take into consideration the reform introduced later, with d- lgs. 141 in 2010. Some facts and peculiar events affected this path, which was composed over the time in a layered way, more as an answer to exogenous circumstances rather than as an ordered scheme of arrangement of the sector.

One of the main reasons lies in the same Confidi's will to be numbered among the beneficiaries of the prudential special treatment as set by Basil rules on the risk decrease: this purpose persuaded industry - and the same authorities - to go for a transformation of the bigger Confidi into intermediaries ex art. 107, submitted to an equivalent prudential supervision. Back then, they established a level to the limit - chosen with awareness but with inevitable vagueness - above which triggers an obligation to transform.

Aside from major sized Confidi - already "*destined*" to be monitored subjects -, since then all the ramblings, projects, conjectures, conventions on the future to give Confidi have started. On one hand, there was the race to becoming a "*Monitored 107 Confidi*" (undervaluing, often, the inescapable duties of the surveillance); on the other hand, attempts - even creative ones - to run away - some of them are still happening now - of other Confidi, that have tried anything they could just to not reach that limit, avoiding to subject themselves to the severe supervision imposed to the intermediaries from art. 107.

Another factor that has indirectly affected Confidi development can be recognized in the merger, from Banca d'Italia, of the Italian Exchange Office. The same Surveillance Authority competent for the "*Confidi 107*" realized that it had incorporated a list of more than 600 Confidi registered in the section referring to art. 155, comma 4, T.U.B, on which it had no power at all. So, it was urged, from Procure and Guardia di Finanza, to intervene against abnormal behaviours and the diffused opacity that characterized the field. The legislator, therefore, was informed about the inconsistency of the system, about the risks that a not unimportant sector of the mutual guarantees was lacking of controls and powers towards the Authorities. It was the beginning, then, of a parallel path, aiming at giving at least a bit of order and regulation to the minor Confidi sector. It was created the regulation of the Body responsible for the surveillance of the Confidi ex 155, that originally wasn't even intended in the proxy law, but that was "*regained*" from the delegated decree.

5. CONFIDI SYSTEM. FOCUS ON REGIONE PUGLIA PROCESSING



ARTIGIANFIDI PUGLIA is the credit instrument by Confartigianato system, known as minor Confidi according to the legislation (TUB). Thanks to the solidity of its own guarantee up to 80%, it facilitates the access to banking fundings, as requested from the enterprises that are willing to innovate their own business and to invest in their future and in the territory.

ARTIGIANFIDI PUGLIA supports the enterprises in the access to credit and decreases the risks for the banks. Thanks to its guarantee, associated enterprises can get a bank financing more smoothly and at better credit conditions because of the arrangements that ARTIGIANFIDI PUGLIA made with regional credit Institutions.

The procedure:

- The application for the guarantee must be submitted to ARTIGIANFIDI PUGLIA by the enterprise that can become associated to the cooperative society;
- ARTIGIANFIDI PUGLIA checks the application for the guarantee to have access to banking credit and, if the evaluation is positive, the guarantee will be provided.
- Subsequently, the Bank will set up the application and will provide for the guaranteed funding.

5.1 Ordinary loans

ARTIGIANFIDI PUGLIA offers support to all kinds of small and medium sized enterprises to get access to the banking credit with the guarantee for unlimited amount loans (the min. And the max. are fixed based on the enterprise creditworthiness), at medium-long terms (up till to 180 m), medium terms (up to 60 m) and short term (up to 18 months).

In the technical instruments of unsecured debt, mortgage and short term credit limit, at advantageous interest rate for: current assets, capital goods, consolidation. For a basic counselling at our premises.

About this, it is possible to rely on the information sheets in use and in force.

5.2 Easy-terms loans

The procedure:

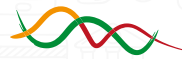
- The application for the guarantee must be submitted to ARTIGIANFIDI PUGLIA by the enterprise that can become associated to the cooperative society;
- ARTIGIANFIDI PUGLIA checks the eligibility requirements;
- ARTIGIANFIDI PUGLIA checks the application for the guarantee to have access to banking credit and, if the evaluation is positive, the guarantee will be provided.
- Subsequently, the Bank will set up the application and will provide for the guaranteed funding.

5.3 Special financial products

ARTIGIANFIDI PUGLIA provides for a credit instrument appropriate to the loan request, at advantageous interest rate, with a guarantee suitable for the enterprise needs and field specialised.

- MISE risk fund;
- Puglia Titolo II (Chapter 3);
- Anti-usury fundings;

6. Confidi overview in different Italian Regions: Lombardia, Veneto and Emilia-Romagna



Confidi services, in the different Italian Regions, are diversified based on the territorial needs and necessities.

CONFIDISYSTEMA! Of Lombardia Region was created in January 2016, as a result of the incorporation merger in ArtigianFidi Lombardia of Confidi Lombardia, Confidi Province Lombarda, Co.f.a.l. And Fiderfidi Lombarda. Those five Lombard Confidi gave rise to a brand new credit hub to offer innovative credit instruments to the SMEs.

Thanks to the aggregation in only one subject of the five Lombard Confidi, which were first and second level cross-sectorial - agriculture, craftsmanship, services and tertiary -, CONFIDISYSTEMA! represents a steady and balanced landing place for the market, which is the best condition to be acknowledged as privileged partner by the banking system.

The stated aim is to offer enterprises a new instrument, capable of letting converge owned finance and the guarantee towards real economy, also by the introduction of brand new solutions to diversify the sources of access to credit for the enterprises. Furthermore, the aim is to strengthen and make more efficient Confidi system and maximise the effectiveness of the credit services offered to SMEs.

ConfidiSystema! seeks to support SMEs in all their financial needs with a dedicated plafond and customized funding lines in the short, medium and long term. The purpose is to promote the growth, development, improvement and modernisation of any typology of business model, aiming at the management efficiency.

ConfidiSystema! provides these products:

- **Fei-Innovfin:** it is the European programme that supports and promotes fundings for business growth, research & innovation for projects in compliance to ethical principles and national, international and European legislations.
- **Finanzia subito:** this service consists in ConfidiSystema! providing clients of a pre-financing, with an amount up to 90% of the loan requested to the Confidi guarantee Bank.
- **Credito Agevolato:** enterprises can choose among some of the main local facilitating measures, based on purpose, in addition to the information to access the connected benefits. It is a first selection to get orientated among all the various open possibilities.
- **Anticipi e Affidamenti:** it has the aim to support the temporary needs of the company's liquid assets, maybe caused by a temporary unbalance between current revenues and current expenditures. Short term Fidi make it possible to finance the working operative capital (stocks and credits to the clients).
- **Liquidità e capitale:** for each enterprise it is important to aim at a steady financial strength and promptly do something to balance financial assets: let's work together to improve SMEs trust ratings with customized and guaranteed funding.
- **Investimenti produttivi:** for whom interested in making investments to develop the enterprise, also during the

start-upper phase, through the ConfidiSystema! Guarantee it is possible to have access to all the best opportunities. The service provides customized fundings in order to purchase new equipment and capital goods, new equipments for factory use, hardware, software and digital technologies.

- **Fidejussioni:** ConfidiSystema! offers, in addition to the traditional banking guarantee, *“fidejussioni dirette”*: this product provides a direct, surety relation between the contracting enterprise and the guarantee recipient. Direct suretyships are offered with the guarantee of payment obligation, related to the enterprise activities.
- **Leasing & Factoring:** These are credit opportunities for enterprises as an alternative to the bank funding, that can be taken into consideration both for specific kinds of investments and for supporting working capital.
- **Agricultural sector:** renovation of the farms are big opportunities for the business, in order to enlarge the propriety, to renovate rural buildings and estate improvements, and to get a loan supplementary to the european funding.
- **Financial consulting:** it has the purpose to transfer to the entrepreneur and the whole management all the most useful instruments to monitor the business financial aspects. This happens both during the mentoring of the enterprise in the Bank, on the occasion of the provision of new entrustments, or during their renewal, and on the occasion of specific business events.

Confidi Veneto is a Fidi mutual guarantee cooperative society founded in 1977 by 29 sponsor associate: on the date december 31st 2015 it has 7.062 associate enterprises. It facilitates the access to credit for the trade, tourism, services and professions enterprises in Verona provincia and Veneto. Promoting the access to credit for the enterprises, it can compensate many of the difficulties that they face in their relation with the banks.

Favourable credit terms funding are:

- Favourable credit terms funding for trade and services;
- Funding for young entrepreneurs.

“Confidi in Rete Emilia Romagna”, consists of 13 Confidi operating in the Region and belonging to all economical fields, which, at the time, became part of *“Coordinamento dei Confidi dei Territori Locali”*.

The following are part of the network: Agrifidi Emilia, Agrifidi Modena Reggio Ferrara, Agrifidi Uno Emilia Romagna, Confidi Per le Imprese, Cooperativa di Garanzia fra Commercianti Parma, Creditcomm, Finterziario, GarCom Piacenza, Confartigianato Fidi Cesena, Confartigianato Fidi Ferrara, COFIRE Reggio Emilia, Confidi Romagna e Ferrara and Unionfidi Parma.

The network has the purpose to be the solution to the challenges coming from the complexity of the scenario we live in, in order to improve the quality of the services provided to the associate, to optimize consortium organisation and to strengthen the communication level with banks and institutions, without neglecting the territorial rooting, which has always been a strong point of the guarantee bodies.

The network embodies an instrument to look into the future, to keep being next to the regional enterprises and to support them in the access to banking funding, which is still problematic, notwithstanding the recent measures implemented by European Central Bank.

The support to access credit, following Confidi tradition, is a concrete way to help enterprises to remain competitive in the market.

One of the priorities in the network contract is to rely on the reinsurance of the Guarantee Fund for small and medium sized enterprises managed by MedioCredito Centrale and on other counter-guarantee instruments, like ISMEA.

7. BEST PRACTICE AND BENCHMARKING



In the analysis here proposed, we examined the role of the Confidi and if it could be possible to outline their different strategic decisions.

In the first place, it emerged clear, without any doubt, the need to implement new kinds of interaction between Confidi and credit institutions, in order to optimize the benefit of the provided guarantee. To analyze these synergies, taking into account the current regulatory system, Confidi will have to gain a bargaining power such as to show a valid clients portfolio, which means provided with an adequate creditworthiness.

Furthermore, from our analysis, it emerged also that, regardless of the path that will be taken, Confidi will have to reflect on the right strategic choices regarding the competitive field of application. Last but not least, their know-how: it is constituted by confidential data, by the detailed insight of the territory and of the whole entrepreneurship present on it.

The analysis reveals the usefulness of a synergy between Banks and Confidi that can led to develop a supplementary creditworthiness evaluation: Confidi could provide Banks a simplified rating, ulteriorly checked by the Bank in compliance with its protocols.

In this way it could be possible to simplify the troublesome procedures and to decrease the time spent on the inquiry phase, and the enterprises could have more chances to be checked on their real creditworthiness rather than on the capital stock provided as a guarantee.

An action that Confidi should carry out to be efficient on the market, consistently with the undertaken strategy, is the Client management, which has to be implemented certainly by ex post monitoring, or after providing and improving the guarantee, especially for the enterprises that have a lower credit standing. Many Confidi leave to the Credit Institution this kind of supervision: this aspect sounds anachronistic because it is not acceptable that a Confidi can't monitor its "investment".

In this regard, during ex ante phase, Confidi is able to perform, through its informative advantage, a even more painstaking evaluation compared to the banking system one; but the credit institution, at the same time, through the fundamental analysis during the supervision phase, is in the position to detect a worsening in the relationship.

This examination does not aim at looking for unique solutions to improve Confidi management standards, but it tries to analyze the problems that SMEs have to handle with, in a work in progress scenario, at the same time trying to be open towards organisational and management models through the regulatory evolution, without forgetting the fundamental role that Confidi play in the support of the SMEs.

Lastly, this kind of examination has set the foundations in order to move forward to the following phases of the analysis, that will directly involve SMEs using a field study.

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