AIBE
Associazione Italiana Banche Estere

40 *Anniversary*

SUPPORT TO THE ITALIAN ECONOMY IN 2023

FOREIGN BANKS AND FINANCIAL INTERMEDIARIES IN ITALY

In collaboration with
CONSILIA Business Management

July 2024

Highlights

79	Number of foreign banks operating in Italy (end-2023)
27.6%	Domestic public debt owned by nonresidents (end-2023)
68%	Syndicated loans (market share held by foreign bookrunners, 2023)
69%	Debt capital markets (market share held by foreign bookrunners, 2023)
94%	Equity capital markets (market share held by foreign bookrunners, 2023)
17%	Foreign banks' market share of firms' lending (2023)
60%	Financial guarantees to support exports and internationalization of Italian companies (market share held by foreign intermediaries, 2023)
17%	Independent raising in Italian market of private equity and venture capital (market share held by foreign intermediaries, 2023)

75%	Total value of investments in Italian private debt market (market share held by international investors, 2023)
28%	Incoming cross-border deals in Italian M&A market (% total deal value, 2023)
17%	Share of foreign banks and intermediaries in Italian factoring market (annual turnover, 2023)
30%	Share of foreign banks and intermediaries in Italian leasing market (value of leasing contracts, 2023)
61%	Share of foreign banks and intermediaries in Italian consumer credit market (cumulative flows, 2023)

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Introduction

In 2024, AIBE celebrates 40 years of representing foreign banks in our country. It is with great pride we can say that the presence and interest of foreign operators has always been significant, and the annual figures reported by AIBE unequivocally confirm this. The international geopolitical scenario is characterized by strong uncertainty, relating in particular to the prolonged conflict involving Russia and Ukraine and that between Israel and Palestine, which continue to shy away from mediation efforts aimed at stabilizing the global balance.

The forecasts of the ECB and the Bank of Italy show an expected growth of the European and Italian economies of 0.9% and 0.6% respectively in 2024 and of 1.4% and 0.9% in 2025, with a slowdown in inflation growth forecasts. The recently elected European Parliament together with the Commission, will have to tackle basic issues for the future of Europe like European defense, the reshaping of European institutions and reform of the financial and banking markets.

In this scenario, and throughout its life, AIBE has continued to represent requests by international entities and foreign investors that have always assisted the various markets and different segments of activity present in Italy with great commitment and interest. Faced by market repositioning for the placement of Italian public debt held by foreign operators (shrinking from 38% in 2010 to the current 28%), a significant role has always been played by international finance in other business lines, in particular syndicated loans, Capital Market issuances (Debt and Equity), M&A transactions, asset management, credit factoring, leasing and consumer credit transactions, to name but a few. In these areas the incidence of activities performed by foreign operators has been consistently significant and has grown over the past 40 years.

With greater European integration in venture capital markets and the progresses in digital finance experiences, AIBE hopes that the activities and contribution of foreign players operating in our country can be further developed. Their qualified skills, professional knowledge and technical and commercial expertise can be leveraged for the country's growth and development. AIBE has supported the Italian economy for 40 years and will continue to do so for many more years to come.

Guido Rosa
AIBE President

Chapter 1

International banking in Italy over the last 40 years

The presence of foreign banks in Italy has a long history, dating back to the early 20th century. Significant changes have occurred over the last four decades, influenced by globalization, European integration and domestic economic reforms. Initially, foreign banks operated primarily in niche markets, focusing on providing services to international businesses and their customers abroad ("follow your customer" strategy).

Over the past four decades, Italy's international banking sector has undergone significant transformations, reflecting global economic trends, domestic and international reforms, as well as the increasing internationalization of the real and financial economies. In the early 1980s, Italy's banking system was characterized by heavy State ownership and several regulatory constraints, limiting competitiveness and innovation. At the same time, increasing economic liberalization and financial deregulation favoured the entry of larger foreign banks. Privatization and the reduction of State control over the banking sector made Italian banks more attractive to international bidders. During this period, several large international banks – from United Kingdom, United States, France and Germany in particular – established a foothold in Italy, operating mainly in corporate banking, investment services, advisory services to large corporations and high net-worth individuals.

The introduction of the Euro as a common currency for a large international market within the European Union marked a crucial moment for Italy's banking sector, facilitating smoother cross-border transactions and reducing currency risk. This change spurred Italian banks to establish operations across Europe and beyond, engaging in a range of international financial activities. At the same time, foreign banks capitalized on these changes and increased their presence in Italy, also diversifying their presence and financial offer to Italian customers, both retail and corporate.

The global financial crises of this century (namely, subprime crisis in 2007/08 and sovereign debt crisis in 2012/13) exposed significant vulnerabilities within Italy's banking sector, including high levels of non-performing loans and insufficient capitalization. These crises prompted a period of consolidation and restructuring, with numerous banks merging to form stronger entities capable of weathering economic storms. Many foreign banks reassessed their presence and strategy in Italy, striking a better balance between opportunities and country risk and economic uncertainty. The consequences varied significantly: some banks reduced their exposure, others acquired distressed Italian banks at a good price and increased their market share.

Regulatory reforms were also introduced to stabilize the sector. The creation of the European Banking Authority (EBA) and the implementation of stringent capital requirements under Basel III standards helped to reshape the banking landscape in the whole Euro Area, increasing the focus on risk management practices and operational efficiency. In recent years, both Italian and European banks have increasingly focused on digital innovation and sustainability to remain competitive in the global market. The adoption of fintech solutions, digitalization and the growing role of Artificial Intelligence are contributing to a new "revolution", mainly involving customer services and operational processes.

In recent years, the presence of foreign banks in Italy also highlights an increased and more strategic focus on digital innovation and sustainable finance. Foreign banks have been at the forefront of introducing cutting-edge financial technologies and sustainable banking practices. They have leveraged their global expertise to offer innovative products and services tailored to the Italian market. Wealth and asset management activities have seen a strong emphasis on sustainable products, while – with regard to retail and investment banking and investment services, leading foreign banks are integrating digital solutions and financial technologies to improve the quality and effectiveness of services, as well as to enhance customer experience.

From a long-term perspective, foreign banks have significantly contributed to the growth of the Italian economy. Firstly, they provide capital and liquidity, favouring access to international capital markets and offering financing solutions to Italian businesses. Second, they have increased competition in the banking sector, leading to innovation, improved services and lower costs for consumers. Third, they support international trade by offering specialized services in trade finance and cross-border transactions.

International operators have also played a crucial role in the Italian public debt market, particularly since the adoption of the Euro in 1999. In the final decades of the past century, in the pre-Euro period, the participation of foreign banks in Italian public debt was quite limited due to currency risk and regulatory barriers. As the economic liberalization and convergence towards European Monetary Union standards progressed, Italian sovereign debt increasingly attracted foreign investors. With the adoption of the Euro, the base of investors from abroad became more diversified, thanks to the presence of central banks, pension funds and insurance companies. Between the global financial crisis (2007/08) and the Eurozone sovereign debt crisis, Italy's creditworthiness rating fell, leading to a drop in foreign investments, because of higher perceived risk. In recent years, the ECB's Quantitative Easing programme has revived foreign investor confidence in Italian public debt, also favoured by low interest rates. Despite periodic political instability and economic challenges, foreign investors have maintained significant holdings in Italian government bonds due to their attractive yields and recent improvements in political and economic reforms aimed at boosting stability and competitiveness.

Despite the relevant ongoing challenges (international geopolitical instability, inflation concerns, the future trajectory of monetary policy, and so on), the landscape of international banking in Italy continues to evolve, striving to balance efficiency and modernization offered by digitalization with micro- and macro-stability, as long-term goals to ensure the proper functioning of a virtuous circle, connecting finance with the real economy.

Despite their positive impact, foreign banks in Italy face challenges such as regulatory compliance, economic volatility and competition from domestic banks. Ongoing economic uncertainty, driven by factors such as political instability and global market fluctuations, mean that foreign banks continuously have to adapt their strategies.

Looking towards the future, the prospects of foreign banks in Italy appear to be promising, with opportunities for growth in areas like digital banking, sustainable finance and wealth management. Their ability to leverage global expertise, innovate, and navigate the complex regulatory landscape will be key to their continued success in the Italian market.

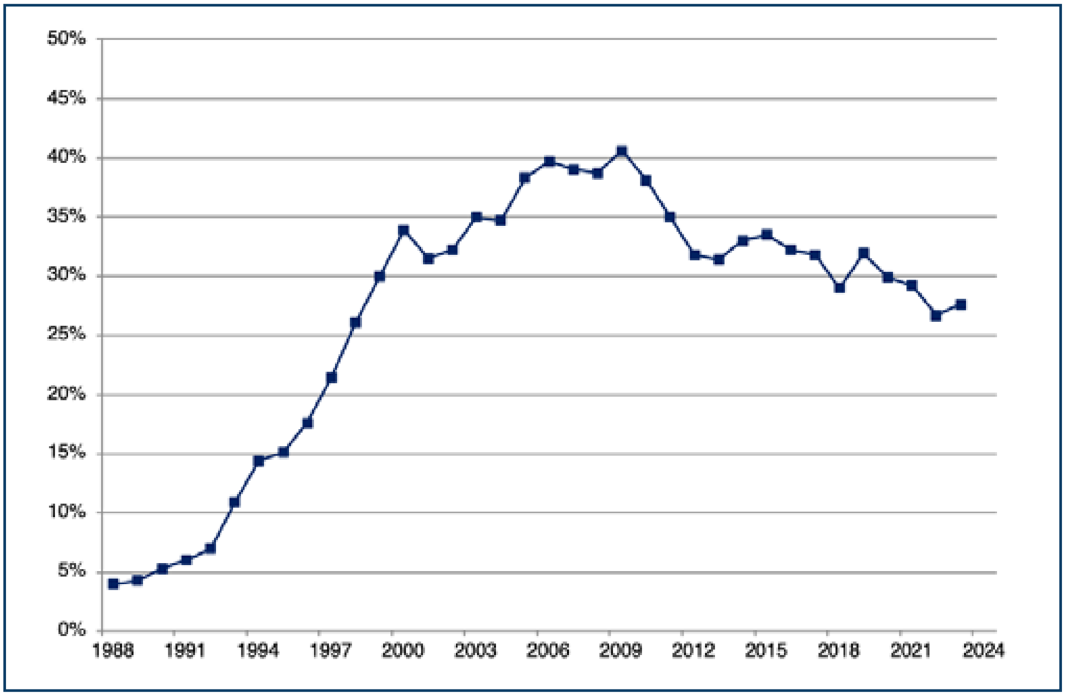


Figure 1 *Italian public debt held by nonresidents –*
Source: elaboration of Bank of Italy, Statistical Database

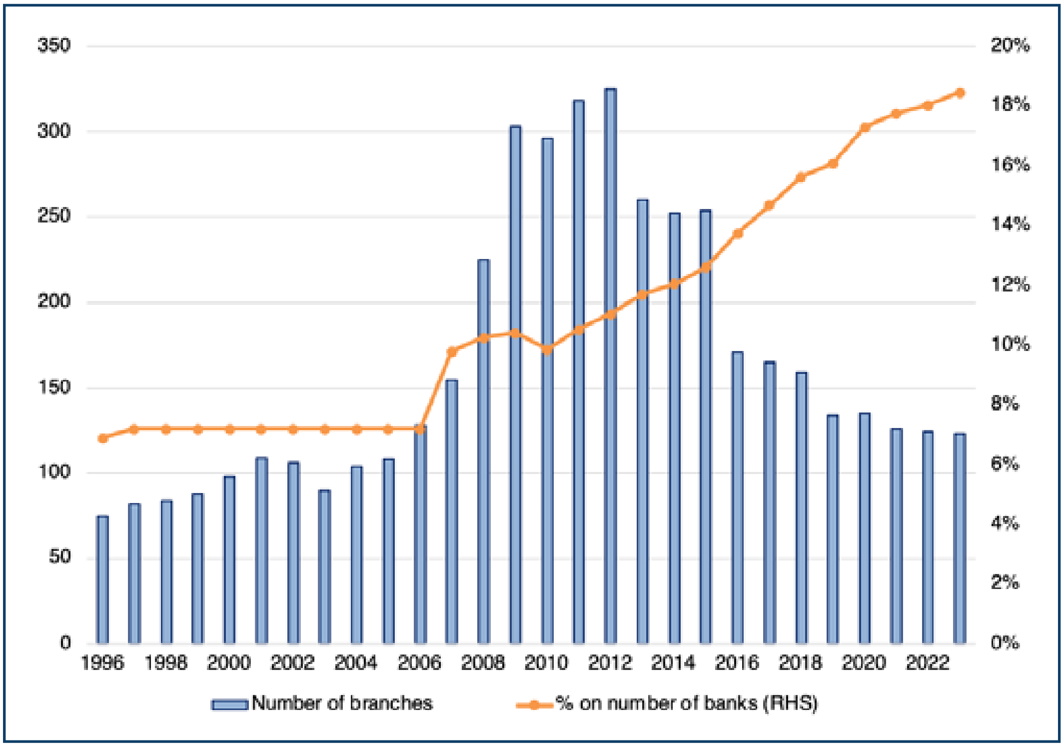


Figure 2 *Number of foreign bank branches in Italy (1996/2023, end-year data) – Source: elaboration of Bank of Italy, Statistical Database*

Chapter 2

The internationalization of Italy's economic and productive system

The global economy is continuing to expand despite restrictive monetary policies and geopolitical tensions. The growth rate is expected to be around 3% in 2024, below the average for the early 21st century. Global disinflation is ongoing, suggesting a potential easing of monetary conditions at varying paces across major economies. There is uneven growth among advanced and emerging economies, with the United States performing particularly well. Emerging and low-income economies face high debt servicing costs, making them more vulnerable.

Signs of fragmentation in international trade and financial flows are intensifying, particularly due to the deteriorating political and trade relations between the United States and China. The Euro Area appears particularly exposed to this risk, as European countries rely heavily on foreign supplies for key energy resources like oil and natural gas, which make up over half of their total energy needs. Moreover, the EU's share of global GDP has fallen from 26% to 18% over the past two decades. Last year, the Euro Area's GDP growth slowed significantly due to restrictive monetary policies and high prices. Investment and household consumption were also negatively affected. The ECB raised interest rates by 200 basis points, the most important monetary policy measure to counteract inflation. Consequently, financial conditions became tighter, with an increase in the cost of funding and a fall in borrowing demand. Conditions improved towards the end of the year as inflation eased significantly, at a higher pace than expected. Future trends are not clear, however. In the second half of 2023 and the first quarter of 2024 consumer price inflation fell rapidly from end-2022 peaks: a major contribution to this drop was provided by the decline of energy prices.

In early June ECB decided on a cut in interest rates for the first time since September 2019, but after the upside surprise for the May HICP (Harmonized Index of Consumer Prices), rising from 2.4% to 2.6%, investors' attention has already moved to ECB's future decisions.

As regards the Italian economy, domestic GDP grew by 0.9% in 2023, significantly lower than the 4.0% growth in 2022. Weak global demand and the tightening of monetary conditions played a major role in this trend. Macroeconomic data also suggested that households' purchasing power declined due to high inflation. According to the most recent data, firms expect a growth in investments in 2024.

General government net borrowing fell to 7.4% of GDP in 2023, and the public debt-to-GDP ratio fell to 137.3%.

According to the OECD, activities remain weak (OECD Economic Outlook, Volume 2024 Issue 1). Although consumer confidence has risen in recent months, manufacturing output, retail sales and business sentiment are still lagging. Borrowing costs for households and businesses have risen sharply due to the tightening of Euro Area monetary policy. Interest rates on loans to non-financial firms reached 5.3% in February. Lending conditions continue to be tight, while at the same time lending growth remains negative. The higher level of interest rates negatively impacted on debt servicing costs for the public debt. Although the risk premium on public securities has fallen recently, interest payments are expected to count for about 4% of GDP in 2024/25.

The government deficit is expected to narrow but stay above 3% until 2025. A significant fiscal adjustment is expected to manage future spending and to comply with new EU fiscal rules. In greater detail, public policies must address tax evasion, control pension spending growth and conduct thorough spending reviews. Also, the full implementation of public investments and reform plans included in the National Recovery and Resilience Plan (NRRP) could boost Italy's GDP and reduce the debt-to-GDP ratio.

Italy faces several challenges, such as an ageing population, bureaucratic inefficiencies and regional disparities. There are nevertheless opportunities for growth in sectors like technology, renewable energy and digitalization. EU recovery funds offer a chance to invest in these areas and drive long-term and sustainable economic growth. Structural reforms, investment in innovation and effective use of EU funds will be crucial in shaping Italy's economic future.

The European Commission regularly updates macroeconomic notes on European countries. With regard to Italy, the most recent analysis points out some relevant macroeconomic vulnerabilities. They mainly refer to public debt, low competitiveness and weak productivity growth, fragility in the labour market and some residual weaknesses in the banking and financial system (European Commission, In-Depth Review – Italy, April 2024). Policies to address Italy's vulnerabilities have made some progress in several fields, but further efforts are needed. Pandemic-related support measures and actions to mitigate higher energy prices were phased out by the end of 2023. Improving public spending efficiency, implementing growth-enhancing investments and structural reforms are crucial to reducing high public debt.

At the same time, investments related to the NRRP have to continue, focusing on the education system, the business environment, public administration effectiveness, public sector employment, innovation, digitalization. and sustainability.

According to the AIBE Panel (AIBE, AIBE Index, Spring 2024), the delay in the NRRP's implementation is one of the most important factors that could affect Italian economic and financial conditions during 2024 (56% of respondents), after the risk of persistent inflation (58%). These two major negative effects may, respectively, slow down economic activities and compromise investments and long-term competitiveness. Moreover, AIBE Panel experts also highlighted the persistence of high raw material and energy prices, the risk of Germany entering a recession, and the effectiveness of measures to contain the deficit and public debt.

Finally, Italy's increased exposure to extreme climatic events such as floods, landslides and other natural disasters may affect the country's infrastructure, agriculture and other economic sectors, with additional costs for public finances and businesses.

Opinions regarding Italy's attractiveness in the international landscape are quite mixed, according to a number of recent analyses.

The Kearney 2024 Foreign Direct Confidence Index, covering 25 countries, confirmed the same position as last year, with Italy ranked 11th; while Italy is ranked 8th in the "optimistic ranking", a net score obtained from the difference between optimistic and pessimistic views about the current year. It is also noted that, on average, general investor optimism for 2024 is almost 2 percentage points higher than last year's report. Moreover, according to Kearney's analysts, Europe posted a decline compared with previous years, with the number of countries sampled in the "top 25" markets down from 15 in 2021 to 10 in 2024. This downward trend is also consistent with the negative trend of post-pandemic GDP levels. After a 6.1% rebound in 2021, last year the growth was just 0.5%, and expectations for 2024 put the GDP growth rate to 0.8%, lower than other economies and world regions. Geopolitical tensions in the Middle East, the conflict between Russia and Ukraine and uncertainty after mid-June elections are affecting investors' confidence. Italy's attractiveness is also negatively influenced.

According to the Milken Institute Global Opportunity Index (GOI), that measures a country's attractiveness to international investors using a combination of 100 indicators that include economic, financial, institutional, and regulatory factors, in 2024 Italy ranked 36th out of 130 countries in the world. The lowest scores refer to business perception (74th) and economic conditions (71st), while Italy fared better in terms of the development of financial services (20th), international standards and policy, patents, trademarks, economic openness (20th) and institutional framework (35th), referring mainly to transparency, public governance, scientific research and innovation.

The IMD World Competitiveness Yearbook 2023 compared 64 countries in the world: Italy confirmed its position in 2022, ranked 41st in terms of overall performance. Detailed factor rankings are better for infrastructure (30th) and business efficiency (38th) than for economic performance (44th) and government efficiency (56th).

According to the EY Europe Attractiveness Survey 2024, after two years of growth, the recovery in Foreign Direct Investments (FDI) stalled in 2023, down by 4% on 2022, with a parallel drop in the number of jobs created by FDI projects (–7%). European countries experienced mixed fortunes. While France and Germany recorded a negative change, (–5% and –12% respectively), UK posted a 6% increase, and other countries in Southern and Eastern Europe (Turkey, Poland, and Spain) enjoyed remarkable performances. While outlooks are positively oriented, suggesting a strong rebound in 2024, there remain some relevant risks to the rapid recovery of FDI in Europe. These challenges mainly refer to the expansion of the regulatory framework, concerns about energy prices and supply issues, social tensions and political instability.

According to this survey, Italy is ranked 9th: the number of FDI projects in 2023 was 214 (–20 *YoY*), making up less than 4% of the European total, although manufacturing projects rose in number by about 18%. The distance from the "top 3" countries remained very large, with France, UK and Germany accounting for about 21%, 17% and 13% respectively of the total. Reported FDI jobs fell from 20,313 to 14,004 (–31%), compared with the more modest figure for Europe as a whole (–7%). In this area, Italy accounted for about 4.4% of the total, ranking 8th (7th in 2022).

Italian has no spots in the "top 10" of European regions by FDI projects in 2023, a league table dominated by UK, French and German regions, with a total of 8 out of 10 areas having the largest number of investments. No Italian cities are among the "top 10 most cited cities" that are expected to be most attractive for FDI over the next three years, a ranking dominated by Germany, which has 4 cities in the "top 10".

Similar results can be seen in a special Financial Times report. Milan is ranked 6th among major European cities by FDI strategy. Emilia-Romagna, Piedmont and Lombardy are, respectively, 5th, 6th, and 7th among the "top 10" large European regions with the best strategies oriented to FDI attraction, while Tuscany is 3rd among mid-sized regions (fDi Intelligence, fDi European Cities and Regions of the Future 2024, February/March 2024). The performance of these regions in attracting foreign direct investments is not surprising, as they developed strategies for FDI attraction in a favourable industrial and economic regional landscape, often ahead of national levels.

The recent launch of the "Invest in Italy" platform aims to assist and support foreign investors in Italy, starting from initial procedures, then on to negotiations and finally execution. This "National Unit", launched in 2022, is operating as a single interface, providing hand-to-hand assistance to investors. In its first year the "National Unit" supported 378 qualified leads generated by foreign companies, of which 64 were successfully closed.

Global data on FDI released by UNCTAD (UNCTAD, World Investment Report 2023) highlight the fact that in 2022 inward FDI amounted to $1,315 billion (–11% *YoY*). While the European Union as a whole reported a negative value (–$125 billion), Italy reversed the 2y-trend with FDI inflows estimated at about $20 billion, or 1.5% of the worldwide total. The value accounted for about 1% of national GDP, slightly lower than the 5y-pre-pandemic period (2015/19, 1.3%). At the end of 2022 inward FDI stock in Italy was estimated at $448 billion, or the 4% of the total referring to EU-27 ($11,170 billion), about 1 percentage point less than the annual average recorded in the 5y-pre-pandemic period. Italy was ranked 8th among EU-27 countries by FDI inward stock in 2022.

According to ISTAT (Italian National Statistics Institute), at the end of 2021 17,641 foreign affiliates were based in Italy (Table 1), from 111 countries, with an annual variation of 2,010 entities. They employed about 1.7 million people (+10.7% *YoY*). In 2021 foreign-controlled enterprises generated €716 billion in revenues and about €153 billion in value added: economic performance showed a significant recovery in 2021 compared to both 2020 and pre-pandemic levels.

In 2021 these multinational enterprises (MNEs) made up 0.4% of the total number of firms operating in Italy and made a significant contribution to major economic data, both for Industry and Services. They accounted for 9.4% of employees (+0.6 percentage points compared to 2019) and generated 20.3% of turnover (+1.2 p.p.) and value added (+0.6 p.p.). Even more significant is the contribution to national R&D expenditures, accounting for 32.7% of the total (+5.9 p.p.), with annual R&D investments of €5 billion in 2021 (+23.4% *YoY*).

The average size of MNEs is larger than domestic entities: 94.3 versus 3.5 employees.

As highlighted in Figure 4, profitability results in 2021 were largely better for MNEs compared to domestic companies. Foreign-controlled firms had a larger value added per capita (€92 thousand versus €56 thousand). Although the unit labour cost is higher, the efficiency ratio (unit labour cost divided by value added per capita) is largely better for MNEs (171% *versus* 137%). R&D expenditures per capita for foreign-controlled enterprises are 4.7 times higher than those recorded for domestic companies.

The "top 10" countries of origin of MNEs account for about 87% of employees, 83% of revenues, 85% of value added and 83% of R&D expenditures. The United States is ranked first as country of origin, accounting for over 333,000 employees, more than 19% of total MNE revenues and 24% of R&D investments, while Germany was the leading country in terms of the number of foreign-controlled companies (2,536 entities).

Based on data released by ISTAT, the OIE Annual Report 2024 highlights that MNEs make a relevant contribution to investments in fixed capital, both material and immaterial, as they account for about 30% of investments by large companies operating in Italy. Moreover, MNEs hold a market share of total Italian exports of about 34%, showing a strong increase, compared with about 26% in 2015. They have in place expansion strategies, focused on the circular economy, sustainability, pollution management, and have stable networks with other entities: firms, Public Administration, universities and research centres. Foreign-controlled companies play a significant role in patent applications in Italy: in the last decade about 12% of MNEs applied for patents, and they are responsible for approximately 23% of total patent applications.

	2010		2015		2021	
	Value	%	Value	%	Value	%
Number of foreign-controlled firms	**13,741**	**100**	**14,007**	**100**	**17,641**	**100**
Industry	3,716	27	4,032	28.8	5,067	28.7
Services	10,025	73	9,975	71.2	12,574	71.3
of which: financial and insurance activities	*541*	*3.9*	*562*	*4.0*	*991*	*5.6*
Number of employees	**1,184,539**	**100**	**1,257,209**	**100**	**1,663,592**	**100**
Industry	448,733	37.9	450,023	35.8	587,092	35.3
Services	735,806	62.1	807,186	64.2	1,076,500	64.7
of which: financial and insurance activities	*65,490*	*5.5*	*64,145*	*5.1*	*71,696*	*4.3*
Turnover	**468,046**	**100**	**529,574**	**100**	**715,856**	**100**
Industry	193,688	41.4	223,325	42.2	310,197	43.3
Services	274,358	58.6	306,249	57.8	405,659	56.7
Value Added	**93,482**	**100**	**104,093**	**100**	**153,307**	**100**
Industry	40,465	43.3	43,596	41.9	63,228	41.2
Services	53,017	56.7	60,497	58.1	90,079	58.8

Table 1 *Main data relating to foreign-controlled enterprises operating in Italy (end-year data, monetary values in € million) –*
Source: elaboration of ISTAT data

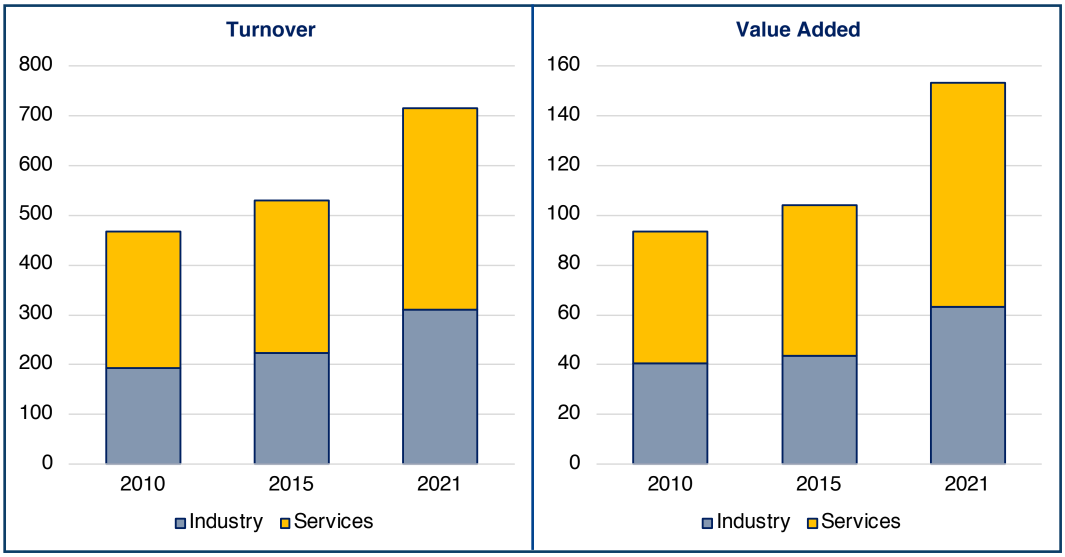


Figure 3 *Turnover and Value Added of MNEs in Italy (€ billion) –*
Source: elaboration of Istat data

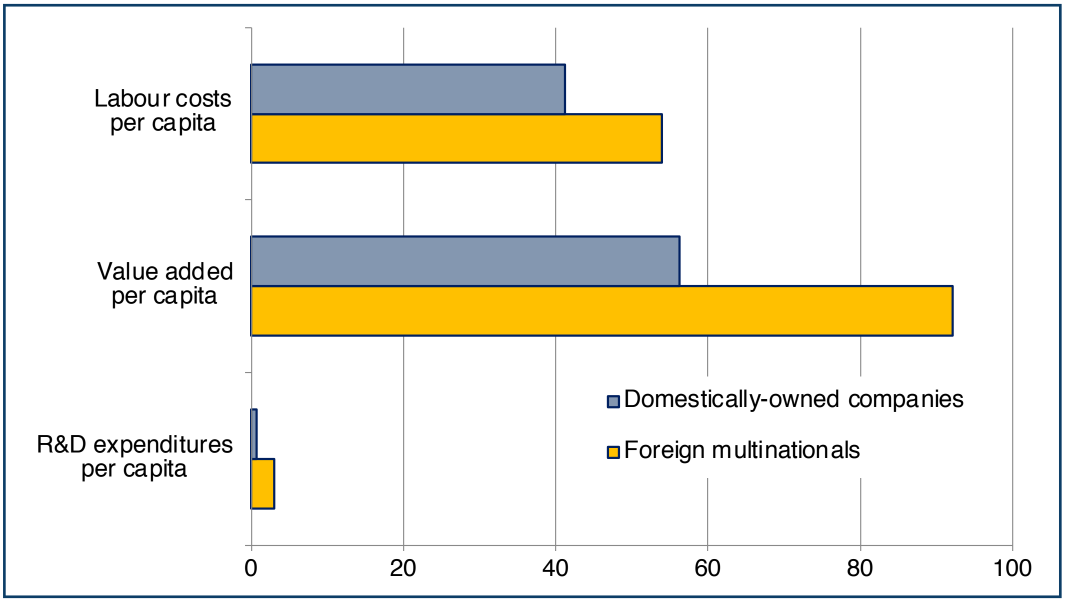


Figure 4 *Domestically-owned firms and foreign multinational firms in Italy: comparison of performance data (amounts in € thousands, 2021) –*
Source: elaboration of ISTAT data

Chapter 3

Italian public debt and external debt

According to the Bank of Italy's Statistical Database (BDS), Italian gross public debt stood at €2,863 billion at the end of 2023, 3.9% higher than the stock at the end of 2022. Increases were concentrated in the first semester (+€91 billion). The most recent data refer to end-March, when the stock of the gross public debt reached a new peak at about €2,895 billion, a 1% rise in the first quarter of the current year.

In 2023, according to the Bank of Italy's Annual Report, public finances continued to improve: the net indebtedness of Public Administrations (central and local Authorities) as a percentage of GDP declined from 8.6% to 7.4%. The debt to GDP ratio fell by about 3.2 percentage points, reaching 137.3%, just above pre-pandemic levels, thanks in the main to a positive margin between nominal GDP growth and the average cost of debt. Moreover, the average cost of public debt went down from 3.1% to 2.9%, due to the decrease in inflation and in the cost of the component related to the revaluation of capital in inflation-linked securities, despite a tightening of monetary policy throughout 2023 and the increase in market interest rates.

In 2023 the market share of public debt held by nonresidents moved up from 26.7% to 27.6% (+€53.8 billion, to €789 billion). This stock includes loans granted by the European Union under the RRP Facility (€60.9 billion) and temporary funding under the scheme "Support to mitigate Unemployment Risks in an Emergency" (SURE), evaluated at €27.4 billion. The latest update, referring to end-February, highlights a further increase in the stock of public debt held by nonresident investors, up to €813 billion (+€23.8 billion compared to end-2023).

About 83% of the gross public debt outstanding at the end of 2023 was in the form of public securities: the stock of Italian Government securities held by nonresidents rose in the last year by about €30 billion, reaching €651 billion (+4.9% *YoY*). Foreign investors hold 27.4% of Italian Government securities. As Figure 5 shows, in recent years the share of public debt and the share of securities held by nonresidents have followed a downward trend: compared to the average for 3y-pre-pandemic levels, the negative changes are about 3.3 and 7.4 percentage points – respectively, and the stock of securities held by nonresidents is still below pre-pandemic levels. According to some preliminary data, the Bank of Italy estimates that the stock of securities rose to €677.5 billion at the end of February, with a market share of approximately 29.3%.

The first months of 2024 showed a significant surge in foreign purchases of Italian government bonds, especially BTp, and market analysts highlighted that in the last 12 months net inflows have increased by €63 billion, the highest value since 2019. The risk/return ratio offered by the issuances of BTp, close to 4% on the 10y-maturity, is attractive to foreign investors, because of the decreasing spread and higher stability in Italian public finances and creditworthiness.

As an example, the placement details of the syndicated issuance of a new 7-year BTP and a tap of the 30-year BTP in January 2024 highlight that both transactions have attracted a large and geographically diversified participation of investors from about 40 countries: nonresident investors received about 81% of the 7-year bond and 77% of the 30-year bond issuance. Investors from Continental Europe accounted for about 36% and 44% respectively of the total. UK (13% and 16%) and North American (15% and 16%) investors also received a relevant percentage of the amount offered.

The placement of the new inflation-linked 10-year BTP€i issued in March attracted a diverse group of investors, where foreign investors secured the 78.3% of the issuance. Among them, the highest share was allocated in Europe (62%), notably in France and UK, while Asian investors secured 16% of the deal value issued. Five foreign banks participated as lead managers for the placement syndicate. Foreign investors also increased their interest in more "innovative" issuances, for example the BTP Green issued in May. The geographic distribution of purchasers was extremely diversified, involving investors from about 35 countries: foreign investors secured approximately 77% of the issuance, especially from UK (24%) and France (12%).

The Bank for International Settlements (BIS) collects regular statistics on international banking, based on a sample of 25 reporting countries, on a quarterly basis. Recent trends are summarized in Figure 6. In 2023 Italian external debt rose by about $127 billion, reaching a new peak at $863 billion. The most important component refers to non-bank private sector debt ($419 billion), making up almost half (49%) of the total, followed by the public sector ($316 billion). The highest portion of all external debt is reported by European banks, accounting for about $726 billion (84% of the total). Even if the stock reported by non-European banks is less significant (15% of the total), this variable showed the highest annual growth rate (+30%, more than double that recorded for European banks).

France, Spain and Japan are placed in the "top 3" as holders of Italian external public debt (Table 2), holding about $28 billion, or 69% of the total.

Table 3 gives a summary of data regarding external private debt: during the last year total stock grew from $450 to $540 billion (+$90 billion, +20% *YoY*), with increases in both components (banking sector and non-banking private sector debt). European banks confirmed their leading role, holding about $449 billion of the total (83%).

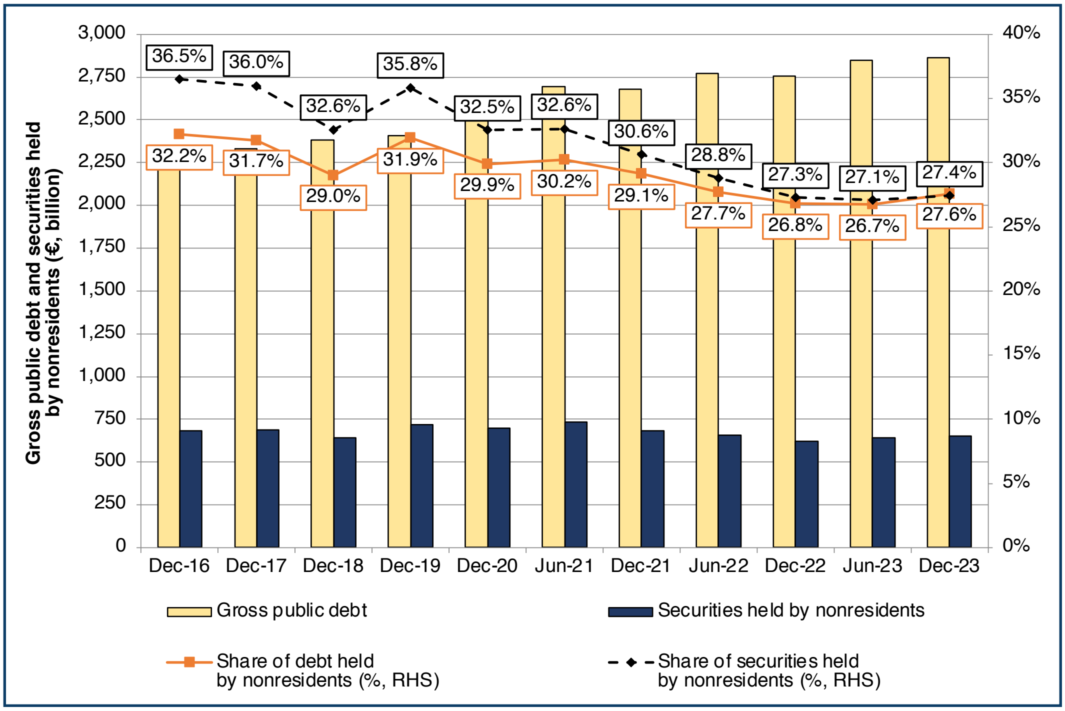
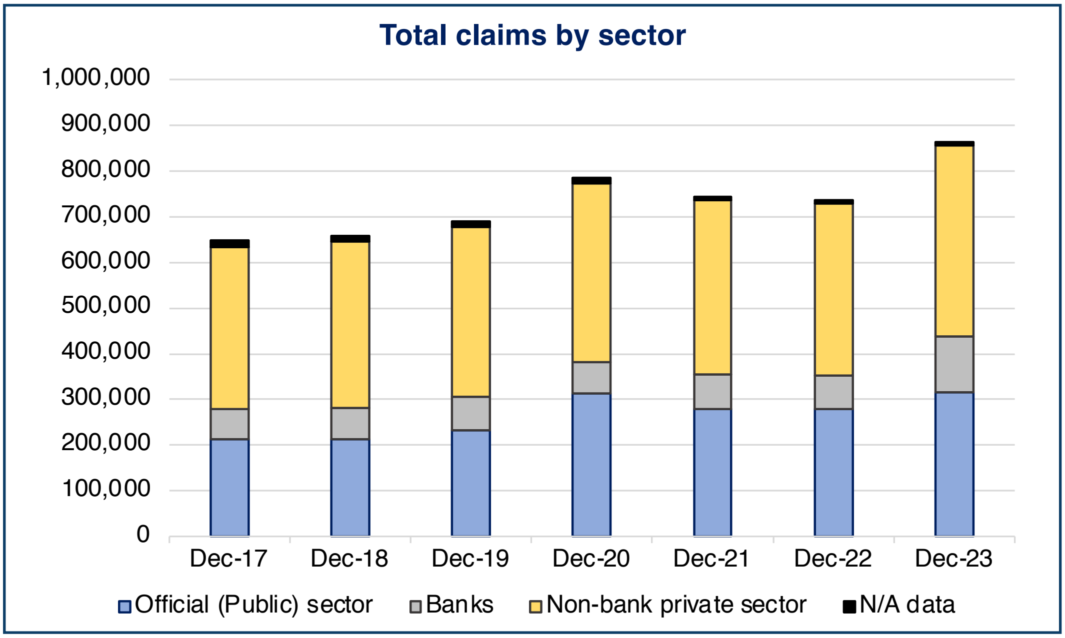


Figure 5 *Recent Italian public debt trends and shares held by nonresidents (amounts in € billion, % on right-hand scale, RHS) –*
Source: elaboration of Bank of Italy data, Statistical Database (BDS)



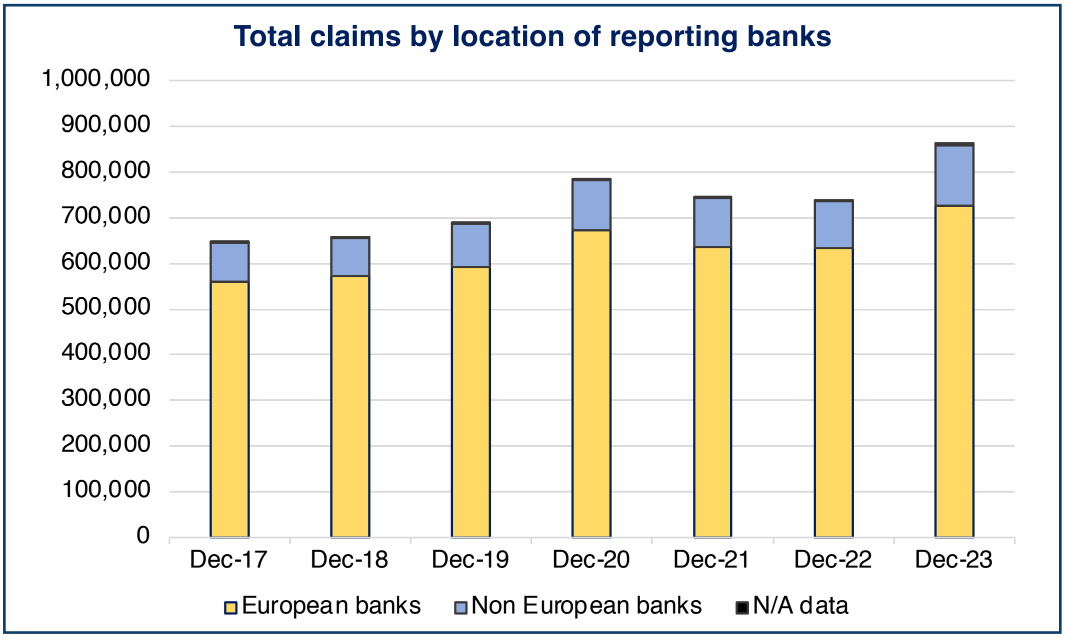


Figure 6 *Public and private debt held by foreign countries ($ million) – Source: elaboration of BIS Consolidated Banking Statistics*

Countries	Dec-15		Dec-20		Dec-21		Dec-22		Dec-23	
	Value	%	Value	%	Value	%	Value	%	Value	%
France	57,665	28.7	101,037	32.1	90,973	32.6	89,947	32.2	99,946	31.6
Spain	31,340	15.6	70,106	22.3	61,472	22.0	65,052	23.3	68,002	21.5
Japan	22,089	11.0	42,032	13.4	40,594	14.5	33,684	12.0	49,596	15.7
Germany	36,555	18.2	37,075	11.8	36,617	13.1	42,634	15.2	43,037	13.6
United States	16,239	8.1	27,337	8.7	18,431	6.6	22,269	8.0	24,198	7.7
Greece	109	0.1	6,995	2.2	7,261	2.6	6,980	2.5	8,555	2.7
United Kingdom	4,225	2.1	3,636	1.2	-853	-	1,320	0.5	6,234	2.0
Belgium	7,094	3.5	2,908	0.9	2,185	0.8	2,121	0.8	3,159	1.0
Switzerland	7,244	3.6	5,182	1.6	8,068	2.9	4,818	1.7	2,567	0.8
Austria	2,354	1.2	1,901	0.6	1,194	0.4	1,695	0.6	1,726	0.5
Other countries	15,753	7.9	16,132	5.1	13,279	4.8	9,155	3.3	9,088	2.9
Total	**200,667**	**100**	**314,341**	**100**	**279,221**	**100**	**279,675**	**100**	**316,108**	**100**

Table 2 Total amount of external public debt by holder (outstanding debt, $ million and %) – Source: elaboration of BIS Consolidated Banking Statistics

External private debt	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
European banks	57,928	55,326	59,800	56,865	93,264
Non European banks	12,222	11,826	13,656	13,322	22,027
N/A data	1,975	1,185	1,536	2,149	5,977
Total banking sector	**72,125**	**68,337**	**74,992**	**72,336**	**121,268**
European banks	319,003	339,342	327,855	325,294	356,019
Non European banks	32,264	30,654	33,504	32,478	36,536
N/A data	22,120	21,388	20,352	19,635	26,142
Total non-bank private sector	**373,387**	**391,384**	**381,711**	**377,407**	**418,697**
Total external private debt	**445,512**	**459,721**	**456,703**	**449,743**	**539,965**

*Table 3 Composition of external private debt (banking sector and non-banking private sector outstanding debt, $ million) –
Source: elaboration of BIS data, Consolidated Banking Statistics*

Chapter 4

Structural data on foreign banks in Italy

4.1 A comprehensive overview: number of banks, branches, assets composition and economic performance

According to the Bank of Italy's Statistical Database, at the end of 2023 there were 428 banks operating in Italy (–10 *YoY*), 79 of which from abroad, the same as the previous year.

Table 4 gives a summary of structural trends in the banking sector over the last decade. We have already reported the long-term trend in Chapter 1, where we observed the effects of the consolidation process and of the move to digitalization, for both Italian banks (a larger effect) and foreign branches. In 2023 the number of total branches fell by 824.

In last 10 years, the number of foreign banks operating in Italy remained quite constant, at around 80), and the number of foreign entities out of the total rose from 12% to 18%, with the number of domestic banks falling by about 42%. The number of branches followed a similar trend: the total number of branches fell by more than 11,000 (–37%), while the figures for Italian and foreign banks were, respectively, –36% and –53%. At the end of 2023 foreign banks accounted for about 0.6% of the total number of branches.

At the end of 2023 66 out of 79 foreign banks were in Lombardy, all of them in the Metropolitan City of Milan, where 75 out of the 123 branches were located (59% of the total). Other branches are in the North-West of Italy (Piedmont and Emilia-Romagna, 17), North-East (Veneto and Trentino Alto-Adige, 11), Centre (Lazio and Tuscany, 18). The 2 remaining branches of foreign banks are located in the South of Italy (Campania).

According to the Bank of Italy and based on the harmonized statistics of the European System of Central Banks (ESCB), at the end of 2023 branches of foreign banks operating in Italy held a stock of about €128.5 billion of loans granted to domestic counterparties, mainly Public Administrations and other non-financial residents, making up about 6.5% of the overall banking system. Compared to the pre-Covid period (end-2019), we can observe a slight increase of about €4.7 billion in outstanding credit (+3.8% in terms of value), it is noted that Italian banks had an opposite trend, reducing their exposure from €2,000 billion to €1,843 billion. At the end of 2023, foreign bank branches held in their portfolio €12.2 billion of public and private securities issued by Italian counterparties (Government securities, private corporate bonds, stocks, shares and equity holdings issued by residents), making up a little less than 2% of the whole market. In 2019 the total value of the portfolio was about €21 billion.

With regards to liabilities, and based on available data, the stock of residents' deposits held by foreign bank branches was close to €97.4 billion (4% of all residents' deposits). Compared to end-2019, stock increased by 0.4 percentage points and €9.4 billion in value, while Italian banks recorded a negative change of about €15.6 billion.

Based on the ABI Yearbook, we collected financial and economic data for a sample of 37 foreign bank branches operating in Italy, summarizing the main items of balance sheets and income statements. At the end of 2022 total assets referring to the sample amounted to about €2,187.7 billion. Despite huge differences in size and missing data, it is noted that loans to customers are the most important assets item, accounting, on aggregate, for about €81.4 billion, an average of 57% of all assets (49% in 2021). Individual data show a highly varied composition, in the presence of very different business models.

With regard to income statements, the ratio between interest margin and intermediation margin can be useful in appreciating business diversification. Analysis of the sample highlights large differences in values, with an average of 76% (54% in 2021).

Operating costs accounted, on average, for about 61% of the intermediation margin: personnel costs and other administrative expenses were the most relevant items.

Year	Banks and branch networks in Italy					
	Banks operating in Italy		Foreign banks			
	Number of banks	Number of branches	Number of banks	Number of branches	% on number of banks (RHS)	% on number of branches
2013	684	31,761	80	260	11.7	0.8
2014	664	30,740	80	252	12.0	0.8
2015	643	30,258	81	254	12.6	0.8
2016	604	29,027	83	171	13.7	0.6
2017	538	27,374	79	165	14.7	0.6
2018	505	25,404	79	159	15.6	0.6
2019	485	24,311	78	134	16.1	0.6
2020	474	23,481	82	135	17.3	0.6
2021	456	21,650	81	126	17.8	0.6
2022	438	20,985	79	124	18.0	0.6
2023	428	20,161	79	123	18.5	0.6

Table 4 The branch networks o domestic and foreign banks in Italy (2013/23, end-year data) – Source: elaboration of Bank of Italy data, Statistical Database (BDS)

4.2 Foreign Banks in Italy: New Regulatory and Technological Paradigms*

The importance for our economy of the foreign banking sector in Italy extends beyond its mere size. The ability to engage in dialogue and compare experiences with foreign operators based in our country is a valuable asset that we must protect.

The global economy is undergoing profound changes, driven by various factors. Among these, technology stands out, as it is changing the ways financial services are provided and is making new ones possible.

The entry into the market of entities from sectors previously unrelated to finance, such as technology companies, is profoundly transforming the competitive landscape while also creating new opportunities for cooperation.

The technological revolution is reshaping business models, cross-border operations, organizational structures and regulation, and understanding these complex and significant transformations is essential for managing both traditional and emerging risks.

In the financial sector, the technological transition must be managed carefully to avoid hindering innovation. This is no easy task and is the responsibility of the other force that is reshaping the banking, financial and payments industries: regulation.

* This section was written by Alessandra Perrazzelli, Member of the Governing Board and Deputy Governor of the Bank of Italy. The paragraph summarizes her speech *"Le banche estere in Italia: nuovi paradigmi regolamentari e tecnologici"* (only available in Italian, given before the General Council of the AIBE on 19 April 2024).

Foreign Banks in Italy: An Overview of the Sector

Foreign banks in Italy continue to be quite diverse in terms of the ways they access the market, their size, their operational scopes and their organizational models.

Compared to 2022, the number of established foreign banks with branches in Italy in 2023 has remained unchanged at 79 banks[1], of which 77 are operational. Additionally, there are 2 investment firm branches that have been reclassified as significant credit institutions[2].

Out of the 71 branches with headquarters in other European Union (EU) countries[3], 58% are branches of significant banks. These institutions hold approximately 6.2% of the total system assets, a figure that has remained stable compared to 6% in 2022. Conversely, the share of assets held by non-significant bank branches remains marginal at 0.4%.

The 8 branches of third-country banks[4] – which continue to make Italy the fifth largest EU Member State by number of non-EU bank branches – account for nearly €10 billion in assets, down from approximately €11 billion at the end of 2022.

In 2023, the foreign bank branches' share of the business loans market increased from 5.5% to 6.4%), as did their market share for consumer loans from 4.7% to 5.1%[5], while it remained stable at around 2% for resident customers' deposits.

Consumer credit activity continues to be significant: the share held by branches and subsidiaries of significant banks accounts for nearly 36% of the market, a figure that rises to 50% when only loans granted by the banking system are considered.

The role of foreign operators as depositaries for UCITS and pension funds is even more significant (over 80% of the sector), as is their activity as primary dealers for Italian government bonds: in 2023, the top five specialists were foreign banks.

The branches mainly engage in corporate and investment banking (approximately half of the operators), retail banking (21%), and specialized finance (16%). Private wealth management (9%) and custody services (4%) are comparatively smaller. Recently established but not yet operational branches are expected to focus on the development of fully digital and innovative business models.

In 2023, the number of banks operating under the "Freedom to Provide Services" (FPS) regime increased significantly – from 674 to 764 – driven by two countervailing dynamics[6]: (i) the reduction – from 57 to 34 – of non-EU banks following the revocation of authorizations by the Bank of Italy for institutions no longer operational; and (ii) the increase in the number of EU operators due to notification received from an EU Member State's authority regarding approximately 100 cooperative banks belonging to the same group.

Foreign institutions that operate without establishment mainly offer banking services, in particular the taking of deposits, carried out by 478 EU intermediaries; among non-EU institutions, only 6 UK banks are authorized to also provide investment services.

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1 The closure of two EU branches was indeed offset by the opening of an equal number of establishments.
2 Pursuant to Article 4(1)(1)(b) of the CRR.
3 Primarily France (22), Germany (19) and Luxembourg (9).
4 Based in the United States (2), Japan (2), China (1), Switzerland (1), Iran (1) and UK (1).
5 The data may not account for operations originated through branches but centrally recorded by their respective European parent companies. Including the Italian subsidiaries of significant foreign banks increases the market shares considerably: 10.1% for deposits, 17.2% for business loans and 22.8% for consumer loans.
6 Banks that operate in Italy simultaneously through branches and under the "Freedom to Provide Services" (FPS) are excluded from the count.

Regulatory Framework

There is limited harmonization, at European level, in the supervision of non-EU bank branches. EU legislation only provides that "Third Country Branches" (TCB) should not receive more favourable treatment than that reserved for EU banks.

This framework is set to change significantly with the adoption of the CRR3/CRD6 regulatory package, through which the European legislature aims to ensure a minimum level of harmonization of supervisory regimes across Member States[7].

A key new element is the requirement that a third country bank must establish a branch in order to provide "core banking services"[8] within the EU. Banks currently operating under the freedom to provide services will therefore need to assess the steps they must take to continue operating in the EU market.

The forthcoming legislation also introduces other significant changes, in terms of minimum requirements for TCBs[9], proportionality in supervisory actions[10], and strengthening cooperation among authorities[11].

Supervision of TCBs remains under the jurisdiction of national authorities, which have, among other things, authorization and enforcement powers, under specific circumstances: (i) transformation of a TCB into a subsidiary, (ii) restructuring (financial or operational) to make it non-systemic, and (iii) imposition of additional capital requirements.

The EBA will play a significant role in completing and harmonizing supervisory practices by preparing secondary regulations or drafting reports to verify the effectiveness of the newly introduced regulatory framework[12].

The new legislation is expected to make supervisory actions more effective while allowing the Member States and competent authorities a margin of discretion[13].

This marks a pivotal moment in prudential regulation and supervision, as well as in the field of anti-money laundering (AML). The limitations of the current European framework – based on a partial harmonization of rules, heterogeneous supervisory practices, and unclear procedures for cooperation among authorities – will be resolved thanks to the agreement reached last February on the plan for reforming the EU regulations.

With the upcoming establishment of the new European Anti-Money Laundering Authority (AMLA), homogeneous supervisory practices will be adopted for all European intermediaries, both centrally and nationally supervised. For larger cross-border groups, AMLA will provide a comprehensive overview of money laundering risks in Europe. AMLA's oversight will also enhance cooperation between prudential supervision and anti-money laundering efforts, improving coordination among national financial intelligence units.

With regards to supervisory tasks for the purposes of customer protection, the regulatory

[7] With limited exceptions, the new regulations will be applicable 30 months after the entry into force of the CRD6.
[8] Taking of deposits and other repayable funds, granting of loans, and issuance of guarantees and commitments.
[9] Concerning capital, liquidity, and governance.
[10] 11 TCBs are divided into two classes, with different requirements depending on size, operations, and country of origin. For the latter requirement, the distinction is based on whether the third country's supervisory and regulatory framework is equivalent to that of the EU and whether the country is classified as high-risk in terms of money laundering and terrorist financing.
[11] Specifically, the supervisory colleges mechanism is extended to Class 1 TCBs.
[12] Within 18 months from the entry into force of the Directive, the EBA must prepare: i) draft technical standards on supervisory colleges and registration mechanisms for all activities and liabilities registered or originated in the Member State; and ii) draft technical standards on reporting. Within 24 months, guidelines must be issued on: authorization of TCBs, own funds, SREP, mechanisms for cooperation and exchange of information among authorities, FIUs, and AML/CFT authorities. Within 30 months, guidelines on governance and internal controls must be issued.
[13] For example, Member States may choose whether to apply the same requirements applicable to EU banks to TCBs, or the new specific minimum requirements provided by CRD6. Additionally, authorities may decide to exempt qualified TCBs from the new liquidity requirement, namely those from equivalent third countries not at high AML risk.

framework is still not harmonized: Union law and the host country's law often differ from those of the home country. This aspect is extremely important in terms of the protections reserved to customers other than consumers with regard to banking transparency and fairness. It is therefore essential that organizational and operational structures are equipped to adequately support growth in the intermediary's size, while remaining fully compliant with both European and national regulations, taking into account local specificities.

The Strategic Importance of Technology

Technological innovation is a strategic asset for the banking industry. In particular, the development of Artificial Intelligence (AI) is leading to a series of changes on various fronts: (a) for customers, by modifying the shopping experience; (b) for operators, through changes in production processes; (c) for competitive dynamics, with the entry of new operators into the market; (d) for authorities, following the revision of risk measurement and management techniques and implications for supervisory tools.

The "Artificial Intelligence Index Report 2023" from Stanford University[14] reports that global investment in AI hit nearly $92 billion at the end of 2022, marking an 18-fold increase from 2013.

The United States is in significant lead, with investment exceeding $47 billion in 2022, approximately 3.5 times more than China, the second-ranking nation. Europe, despite notable growth since 2020, lags behind with investment of about $8 billion.

As for Italy, data from the Politecnico di Milano Observatory indicate that AI investment reached €760 million at the end of 2023, a 52% increase in one year, but still relatively modest compared to other countries.

The "Fintech Survey 2023" recently published by the Bank of Italy, however, shows that total spending on technological innovation in the 2023-2024 period is 3.8 times higher than observed in 2017-2018, the first period in which it was tracked[15].

A significant portion of these resources has been allocated to projects involving AI applications in customer interactions (via chatbots) and back-office processes. Algorithms help reduce document management burdens and standardize processes, allowing human activity to focus on managing high-value-added services.

Several projects based on robotic process automation have targeted investment services, such as advisory services and portfolio management. Machine learning techniques leverage available information to suggest the most suitable financial products to commercial functions, aligning them with individual client expectations and potentially enhancing customer satisfaction.

Algorithms are frequently used in credit scoring processes, to improve the assessment of customers' creditworthiness and thus reduce the probability of future defaults[16].

The field of AML is a crucial area for the application of AI, as it relies heavily on the intensive use of identity, financial, transactional and other

[14] Nestor Maslej, Loredana Fattorini, Erik Brynjolfsson, John Etchemendy, Katrina Ligett, Terah Lyons, James Manyika, Helen Ngo, Juan Carlos Niebles, Vanessa Parli, Yoav Shoham, Russell Wald, Jack Clark, Raymond Perrault, "Artificial Intelligence Index Report 2023", AI Index Steering Committee, Institute for Human-Centered AI, Stanford University, April 2023.
[15] Banca d'Italia, "FinTech Survey on the Italian Financial System – 2023", 12 April 2024 (only in Italian).
[16] Bonaccorsi di Patti, E., et al., "Artificial Intelligence in Credit Scoring: Analysis of Some Experiences in the Italian Financial System", Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 721, 2022.

data. The use of innovative technologies reduces the manual nature of processes, enhances the effectiveness of feedback on customer-provided data, enriches the informational assets for operational monitoring, and improves the ability to detect anomalous behaviours.

According to the data collected, numerous branches have already begun or are considering innovative projects in the AML/CFT (Countering the Financing of Terrorism) field using AI. These projects aim to strengthen transaction monitoring and onboarding processes.

At the same time, the criminal economy is also able to leverage technology to its advantage: consider the rising use of crypto-assets to hinder the traceability of funds.

The implementation of new technologies carries risks that must be managed with extreme care. The complexity and partially autonomous behaviour of AI can make it difficult to explain algorithm results, making it necessary to implement measures that ensure the clarity of the underlying logic.

It is essential that the decision-making process of an AI model be transparent in its operation (interpretability) and in explaining the decisions made (explainability), to avoid distortions and prevent biases.

In this context, it is crucial not only to consider the inputs used by models – which should exclude irrelevant variables from a financial perspective such as gender, geographical origin or ethnic background – but also to conduct systematic ex-post reviews of outputs to correct any automated discrimination.

It is also important that the drivers of business decisions made using these techniques are always identifiable; for example, decisions related to creditworthiness assessments must be adequately explained and subject to review. The European regulations on consumer credit, recently revised, introduce specific requirements in this area. It is important that, once transposed, their application is also homogeneous to ensure that the increasing automation of business processes is accompanied by a high level of substantial protection for users through the explainability of algorithms, the disclosure of the factors on which the related decisions are based, and the possibility of consulting with a human being in the case of adverse decisions.

An additional aspect related to the most recent developments in “generative AI” is connected to the reliability of the output: the intentional generation of manipulated content increases the risk of fraud through deepfakes and social engineering techniques; however, misleading or harmful content can also emerge unintentionally. The presence of a human component (“human in the loop”) thus remains fundamental during data collection, model specification and output analysis phases.

This is in addition to the ever-present need for operators to manage customer data according to the directives given at the European level, particularly regarding issues related to profiling, customer consent, and the right to explanation in the case of automated decision-making processes. The same standards must be guaranteed even when outsourcing certain functions.

Large entities such as TelCos – naturally capable of exploiting large amounts of digital data – besides representing a potential competitive threat, could be important partners for the financial sector in offering high-value-added services.

AI is indeed an important enabler of the digitalization of the TelCos themselves and the exploitation of data to extract not directly intuitive information. This aims to streamline processes, reduce response times in decision-making, and identify new products and services.

Conclusions

For the financial sector, the adoption of new technologies such as AI – in internal processes, control frameworks and customer relations – cannot but involve a thorough assessment of the impact of these choices on all business risks. Therefore, it is essential that intermediaries establish robust governance frameworks for digital transformation strategies.

Simultaneously, technological innovation represents a powerful agent of change for supervision as well, which must keep pace with industry developments; the commitment shown by European authorities in developing Suptech tools is testament to this awareness.

National and international bodies' assessments regarding AI governance converge on key principles that must be safeguarded, such as the need for human control over machines, transparency, and non-discrimination. The efforts of regulatory authorities in the challenging task of translating these principles into norms remain substantial.

Continuous dialogue with the market is indispensable for monitoring the evolution of the financial system, identifying new tools to measure risks, and, where possible, defining regulatory responses that promote "good innovation", which is innovation that combines the promotion of innovation itself, market integrity, and the protection of customers and savers.

Chapter 5

Corporate and Investment banking

This chapter gives a summary of some data and information on the role played by foreign banks and intermediaries in the "Corporate and Investment Banking" business line, supporting Italian companies with financial decisions about the composition of their capital structure, funding and advisory services for Mergers and Acquisition deals. The majority of AIBE member banks operate in this business line, offering to corporations and entities a broad portfolio of high-quality and financial services.

5.1 Structured finance

5.1.1 Syndicated loans

In 2023 the Italian syndicated loans market fell in value from €93.7 to €49.6 billion (Figure 7), increasing the volatility in terms of market size. After a peak in 2022, the negative change posted over the last year took the size of the market below pre-pandemic levels. Despite this volatility, the market share held by foreign bookrunners confirmed the relevance of non-domestic players in assisting Italian companies' issuances. Their market share stands at about 71%, between the minimum of 57% (2016 and 2020) and the maximum of 85% (2015).

Foreign players acted solely as bookrunners for about 13% of the total market value, almost twice the value of 2022, while the role of international pools of lenders with Italian banks recorded the highest market share, even though it fell from 70% in 2022 to 55% in 2023[17]. During the last year, despite the downsizing of the market, the number of issued tranches making up deals rose from 455 to 487. The market share of foreign bookrunners by number of tranches was about 36%. There was also a downsizing in the average size of tranches, from €206 to €102 million, with large differences if we look at bookrunners' origin. Deals assisted by non-domestic players accounted for an average tranche value of about €193 million, almost 6 times higher than deals assisted by domestic bookrunners.

Foreign players were involved in the largest and therefore more complex issuances. A total of 36 issuances were assisted exclusively by foreign bookrunners (worth €6.7 billion): in 15 out of the 36 issuances there was a single foreign player, represented by a French Bank (14 occurrences) or a Dutch bank (1 tranche). The geographic origin of bookrunners in the other 21 tranches is more

[17] Information on bookrunners is not available for 227 out of 487 tranches, accounting for a total deal value of about €13.2 billion (47% in number and 26.5% in value). Some deals had no bookrunners (mainly public issuances), or data were not recorded in the database.

diverse: the average number of bookrunners was 3.7; French intermediaries still have the lead, and in other tranches we recorded the presence of international banks coming from France, Spain, Netherlands, and Japan. Foreign bookrunners mainly supported Italian firms operating in the Utility & Energy, Insurance and Oil & Gas sectors (Figure 8). These top 3 sectors accounted for values of about €14.5 billion, 29% of the whole market (43% in 2022) and 43% of the total tranche value intermediated by foreign bookrunners (56% in 2022). The concentration index of the market fell, and nonresident players tend to operate with a diversified portfolio of industries.

Syndicated loans are mainly medium/long term issuances: in 2023 the average original maturity of tranches issued by Italian companies was 5.83 years (6 years in 2022), while the weighted average maturity by tranche value was 4.6 years, falling to 4.39 years for deals assisted by nonresident bookrunners. Medium-term issuances (3 to 5 years) are the most represented, accounting for about €25.7 billion, of which €19.4 billion referred to foreign players (76% of the total, and 58% of all operations involving nonresident bookrunners). The remaining portion of their portfolio is divided equally into short-term (with an original maturity below 3 years, €7.1 billion) and long-term issuances (€7.3 billion). In both classes the market shares held by foreign bookrunners were predominant, making up about 66% and 55% respectively of the market share.

With regards to credit standing, the most recent data confirm that syndicated loans are mainly "Investment Grade" deals: in 2023 "high quality" issuances made up 68% of the whole market (65% in 2022), while "leveraged" issuances formed less than one third (32%). The distribution was similar if we focus on the operations of foreign bookrunners.

Foreign intermediaries also act as Mandated Lead Arrangers (MLAs), who facilitate and lead the group of investors, and usually also underwrite directly a portion of the issuance. Looking at 2023 issuances, data show that foreign players acted as MLAs (solely foreign bookrunners or international pools of MLAs) in 226 tranches out of 487 (46% of the total), with a total deal value of about €30 billion (61% of the total)[18]. In the top 10% of tranches by value (47 tranches, €33.4 billion, making up 67% of the total), foreign bookrunners were involved in 32 issuances (€26.7 billion, 80% of the deal value of the subsample "top 10% tranches"). With regard to the role of MLAs, if we exclude 17 deals not involving MLAs, foreign intermediaries were involved in 28 out of 30 tranches (€22.5 billion).

Data referring to the first half of 2024, updated to the end of April, highlights a significant boost in the market: deal values of new issuances amounted to €14.7 billion distributed over 115 tranches (in January/April 2023 the figures were, respectively, €6.5 billion and 37 tranches). The market share held by non-domestic players was about 28% in number (32 out of 115 tranches) and approximately 72% in value (€10.6 billion).

[18] Information about the presence and origin of Mandated Lead Arrangers is not available for 168 tranches out of 455 tranches, making up about 34% in number and 32% in volume of the total (€15.7 billion).

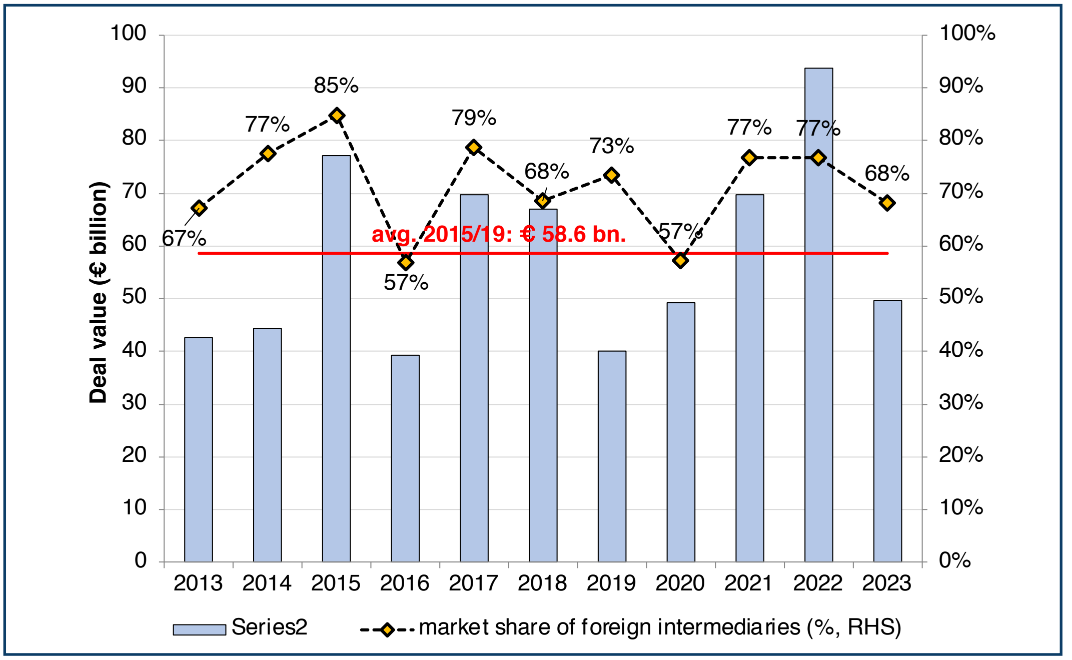


Figure 7 *Annual deal value of syndicated loans and share of foreign intermediaries (2013/23, € billion and %) –*
Source: elaboration of data from Dealogic database

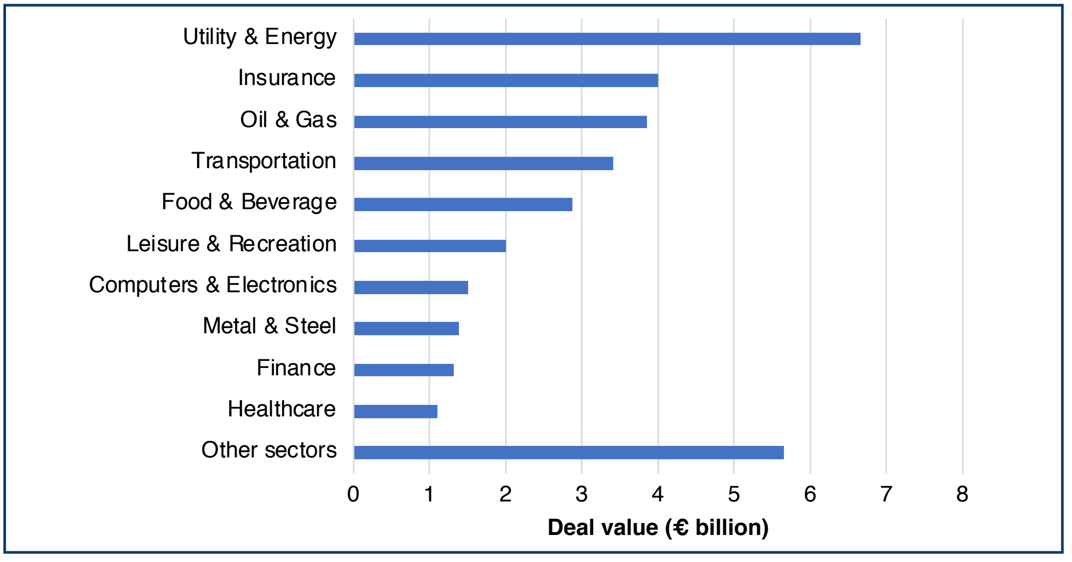


Figure 8 *Deal value of syndicated loans and market share of foreign bookrunners by industrial sector (2023, first 10 sectors, data in € billion) –*
Source: elaboration of data from Dealogic database

5.1.2 Securitization

In 2023, according to Dealogic, the Italian securitization market was dominated by Asset-Backed Securities (ABS) deals. ABS issuances involving Italian issuers amounted to €5.4 billion, 3 times greater than deals recorded in 2022, despite remaining far below pre-pandemic levels. The Dealogic database recorded 44 tranches (12 in 2022), for a total value of about €5.4 billion. The market share held by foreign bookrunners was 82% (36 tranches) in volume and 78% in value (€4.2 billion). This confirmed the relevance of foreign players, as highlighted in Figure 9, showing latest 10y trends.

With regard to the largest issuances ("top 10" by tranche value"), foreign bookrunners were involved in 8 out of tranches, corresponding to a total deal value of about €3.4 billion or 78% of this sub-sample.

In the first quarter of 2024 Dealogic recorded two new deals, divided into 9 tranches, for a total market value of about €1.7 billion: operations were assisted by foreign bookrunners in 7 out of the 9 tranches (€1.3 billion), so we can estimate their market share at about 79%.

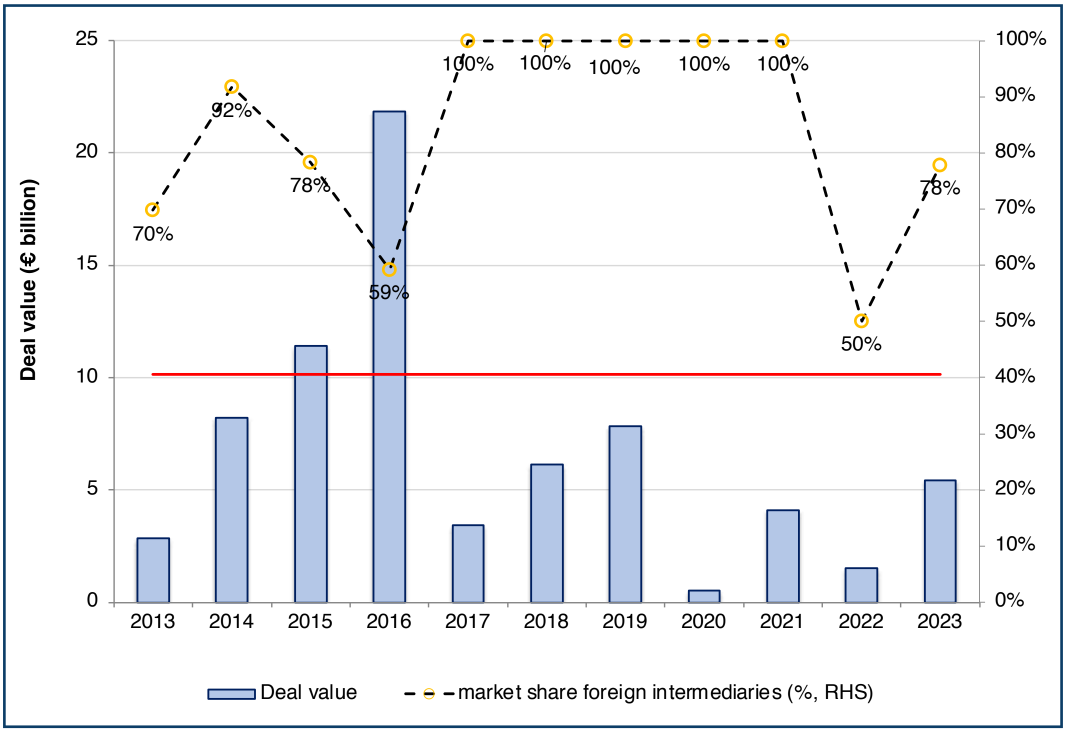


Figure 9 Annual value of ABS and MBS deals and share of foreign intermediaries (€ billion and %, 2013/23) –
Source: elaboration of data from Dealogic database

5.2 Export Finance: financial guarantees to support the growth of Italian companies abroad

This section provides data and information about the role of foreign players (banking groups, financial institutions and Export Credit Agencies) in supporting Italian companies with export and internationalization strategies. Data are collected and provided by SACE, an Italian institution 100%-owned by Cassa Depositi e Prestiti (CDP) that offers export credit services, credit insurance, foreign investment protection, financial guarantees, bonding and factoring.

In 2023 the total value of these facilities amounted to €39.9 billion (–7.6% *YoY*), broken down into 4 areas: Export, Internationalization, Economic Recovery and Green. As in 2022, the most relevant contribution came from the "Economic Recovery" facility, accounting for about 40% of the total collateral provided by SACE.

Table 5 shows the total value of financial resources in place to support Italian companies' exports and internationalization. In 2023 the support offered by banks, finance companies and ECAs almost doubled compared with 2022, from €11.3 billion to €21.4 billion, of which €15.7 billion invested for exports (73% of this sub-total). The market share for foreign entities rose from 46% to 60%, and was particularly relevant for export collateral. Over the period 2020/23, foreign players improved their market share, with an increase in value from €11.2 to €21.4 billion, while their market share went up from 39% to 60%. This upward trend is confirmed in Figure 11: looking at the total value of financial guarantees supporting the growth of Italian companies abroad, we observe that the value for foreign players more than doubled, from €5.2 to €12.9 billion. The most active foreign players come from France (15%), Spain (13%), UK (6%), USA (6%) and Germany (5%).

"Economic Recovery" and "Green" facilities (Table 6) had a great 2022, reaching a total of about €31.8 billion, falling in 2023 to €18.5 billion. It is noted that while domestic players halved their operations, foreign players increased their value by about €0.2 billion, and their market share rose from 11% to 20%. 9 foreign players were active within the "Economic Recovery" sector (€3.3 billion), mainly coming from France and Luxembourg, accounting for 87% of operations of non-domestic players in this facility. In 2023 "Green" collateral and liquidity facilities involved 4 foreign players (€373 million), coming from France, Germany and the Netherlands.

According to SACE's preliminary estimations, in the first quarter of the current year the total amount of deployed resources was €6.6 billion, of which €4.4 billion for "Internationalization" facilities, €1.8 billion for "Export" collateral and €0.31 billion for "Green".

Since the beginning of 2024, SACE's data no longer include volumes related to "Garanzia Italia/ Supportitalia", in support of the economic recovery after the COVID pandemic and energy crisis, with the "Temporary Framework" measure coming to an end. The overall presence of foreign players is quite relevant (€2.4 billion, making up 36% of the total value), and geographically diversified: 9 players from 7 countries, plus 1 supranational institution.

	2020		2021		2022		2023	
	Value	%	Value	%	Value	%	Value	%
Italian players	4,086	50.8	4,755	55.2	3,375	54.9	5,636	35.9
Foreign players	3,962	49.2	3,865	44.8	2,770	45.1	10,051	64.1
Total Export (a)	**8,048**	**100**	**8,619**	**100**	**6,144**	**100**	**15,687**	**100**
Italian players	2,697	86.2	2,163	65.0	2,705	52.3	2,903	50.8
Foreign players	430	13.8	1,163	35.0	2,471	47.7	2,808	49.2
Total Internationalization (b)	**3,127**	**100**	**3,326**	**100**	**5,176**	**100**	**5,711**	**100**

Total value (a+b)	2020		2021		2022		2023	
	Value	%	Value	%	Value	%	Value	%
Italian players	6,783	60.7	6,918	57.9	6,080	53.7	8,539	39.9
Foreign players	4,392	39.3	5,027	42.1	5,241	46.3	12,859	60.1
Total (a+b)	**11,175**	**100**	**11,945**	**100**	**11,320**	**100**	**21,398**	**100**

Table 5 Financial guarantees to support the foreign growth of Italian companies: annual deal value of guarantees by type of instrument and market share held by Italian and foreign players (2020/23, € million and %) – Source: elaboration of SACE data

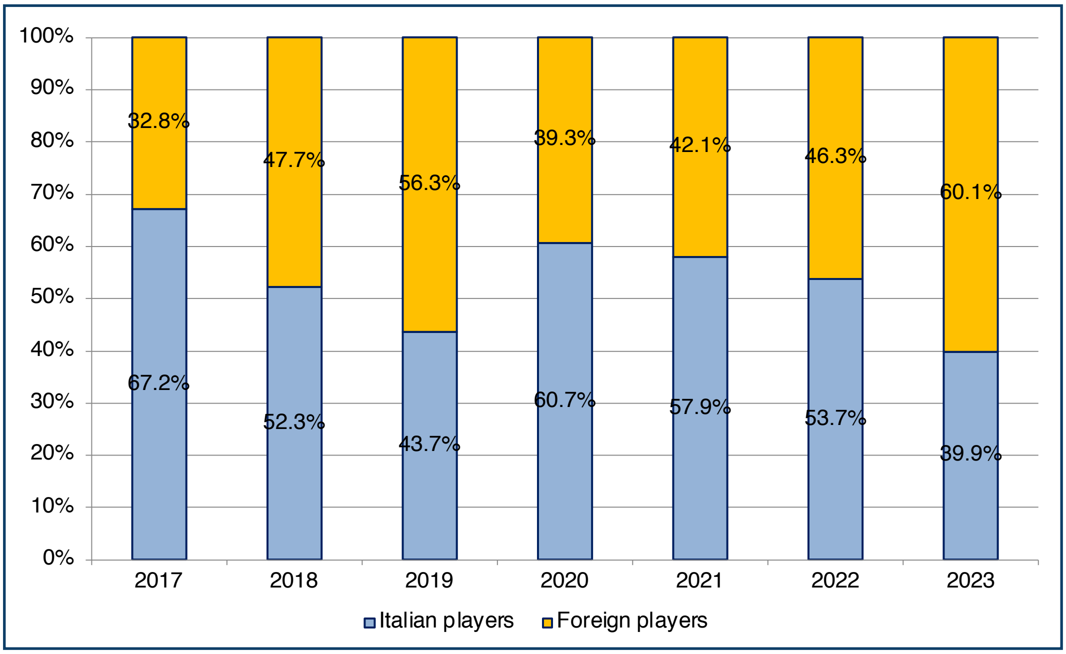


Figure 10 The composition of financial guarantees supporting the growth of Italian companies abroad: market share held by Italian and foreign players (2017/23, %) – Source: elaboration of SACE data

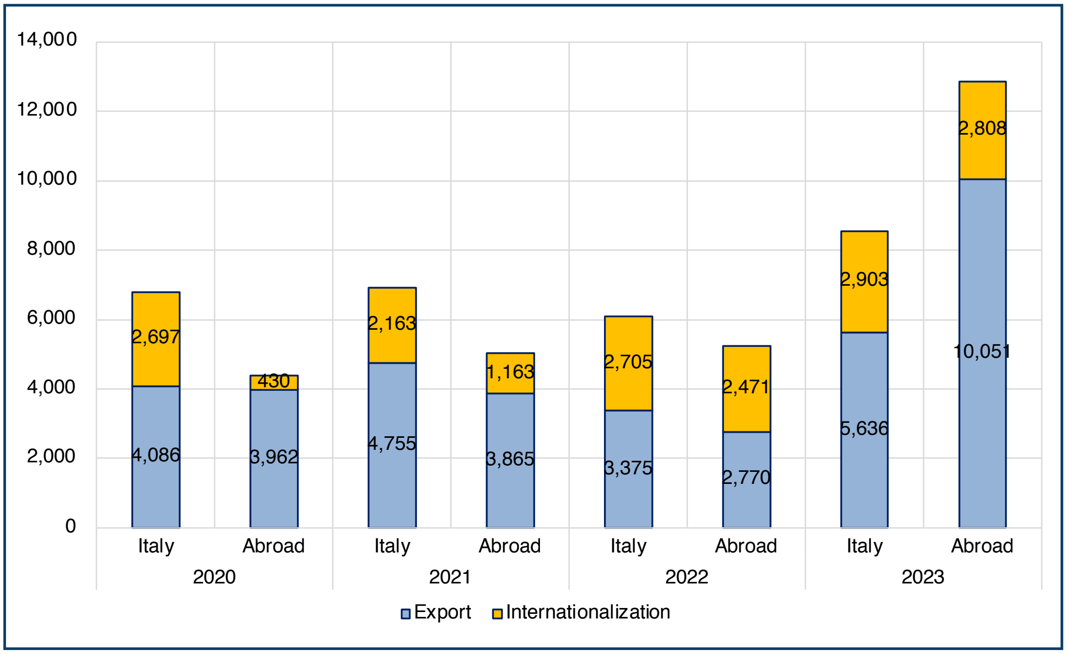


Figure 11 *The value of financial guarantees to support the growth of Italian companies abroad: geographic origin of secured loans (2020/23, € million) –*
Source: elaboration of SACE data

	2020		2021		2022		2023	
	Value	**%**	**Value**	**%**	**Value**	**%**	**Value**	**%**
Italian players	17,769	85.7	9,882	83.0	25,724	88.9	12,811	79.5
Foreign players	2,966	14.3	2,021	17.0	3,214	11.1	3,300	20.5
"Economic Recovery"	**20,735**	**100**	**11,903**	**100**	**28,938**	**100**	**16,111**	**100**

	2020		2021		2022		2023	
	Value	**%**	**Value**	**%**	**Value**	**%**	**Value**	**%**
Italian players	0.263	86.8	2,330	84.7	2,628	91.0	1,975	84.1
Foreign players	0.040	13.2	419	15.3	259	9.0	373	15.9
"Green"	**0.303**	**100**	**2,749**	**100**	**2,887**	**100**	**2,348**	**100**

Table 6 *Financial guarantees to support the "Economic Recovery" and the "Green Transition": deal value of guarantees and market share held by Italian and foreign players (2020/23, € million and %) –*
Source: elaboration of SACE data

5.3 Private equity and venture capital

This section highlights data and information regarding recent trends in the Italian private equity and venture capital market.

According to the AIFI - Italian Private Equity and Venture Capital Association, in 2023 total funds raised on the private equity and venture capital market amounted to €3.8 billion, 66% of which from independent funding (86% in 2022, Table 7). Total funding, including pan-European funds based in Italy, was estimated at about €7.4 billion.

With reference to the geographic origin of funds, it is noted that the domestic component made up 83% of the total, while funding from abroad accounted for 17%. As confirmed in Table 8, this distribution was very volatile over time, depending on the macroeconomic scenario and market opportunities. Despite the downsizing of the market, pan-European entities having a permanent base in Italy confirmed their relevance: about €3.6 billion of funds were raised, making up about half of total funding last year. Independent fund-raising from abroad went down significantly, both in value (from €1,739 to €319 million) and market share (from 45% to 17%).

Sources of new funding are quite diversified, by source type and origin. In 2023 the leading component was pensions funds, contributing about €520 million of newly raised funds, or 27.7% of total independent fundraising (23% in 2022), with a large contribution made by domestic players. Nonresident intermediaries had a more significant role in "funds of funds" (11% of total independent fundraising and 78% of the total capital raised by funds of funds), public sector and institutional funds of funds (2%), individual investors and pension funds (both 1%). International players accounted for 64% of the total amount invested in 2023 (€5.2 billion out of €8,162 million), while domestic entities invested just under €3 billion (36%). Although domestic operators managed most deals (543 out of 750, 72% of the market), it is seen that the average investment undertaken by non-domestic players was higher than deals involving domestic operators (respectively, €25.4 million and €5.4 million). The average size of the investments more than halved compared to 2022, from €27.9 million to €10.9 million, due to the lower number of significant transactions.

In each market segment the relevance of foreign players is not negligible, accounting for 32% of the value of "Early stage" deals (€244 million), and 53% of the deal value in the "Expansion" segment (€499 million). They took part in 55% of the deals in "Infrastructures" (24 operations), worth about €356 million. Non-domestic players had the lead in the "Buy out" segment, holding 76% of the deal value (about €4.2 billion out of €5.5 billion).

Over the period 2014/23, AIFI registered about 200 international players investing in Italy, in about 750 deals. Most of them are located in Europe (UK, France, and Germany) and North America. The amount invested was close to €60 billion, making up 65% of the total.

According to AIFI data, the role of international players was also very relevant in the Italian private debt market. In 2023 they accounted for 49% of the total (in number), and for a substantial portion of total investments, in terms of both value and number of operations. They contributed to 75% of total investments and participated in about 30% of deals, the remaining being carried out by domestic players. This highlights the diversity and attractiveness of the Italian private debt market, despite the shrinking market size and uncertainties characterizing the current economic situation.

Sources of funds	2018		2019		2020	
	Value	%	Value	%	Value	%
Independent funding	3,415	46.2	1,566	45.6	2,072	36.2
Funds raised by parent company	215	2.9	25	0.7	540	9.4
Total raised funds (a)	**3,630**	**49.1**	**1,591**	**46.4**	**2,612**	**45.6**
Pan-European funds based in Italy (b)	3,763	50.9	1,840	53.6	3,116	54.4
Total (a+b)	**7,393**	**100**	**3,431**	**100**	**5,728**	**100**

Sources of funds	2021		2022		2023	
	Value	%	Value	%	Value	%
Independent funding	5,359	47.8	5,084	40.2	2,502	34.0
Funds raised by parent company	366	3.3	836	6.6	1,270	17.3
Total raised funds (a)	**5,725**	**51.1**	**5,920**	**46.9**	**3,772**	**51.3**
Pan-European funds based in Italy (b)	5,477	48.9	6,716	53.1	3,580	48.7
Total (a+b)	**11,202**	**100**	**12,636**	**100**	**7,352**	**100**

Table 7 *Italian private equity and venture capital markets: fundraising trends (2018/23, € million and %) –*
Source: elaboration of AIFI data

Independent raising	2018		2019		2020	
	Value	%	Value	%	Value	%
From abroad	717	28.0	300	27.0	191	10.0
From Italy	1,844	72.0	812	73.0	1,716	90.0
Total	**2,561**	**100**	**1,112**	**100**	**1,907**	**100**

Independent raising	2021		2022		2023	
	Value	%	Value	%	Value	%
From abroad	401	11.0	1,739	45.0	319	17.0
From Italy	3,243	89.0	2,125	55.0	1,557	83.0
Total	**3,644**	**100**	**3,864**	**100**	**1,877**	**100**

Table 8 *Italian private equity and venture capital markets: geographic origin of raised funds (independent funds, 2018/23, € million and %) –*
Source: elaboration of AIFI data

Note: *Data are based on a significant percentage (75% in 2023) of total amounts for independent funds for which information about the geographic origin was available.*

Sources of new funds raised on the market	2022				2023			
	Italy	Abroad	Total	%	Italy	Abroad	Total	%
Pension funds	613.2	275.5	888.7	23.0	504.3	15.6	519.9	27.7
Banks	237.6	210.7	448.2	11.6	330.4	0.0	330.4	17.6
Funds of funds			243.4	6.3	59.1	209.4	268.4	14.3
Individual investors			251.2	6.5	165.2	22.5	187.7	10.0
Public sector & IFF	162.3	243.4	405.7	10.5	149.6	30.6	180.2	9.6
Family offices			146.8	3.8			131.4	7.0
Insurances	510.0	170.0	680.1	17.6			88.2	4.7
Other sources			799.8	20.7			170.8	9.1
Total			**3,864**	**100**			**1,877**	**100**

Table 9 *Italian private equity and venture capital market: composition and geographic origin of new funds raised on the market (2022/23, € million and %) –*
Source: elaboration of AIFI data

5.4 Mergers and Acquisitions

According to data released by KPMG based on LSEG Data&Analytics estimates, the global M&A market suffered a second sharp decline in deal values in 2023, after that recorded in 2022. In 2023 closed deals numbered 46,179 (+6.8% *YoY*), for a total deal value of €2,623 million, an annual decline of about 28% compared to 2022, one of the lowest in the last 10 years and close to values last seen in 2014 (€2,468 billion). US was involved in about 47% of global M&A market deals, while Energy & Power emerged as the leading sector.

The Italian M&A market is no exception: it remained substantially unchanged in terms of volume, with 1,271 deals (1,270 in 2022), while values are estimated at about €35 billion, down by approximately 60% *YoY*, KMPG says. The market size is similar to that recorded in 2009 (€34 billion), one year after the subprime mortgage crisis. Volumes were driven by mid-market transactions that mainly involved family businesses and "Made in Italy" production chains, however the significant drop in deal values suggested a very limited presence of "large deals".

KPMG's analysts pointed out that major macroeconomic risks and complex geopolitical scenarios, as well as price volatility for raw materials and tightening monetary policies negatively impacted some major economies, especially in Europe. All this resulted in a sharp fall in the number of "large deals" closed in 2023, leading to a significant contraction in overall values.

"Cross-border in" deals closed in 2023 numbered 386, making up more than 30% of the market in volume, about 4 percentage points less than 2022, and 28% in value (36% in 2022).

"Top 10" deals were estimated at €13.7 billion, accounting for about 41% of the total. Among these deals, there were 4 "cross-border in" deals (€4.6 billion), making up about one third of this sub-sample and 14% of the whole market.

Despite the drop in values, market analysts remarked that several signs suggested an acceleration in the consolidation processes of the "Made in Italy" production chains (in particular, textile and furniture). Consumer Markets, Industrial Markets and Energy & Utilities were the most attractive sectors, in which operations were driven by the internationalization of Italian firms and strategies oriented to energy transition.

The outlook for 2024 anticipates a significant recovery in the M&A market: the pipeline of announced deals amounts to approximately €40 billion, pointing to the dynamic nature and attractiveness of the Italian market. Among the "top 8" forthcoming deals in the pipeline we have 4 "cross-border in" deals, for a deal value estimated at €23.1 billion, making up 58% of the most important announced deals expected in the next few months. According to analysts, the outlook for 2024 is also positive due to the probable cut in interest rates by Central Banks. This can facilitate access to credit and boost new waves of acquisitions, especially for buyers such as private equity funds, using leverage to finance these deals.

To be consistent with past AIBE Reports, the Dealogic database was used to extract data on Italian M&A deals in 2023 with the aim of analyzing the presence and role of foreign intermediaries as advisors in supporting M&A deals. They offer financial advice and provide a fairness opinion, with a thorough financial analysis, and compare target values and market prices to evaluate the equilibria of the financial terms of the transactions.

Dealogic recorded 1,355 completed deals, worth about €35.1 billion, close to KPGM figures, with detailed information about the origin and role of target and acquiror advisors. Although data collection is not complete, as these records are available for about 25% of completed deals, we can estimate the overall presence of foreign advisors. Foreign target advisors were involved in 219 deals having a total deal value of about €25.5

billion: we can estimate their market share at 16% in volume and 73% in value. These percentages go up, respectively, to 66% and 94% if we exclude deals that do not give information about target advisors. If we focus on the role of bidder advisors, the situation appears to be very similar, as – missing data apart – foreign acquiror advisors were called in for 70% of deals in terms of volume and 89% in value.

Table 10 shows the presence of both foreign target and acquiror advisors. As reported below, at least one foreign advisor was called in for about 80% of deals (€28.2 billion out of €35.1 billion). This percentage refers to both deals involving exclusively foreign advisors (€9.1 billion, 26% of the total), and deals involving pools with domestic and foreign advisors (€15 billion, 43% of the total)[19].

Healthcare, Dining & Lodging, and Utility & Energy are the leading sectors in terms of the presence of foreign target advisors (€12.2 billion, concentration index C3 is 48% of the total deal value relating to foreign target advisors and 35% of the whole Italian M&A market). With regard to bidder advisors, the most dynamic sectors are Finance, Retail, and Healthcare, for which the concentration index C3 is 66% of the total deal value relating to foreign acquiror advisors and 46% of the whole market, as these sectors make up about €16.1 billion of deal values.

Based on Dealogic data, the 10 largest deals had a deal value of about €14.2 billion, making up 40% of the whole market. All of these deals have been assisted by at least one foreign advisor, and in 3 operations out of 10 both target and bidder advisors were non-domestic. In 2023, according to Dealogic data, there were 8 “mega deals” (24 in 2022), valued at least €1 billion, with a cumulative value of about €12.4 billion, making up 35% of the total market. By comparison, it is noted that in 2022 they amounted to €108 billion, making up 75% of the market. Despite the huge downsizing of the Italian M&A market and the limited number of “mega deals”, the presence of foreign advisors within this sub-sample remained significant, as they were involved in all deals on both the target and bidder side.

Geographical origin of target advisor parent	Geographical origin of acquiror advisor parent								Total	
	abroad		Italy and abroad		Italy		N/A data			
	Value	%	Value	%	Value	%	Value	%	Value	%
abroad	9.1	25.9	5.1	14.4	1.3	3.7	1.8	5.1	17.2	49.1
Italy and abroad	3.1	8.8	4.5	12.7	0.3	0.8	0.4	1.2	8.2	23.5
Italy	0.5	1.4	0.3	1.0	0.4	1.2	0.3	0.8	1.5	4.3
N/A data	1.8	5.2	0.1	0.2	1.0	2.8	5.2	14.8	8.1	23.1
Total	**14.5**	**41.3**	**10.0**	**28.4**	**3.0**	**8.4**	**7.7**	**21.8**	**35.1**	**100**

Table 10 Value of M&A deals by geographic origin of advisors (2023, € billion and %) – Source: elaboration of Dealogic database

[19] Remaining percentages refer, respectively, to deals involving exclusively Italian intermediaries both as target advisors and acquiror advisors (€0.4 billion, 1%), and to missing data, i.e., M&A operations for which at least one “side” of the deal has no information about the involved advisors), quantified at about €10.6 billion (30% of the total).

Chapter 6

Advisory and operations in capital markets

This chapter summarizes data about the positioning of foreign intermediaries in providing financial services to support Italian firms with access to international financial markets. The analysis deployed focuses on the role of foreign players as bookrunners for issuances of debt (para. 6.1) and equity securities (para. 6.2), as well as in retail trading (para. 6.3).

6.1 Debt capital market

According to Dealogic data, in 2023 the market size of debt issuances by Italian firms amounted to about €167 billion (€111 billion in 2022, +51%), distributed over 209 tranches (155 in 2022). The market size in 2023 reached the second highest of the last decade, well above the pre-COVID period, when the annual average between 2015 and 2019 was about €109 billion.

As Figure 12 shows, the most recent data confirm the high positioning of foreign bookrunners: in 2023 171 issuances were assisted by at least one foreign intermediary (82% by volume), with a total value of €116 billion (69% by value). As in recent years, most issuances were assisted by international pools of bookrunners, in which both domestic and nonresident intermediaries participated. In greater detail, foreign bookrunners participated exclusively (with no Italian banks) in 42 tranches (20% of the total), totaling about €9 billion in value, or 5% in volume. International consortia held a market share of about 62% in volume (129 tranches) and 64% in value (€107 billion). The average value of deals assisted by international pools of bookrunners was about €826 million, higher than the market average (€799 million). Unlike a yearly earlier, in 2023 transactions assisted solely by Italian intermediaries were those having the highest average size (€1.4 billion).

In 2023 there were 35 "mega deals", i.e. tranches having a value of at least €1 billion (27 in 2022), for a total value of about €107.4 billion, making up just less than two thirds of the whole market. Within this cluster, the relevant role of foreign bookrunners was confirmed: in greater detail, they participated in 28 out of 35 tranches (80% by volume), making up a total value of about €61.1 billion (57% by value).

Government, Finance, and Utility & Energy are the leading sectors with regard to both the dynamics of the whole market and the support offered by foreign bookrunners. Issuers from these three sectors raised €145.3 billion, 87% of the total market value, confirming – via the concentration index C3 – that the market is dominated by issuers that operate in a limited number of sectors. The results of the analysis are similar if we limit the focus to the operations of foreign bookrunners. As can be seen in Figure 13, foreign players mainly assisted Italian financial firms (€52.8 billion), public issuances (€32.5 billion), and Italian companies operating in Utility & Energy sector (€8.7 billion).

These three main sectors accounted for just below €94 billion in value, or 56% of the whole market size, and 81% of all operations undertaken by foreign and international pools of bookrunners. In the "top 10" sectors alone, these percentages grew to 67% and 97% respectively.

As Table 11 shows, we also analyzed the distribution of tranches by class value. The presence of nonresident bookrunners is predominant in almost all tranche value classes, with a peak for mid-sized tranches, where they participated in about 90% of issuances. The distribution by deal type (Table 12) is similar. If we exclude Government issuances, for which most issuances were assisted by local bookrunners (58%), in all other deal types foreign bookrunners hold a relevant market share, in covered bond issuances (100% by value) and corporate bonds, both high yield (98% by value) and investment grade (96%) and other government uncollateralized issuances (non-US Agency, 96% by value).

In a worldwide perspective, analysts observed that market volatility, geopolitical tensions and central banks raising interest rates to fight inflation caused turmoil within debt capital markets in 2023. Despite these uncertainties, worldwide DCMs performed well, especially in the second half of the year, following expectations of adjustments to monetary policy decisions. DCMs expanded by 2.4% to $9.7 trillion, in which the investment grade segment reached a total value of about $4.9 trillion, with an annual growth rate just less than 4% (Acuity Knowledge Partners, *"Debt capital markets outlook 2024"*, A&O Shearman, *"Key global capital market development and the outlook of 2024"*).

According to the London Stock Exchange analysis, in Q1-2024 global DCM dynamics was positive, as raised funds amounted to $4.3 trillion, up 13% from Q1 2023 (LSEG, *"Quarterly Debt Capital Markets update – Q1 2024"*, 29 May 2024). Looking ahead to 2024, analysts expect a more favourable environment for global DCMs and further rate cuts, though predictions differ in timing and amount. On the one hand, this could lead to a drop in financial pressure, benefiting both private companies and Governments, and optimistic outlooks suggest an expansion in debt issuances in 2024. On the other, significant uncertainty and risk factors remain, such as the recrudescence of inflation, worsening credit conditions and low growth rates in major economies that could significantly impact debt issuance activity (Sullivan & Cromwell LLP, "Debt Capital Markets: Global overview", 21 February, 2024).

According to Dealogic, also the Italian debt capital market increased in size in the first part of the current year: over the period January/April, Dealogic database recorded issuances for a total value of about €86.7 billion (€65.6 billion in January/April 2023), divided into 86 tranches (64 in 2023). Foreign intermediaries participated in 69 tranches out of 86 (80% by volume), with a deal value of €66 billion (76% by value).

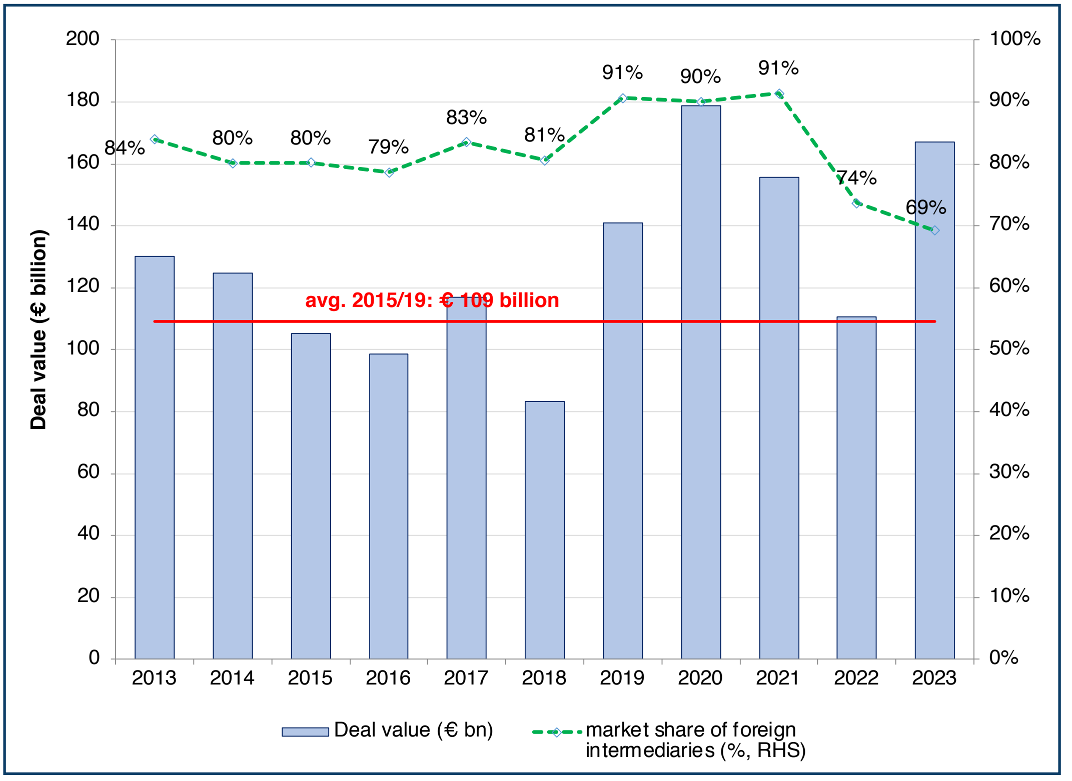


Figure 12 *Debt capital market (DCM) issuances by Italian borrowers: total annual deal value (2013/23, € billion) and market share of foreign bookrunners (%, RHS) – Source: elaboration of Dealogic data*

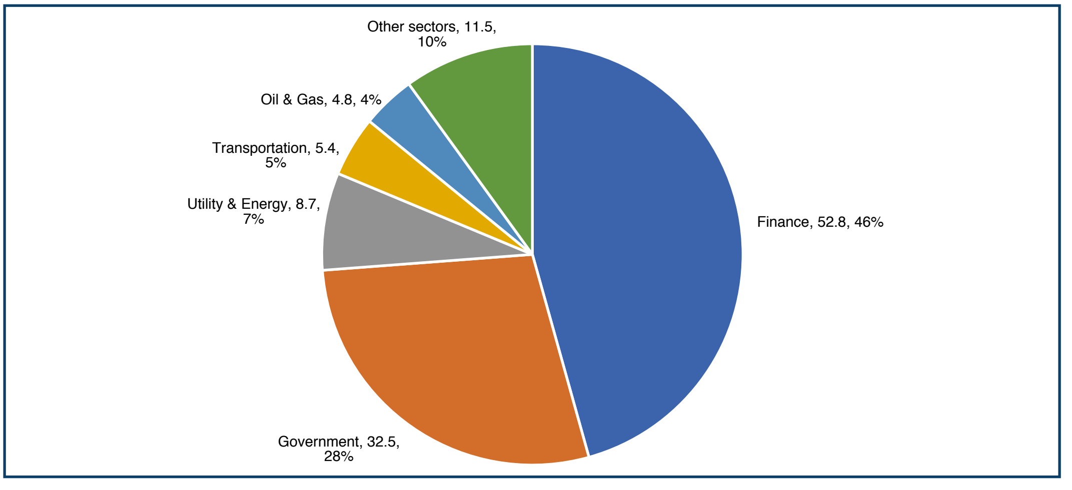


Figure 13 *DCM issuances by industrial sector of Italian borrowers assisted by foreign bookrunners (2023, € billion and %) – Source: elaboration of Dealogic data*

Class of tranche value	Foreign bookrunners		
	Number of tranches	Tranche value	Market share (%)
Up to € 10 million	7	41.1	80.3%
€ 10-100 million	30	1,186.3	58.9%
€ 100-500 million	68	26,085.7	93.9%
€ 500 million-1 billion	44	33,222.6	90.2%
€ 1-5 billion	20	38,077.5	76.7%
More than € 5 billion	2	17,000.0	33.5%
Total	**171**	**115,613.2**	**69.2%**

Table 11 *DCM issuances by Italian borrowers assisted by foreign bookrunners: distribution of tranche value by size (2023, € million) –*
Source: elaboration of Dealogic database
Note: *market share (%) is by class of tranche value.*

Deal type	Foreign bookrunners		
	Number of tranches	Tranche value	Market share (%)
Corporate Bond-Investment Grade	67	47,193.6	95.5%
Sovereign, Local Authority	7	32,520.0	41.8%
Covered Bond	19	14,400.0	100.0%
Corporate Bond-High Yield	28	12,742.5	98.2%
Asset-Backed Security	36	4,230.1	77.8%
Non-US Agency	9	3,862.1	96.3%
Medium-Term Note	5	665.0	22.3%
Total	**171**	**115,613.2**	**69.2%**

Table 12 *DCM issuances by Italian borrowers assisted by foreign bookrunners: distribution of tranche value by deal type (2023, € million) –*
Source: elaboration of Dealogic database
Note: *market share (%) is by deal type.*

6.2 Equity capital market

This section provides the main data about the role of foreign bookrunners in supporting Italian companies with equity issuances (e.g. IPOs, rights offer, accelerated bookbuild and convertible bond issuances).

According to the Dealogic database, last year the Italian equity capital market increased in size, from €4.5 to just less than €6 billion (+32% *YoY*). Despite this growth, the market size remained far below the pre-COVID average: in the period 2015/19 the average size was about €12.1 billion. Issuances were divided into 50 tranches (43 in 2022), of which half were assisted by foreign bookrunners. Their market share was much more relevant in value terms, however, as they participated in equity deals worth about 94% in value (€5.6 billion), with an increase of about 17 percentage points compared to 2022.

Although 50% of transactions involved exclusively Italian intermediaries (25 deals), the average size of these deals was much lower (€13.3 million) than deals (15) assisted solely by foreign bookrunners (€170 million) and deals (10) in which international pools of intermediaries participated (€307 million). The latter deals involved, on average, 4 bookrunners, in which non-domestic players played a leading role. The concentration index C3 based on the three largest deals by size was 42% (€2.5 billion), rising to 87% for "top 10" deals (€5.2 billion).

As shown in Figure 14, issuers assisted by foreign intermediaries predominantly come from the Oil & Gas, Finance, and Leisure & Recreation sectors. The aggregate of these three leading sectors shows a concentration index C3 of about 58% (€3.3 billion) of the value of deals assisted by foreign bookrunners.

Looking at deal type, IPOs are the most common deal, with a total of 34 new public offerings (30 in 2022), worth €1.3 billion, of which 13 assisted by foreign bookrunners, making up a market share of about 38% by volume and 90% (€1.2 billion) by value. 11 "follow-on" deals were completed during the year, of which 8 of the "accelerated bookbuild" type, for which nonresident players held a market share of 73% by volume (8 out of 11 deals) and 91% by value (€1.9 billion out of a total just above €2.1 billion). The framework of deal types is rounded out by 5 convertible loans: 4 were assisted by foreign bookrunners for almost the total deal value issued (€2.5 billion).

Even after another tough year, global equity markets closed 2023 with positive returns, LSEG analysts say. A broad market rally late in the year was fueled by growing expectations that central banks would begin cutting interest rates in the first months of 2024. Despite the uncertainties, improving investor confidence is evident across major markets. In the first quarter of 2024 there were strong performances in global equities, supported by favourable macroeconomic factors such as declining inflation rates and reduced market volatility. Moving through 2024, analysts are optimistic about the stock market outlook, buoyed by an ongoing economic recovery and technological advances, as well as by strong performances across regions and sectors (Technology, Healthcare, and Energy are in the spotlight for 2024). However, both investors and issuers should remain vigilant by monitoring for shifts in geopolitical factors and economic conditions.

According to Dealogic data, in Q1-2024 Italian ECM shared these optimistic signs. Between January and April 2024 17 deals were recorded, for a total deal value of about €3 billion: in the first quarter of 2023 they were, respectively, 15 and €1.6 billion. The presence of foreign bookrunners was predominant, as they participated in 9 issuances out of 17 (53% by volume), making up a total deal value of about €2.8 billion (94% by value).

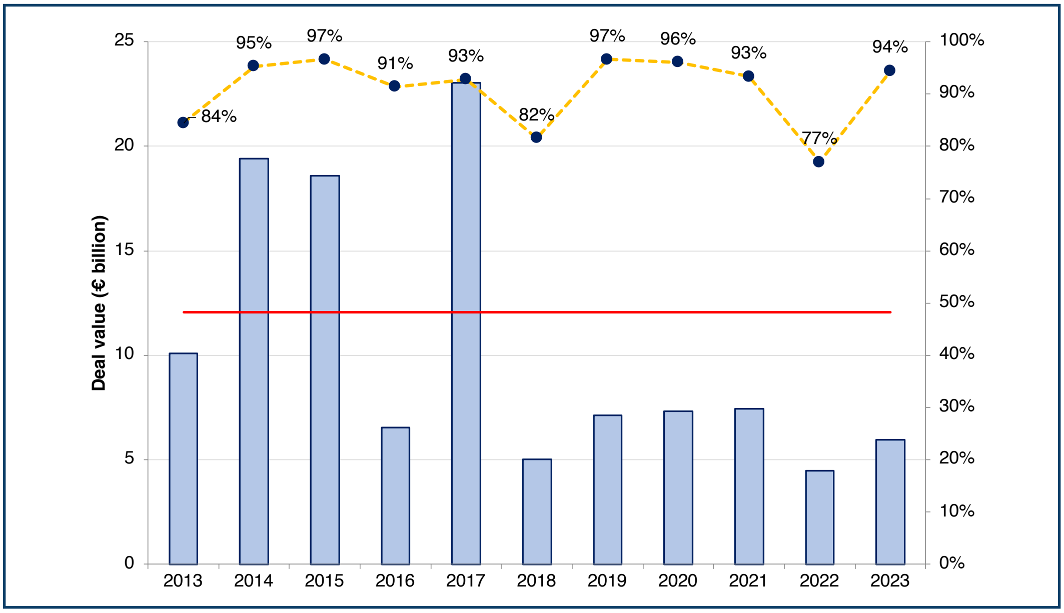


Figure 14 *Equity capital market: distribution of deal value (Italian issuers, 2013/23, € billion) and market share of foreign bookrunners (%, RHS) –*
Source: elaboration of Dealogic data

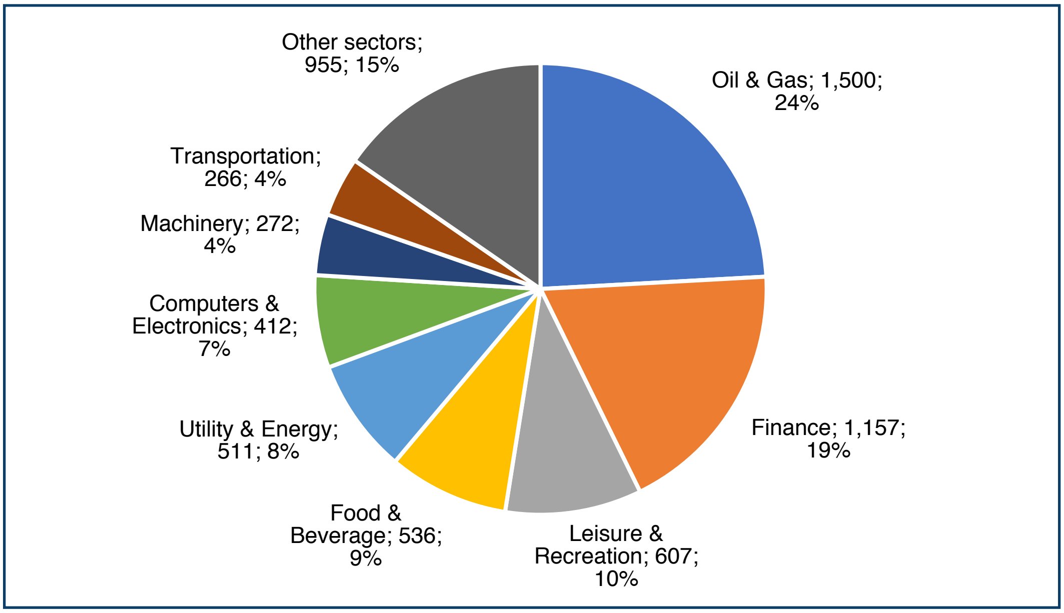


Figure 15 *Equity capital market: issuances by industrial sector of Italian issuers assisted by foreign bookrunners (2023, € billion and %) –*
Source: elaboration of Dealogic data

6.3 Trading on Cash Markets

According to AMF Italia – Associazione Intermediari Mercati Finanziari, that represents the intermediaries active on the Italian financial markets (Italian investment firms, investment banks and subsidiaries of foreign investment services providers), in the Euronext Milan Domestic market AMF members accounted for about 39% of total market volume in 2023, stable compared to 2022, and 73% in the DomesticMOT, a 8 percentage point decline *YoY*.

Figure 16 summarizes the market share held by AMF Italia's foreign members: 13% of total market volume in the Euronext Milan Domestic, and about one third of the total deal value. The figures have remained quite stable in recent years. The market share held by foreign players in the DomesticMOT is much lower, and in 2023 fell from 5.2% to 3%. In 2023, in the Euronext Milan Domestic market, 4 out of 20 players were based abroad, and they were all very active, making the "top 10" by market volume.

Despite a more limited relevance in other market segments of the Italian Stock Exchange, AMF data highlights the fact that the presence of both domestic players and operators based abroad can increase volumes traded and market efficiency. In the "Index Futures" market, a US-based bank confirmed its leading role by volume for third party trading, with a market share of about 10%, a growth of 3.5 percentage points *YoY*. Also, three out of the "top 5" operators are based abroad. Within the "Options on stocks" segment, the league table shows 3 foreign players among the "top 5" most active for third party trading (19% of the total market value). The "Top 3" most active players in "Futures on stocks" segments are nonresident, as are the top two intermediaries by value as regards own account trading in the Euronext Milan Domestic market.

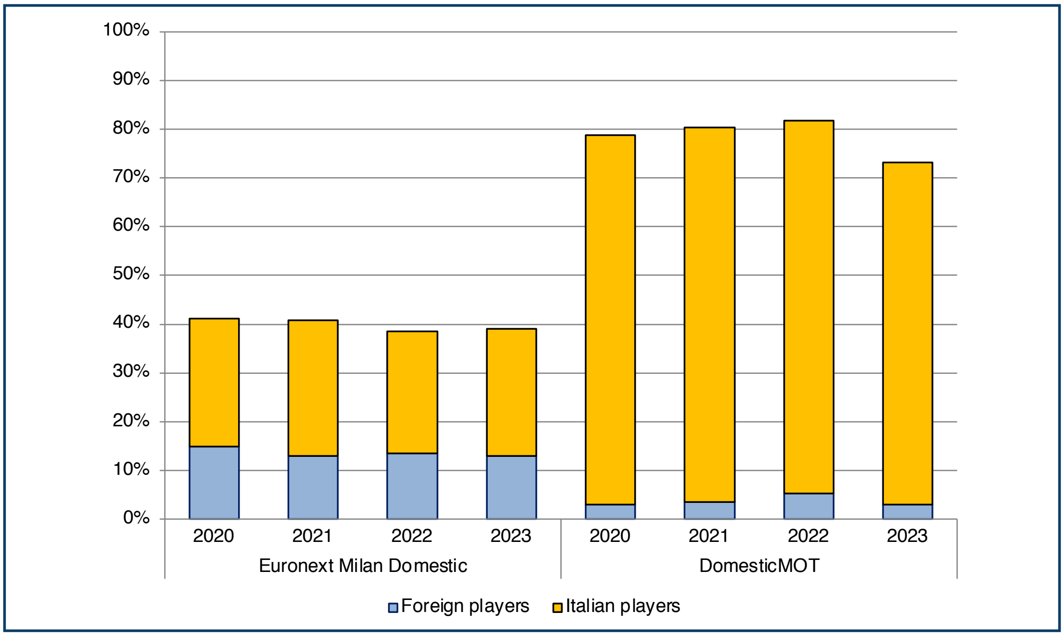


Figure 16 Recent trends in market shares held by AMF's members by origin (2020/23, % of values) –
Source: elaboration of AMF's statistics

Chapter 7

Specialized credit

Assifact stated that the Italian factoring market grew by about €2.6 billion in terms of annual turnover in 2023, from €287.3 to €289.8 billion (+2.5% *YoY*). This growth confirms the recent positive trend, ongoing since 2021, following the collapse of 2020. In 2023 the Italian factoring market reached its peak value for the last decade. Assifact statistics include data referring to 4 foreign financial intermediaries out of 30 members: their annual turnover grew from €48 to €49.4 billion (+2.9% *YoY*), a higher rate than that recorded for domestic players (0.5% *YoY*). At the end of 2023 foreign players held a market share of 17%, the highest of the past 5 years (Figure 17).

According to Assilea data, the Italian leasing market expanded by about 10.3% in 2023, as the value of leasing contracts rose from €31.5 to €34.8 billion, the highest value of the last 10 years (Figure 18), while the value referring to Assilea's foreign members went up by €0.2 billion, from €10.1 to €10.3 billion. Despite this growth, their market share shrank from 32% to 29.7%, with the portion of "unavailable data" expanding significantly, making up 44% of the total (36% in 2022). The league table by value of leasing contracts highlights that 4 out of the "top 5" most active intermediaries are based abroad, brokering leasing contracts in 2023 of about €8.3 billion, making up 24% of the whole market and 81% of the operations of nonresident intermediaries.

With regard to aggregate market statistics, foreign players numbered 17, exactly half the number of operators included in Assilea's statistics, making up a total value of about €10.3 billion, distributed over about 174,000 contracts, 57% of the total number of contracts for which information is available.

Outstanding credit at the end of 2023 was just above €68 billion, of which €20.4 billion referring to foreign players (47% by number of contracts and 30% by value). Two foreign intermediaries – belonging to international banking groups – were among the "top 5" most active operators by stock of outstanding credit.

The Italian consumer credit market grew in 2023. According to the Assofin, Crif and Prometeia Consumer Credit survey, cash flows rose by about €4.5 billion on an annual basis, reaching a value of €73.9 billion in 2023.

In recent years, the market share held by foreign players increased above the half of the whole market: the value of cumulative flows referred to foreign players increased from €38.8 billion to €44.7 billion (+15.4% *YoY*), while the market share – despite a small negative change in 2022 – made up 61% of the market (Figure 19). The number of foreign intermediaries covered in Assofin's surveys remained stable over time. In 2023 they were 18, of which 7 are foreign banks, representing the 45% of the total number of operators included in the latest survey.

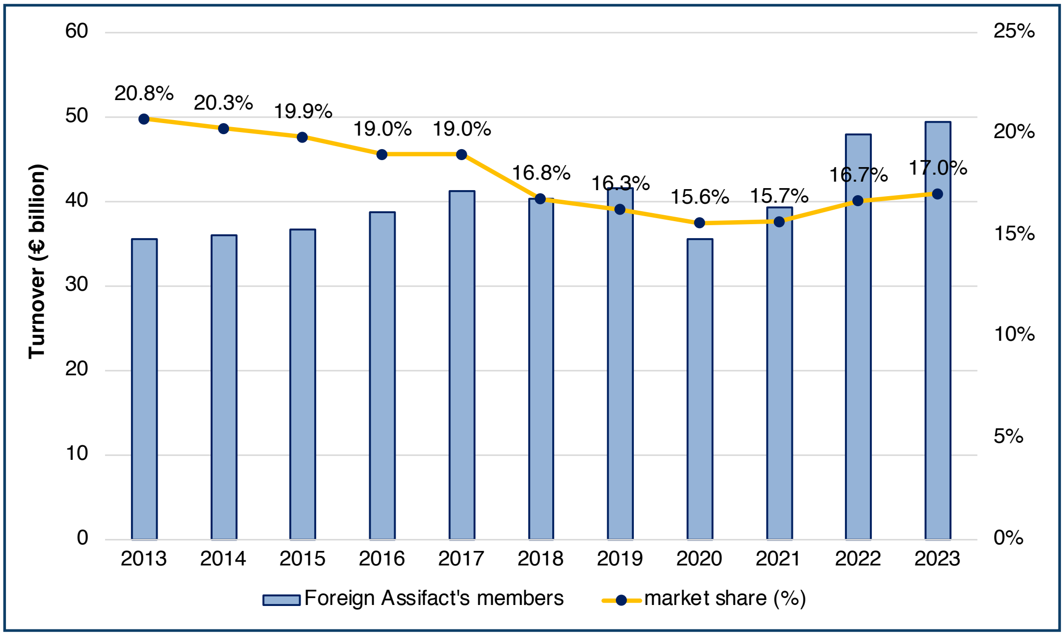


Figure 17 *Italian factoring market: distribution of turnover and market share of foreign players (2013/23, € billion and %) –*
Source: elaboration of Assifact data

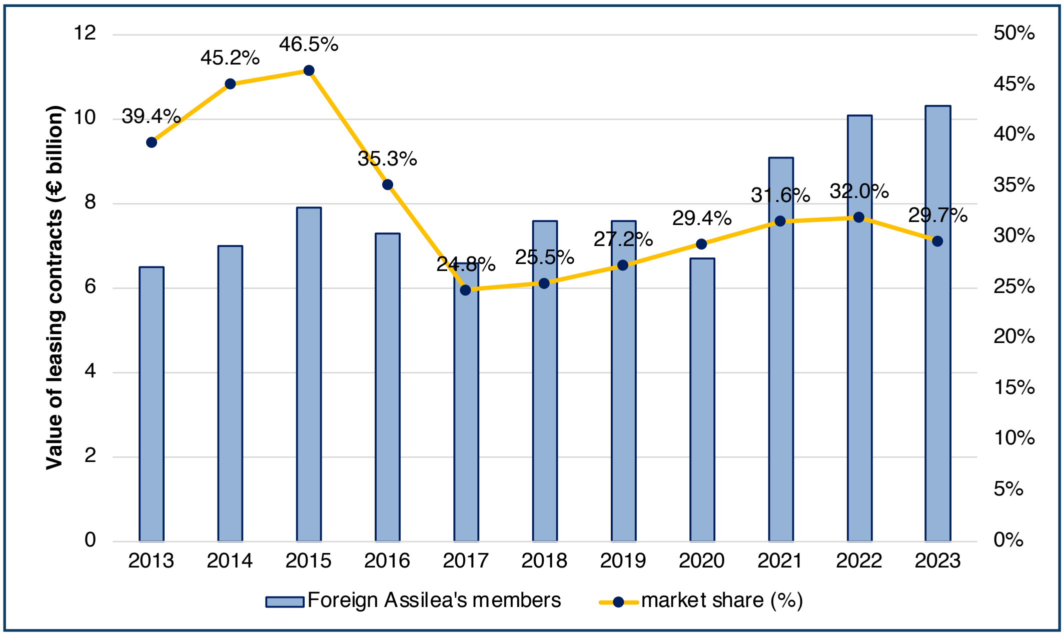


Figure 18 *Italian leasing market: distribution of the value of leasing contracts and market shares of foreign players (2013/23, € billion and %) –*
Source: elaboration of Assilea data

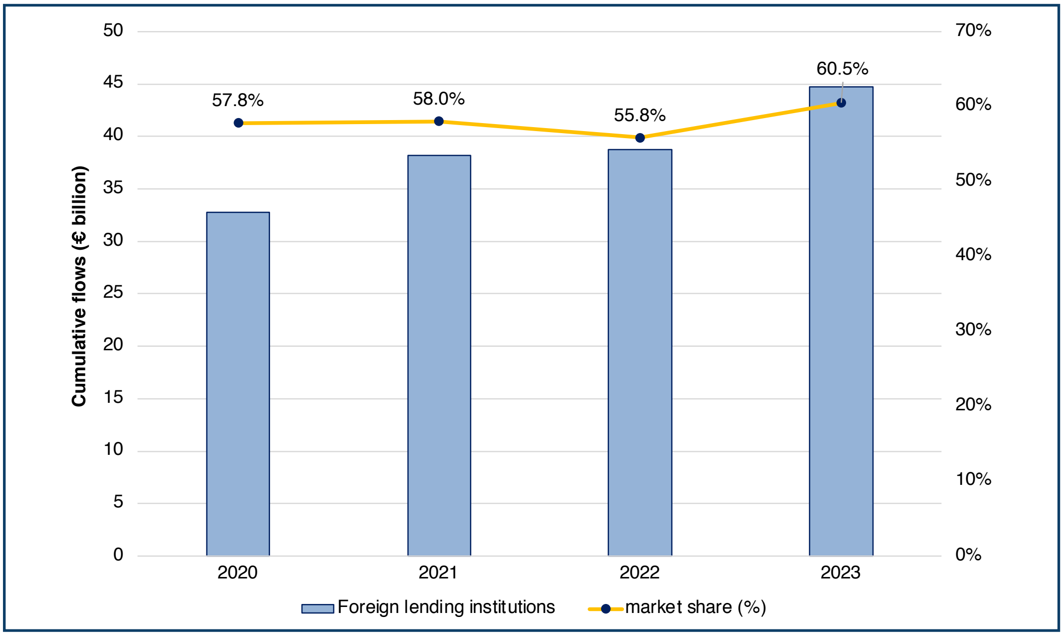


Figure 19 Italian consumer credit market: distribution of cumulative flows and market share of foreign players (2020/23, € billion and %) –
Source: elaboration of Assofin-Crif-Prometeia's survey, last update June 2024

Note: Foreign lending institutions are players having prevalent foreign ownership. In the case of mixed-ownership companies, cumulative flows are attributed "pro rata" according to ownership shares.

Chapter 8

Foreign banks in Europe: a sample analysis

This chapter gives a brief overview of the role played by foreign banks in a sample of European countries (France, Germany, Spain and United Kingdom), with a view to comparing Italy and its European competitors in terms of the presence of and market shares held by nonresident intermediaries in selected business lines.

Following the methodologies of previous AIBE Reports, we compared Italy to the above-mentioned European countries, in terms of the role of nonresident investors in Government debt (para. 8.1) and the role of foreign-based intermediaries operating as bookrunners in supporting firms' issuances and funding decisions in syndicated loans markets and debt and equity capital markets (para. 8.2).

8.1 The role of nonresident investors in public debt

The figures given here are International Monetary Fund (IMF) data, summarized in its periodic report "Fiscal Monitor", containing several relevant statistics and comparing economic and financial indicators for public finances.

The latest publication (April 2024) highlights the importance of sustainable public finance, amid mounting debt. Despite the more optimistic mood in global financial markets, durable and credible fiscal consolidation is required to rebalance public finances and create favorable conditions for investments and economic growth and make global economies more resilient to future shocks.

Eurozone public finances face a pivotal year in 2024 (S&P Global, "EU Sovereign Debt 2024: Mixed Outlook and New Rules", February, 2024). The EU's emphasis on economic governance is enforcing fiscal discipline, highlighted by new fiscal rules, despite ongoing macroeconomic difficulties and long-term spending pressures. There are significant differences from country to country, especially concerning debt levels and the path to fiscal consolidation. The exposure of nonresident investors to public debt is also very different. According to the ECB, two sectors have contributed most to handling the new public debt of EU countries since the Eurosystem is shrinking its balance sheet: households and foreign investors (ECB, "Who buys bonds now? How markets deal with a smaller Eurosystem balance sheet", The ECB Blog, 22 March 2024). Historically, foreign investors have been the largest holders of Euro area government securities; the recent and renewed interest of nondomestic investors comes as no real surprise. Institutional investors are highly sensitive to yield fluctuations and market opportunities, particularly in bonds issued by higher-rated Euro Area nations as sovereign debt investments (ECB, *"Sovereign bond markets and financial stability: examining the* *risk to absorption capacity"*, in *"Financial Stability Review"*, November 2023.

According to IMF data (Figure 20), there has been a resurgence in the market share of general Government debt held by nonresident investors in the sampled countries. France and Germany recorded the highest figures (respectively, 45.3% and 40.8%), an increase from Q1-2023 to Q3-2023 of about 1.9 and 4.3 percentage points respectively. The average market share of nonresident investors in the sampled countries is just below 35%, a positive change in 2023 of about 1.7 percentage points.

Among the selected countries, the level of participation of foreign investors in Italy is close to that of the United Kingdom, about 16 percentage points less than France, Germany, and Spain. The long-term trend over the period 2015/2023 is quite similar, with a downward curve that grew steeper after the COVID pandemic and the market shocks in 2022 and in the first half of 2023.

While there is optimism that financial markets will work more smoothly in the future, public finances – with efforts oriented towards reducing debt and deficit – and other risk factors have to be monitored closely going forward, also in view of new fiscal rules and new public (and private) investments in greener energies and the digital transition.

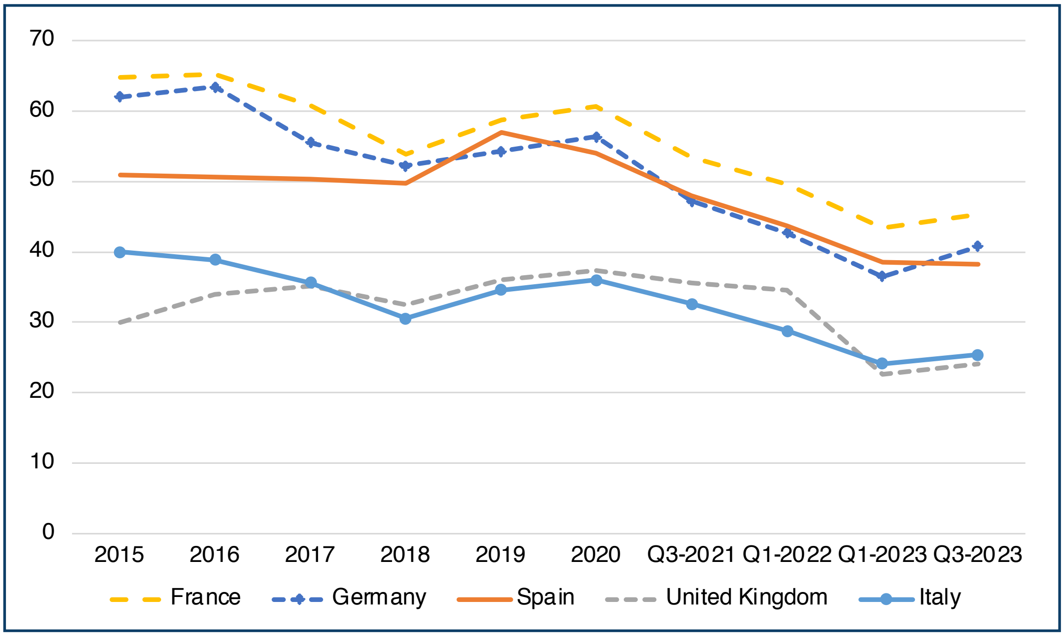


Figure 20 Nonresident holdings of general government debt (2015/23, % of total) – Source: elaboration of IFM Fiscal Monitor

8.2 The role of foreign banks in debt and capital markets

This paragraph looks at the positioning of foreign bookrunners in the four above-mentioned foreign countries (France, Germany, Spain, and United Kingdom) in comparison with Italy, with regard to the syndicated loan, debt and equity capital market issuances in 2023.

Figure 21 provides a summary of the main results.

Looking first at syndicated loans, the total value of new issuances in 2023 was about €503 billion, substantially down compared to 2022 (-17% *YoY*). Changes were negative for all the sampled countries, even if there are some differences in magnitude. The United Kingdom remained practically stable (–1%) and confirmed its relevance, making up 34% of the total sample (29% in 2022).

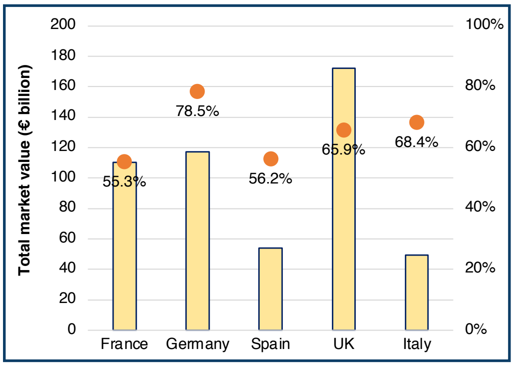
The market share held by foreign bookrunners is significant everywhere. If we consider both single foreign players and the role of the international consortia, pooling domestic banks and nonresident intermediaries, the average market share is about 65% (69% in 2022), with Germany recording the highest value (78.5%). The leading role in all the sampled countries is played by international pools of bookrunners, with an average market share of 51% of the total deal value. German and British markets – the largest in our analysis –also have more "mega deals", as the average size of tranches there is much larger than other countries (respectively, €382 million in the UK and €334 million in Germany versus €169 million in France and just above €100 million in Italy and Spain). The larger the market size, the more attractive it is in the eyes of large corporations and international groups with more complex funding needs, looking to strike a good balance between costs, opportunities and market liquidity.

In 2023 DCMs increased almost everywhere, even if growth rates were different. On aggregate, the total market value of issuances reached €1,254 billion, +18% *YoY*. Italy posted the largest increases in both absolute value (+€56.4 billion) and percentage terms (+51%). France and Germany were confirmed as the largest markets, accounting for about 54% of the total market value in the 5 sampled countries. Data regarding the penetration of foreign bookrunners confirmed their relevance: in all the analyzed markets, they held more than half of the market share, operating both as single bookrunners (average market share 16.1%) and in international pools of intermediaries (67.4%). No significant differences emerged among countries.

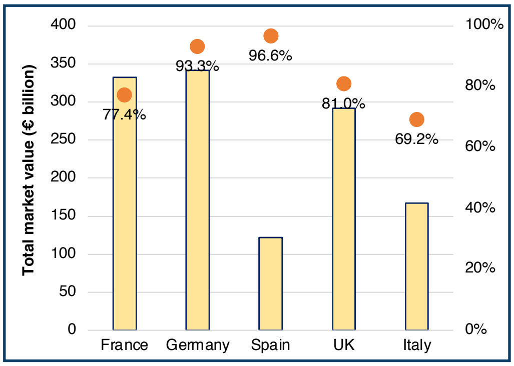
Equity capital markets benefited from the economic recovery and financial stabilization in the second half of 2023, with a significant rally in late 2023 in terms of value of issuances (+25% *YoY*), despite them being concentrated in the UK markets. The total market size was just above €52 billion: Germany and the United Kingdom were the largest markets, collecting about 70% of all new issuances in the 5 sampled countries. The role of foreign bookrunners was again very significant: they operated as single bookrunners assisting about 49% of the total market value, while international consortia held a share of about 45%.

Although these countries are quite different in terms of economic and industrial landscape and the development of financial markets, a significant common trait is the relevant presence of foreign bookrunners, able to offer specific and professional solutions to entities' financing needs and to support their customers internationally.

(a) Syndicated loans



(b) Debt capital markets



(c) Equity capital markets

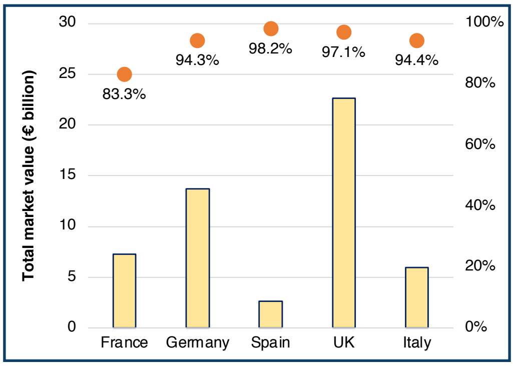


Figure 21 Annual deal value and market share of foreign intermediaries (2023, € billion and %) – Source: elaboration of Dealogic database

List of AIBE Member Banks

The list is updated through January 1st, 2024.

Arab Banking Corporation SA
Banco Bilbao Vizcaya Argentaria SA
Banco Santander SA
Bank of America Europe DAC
Bank of China Ltd. Milan Branch
Bank of Communications (Luxembourg) SA
Barclays Bank Ireland Plc.
Bayerische Landesbank
Bhw Bausparkasse AG
BNP – Paribas
Caixabank
China Construction Bank (Europe) SA
Citibank N.A.
Commerzbank AG
Cooperatieve Rabobank U.A.
Crédit Agricole Corporate and Investment Bank
Crédit Agricole Leasing & Factoring SA
Deutsche Bank
Euroclear Bank
HSBC Continental Europe
Industrial and Commercial Bank of China (Europe) SA
ING Bank N.V.
J.P. Morgan Chase Bank
KBC Bank N.V.
Mizuho Bank Limited
MUFG Bank, Ltd.
Natixis S.A.
Nomura Financial Products Europe GMBH
Pictet & Cie
SMBC Bank EU AG
Société Générale
State Street Bank GMBH
The Bank of New York Mellon SA/N.V.
UBS Europe SE
Western Union International Bank GMBH

Representative Offices

Banque Misr
Crédit Industriel et Commercial

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