

**PERMICRO – MICROCREDIT
IN ITALY**

per  **micro**
MICROCREDITO IN ITALIA



EU Commission DG Market
Brussels, December 2nd 2011

PROFILE

PerMicro is a Financial Intermediary operating under Bank of Italy's supervision, today the only Italian MFI with a professional approach aiming at reaching sustainability by giving an opportunity of financial inclusion to the “unbankable”

From 2008 PerMicro has produced 1800 credits or 9 Million euros, 65% supporting families needs and 35% for business startups.

PerMicro shareholders (Bank Foundations, Social VCapitalist, BNL Bank) are absorbing operating losses, sustainability expected by 2015, 7 years from startup.



PRODUCTS

PerMicro offers two financial products

1. MICROCREDIT FOR ENTERPRISES:

for start-up or development of micro business activities.

This is linked with business development services for the client throughout the entire duration of the microcredit (financial education and monitoring) and requires

- a good business idea;
- technical and entrepreneurs skills
- being part of network or associations (church, ethnical community) that can provide a moral guarantee.



2. MICROCREDIT FOR FAMILIES : for unbankables only: credit for small investment on the family's future such as home, health, work, education, small investments in country of origin, consumer goods always excluded.

clients receive specific infos and training about managing their family budget.



PRODUCTS

these two financial products ARE OFFERED TO THE SAME SEGMENT OF POPULATION

1. MICROCREDIT FOR ENTERPRISES

LOW MARKET POTENTIAL

VERY EXPENSIVE: CONTACT+ SELECTION + BPLAN+ FOLOW UP

INTEREST RATE CAP

HIGH RISK

2. MICROCREDIT FOR FAMILIES

IN INDUSTRIALIZED COUNTRIES THESE ARE THE UNBANKABLES

BETTER MARKET POTENTIAL

STILL EXPENSIVE TO SERVE: FAMILY BUDGET+ COMPLETE INFO

LOWER RISK

THE PRODUCT MIX IS IMPORTANT IN ORDER TO REACH SUSTAINABILITY



perXmicro
MICROCREDITO IN ITALIA

IS PERMICRO SUPERVISED ?

LEGAL OBLIGATIONS:

- COMPLIANCE TO PRIVACY RULES
- COMPLIANCE TO BANK OF ITALY AND MEF RULES
 - MONEY LAUNDERING
 - TRANSPARENCY
 - PERIODICAL INFORMATION
 - CAPITAL+BOARD+AUDITORS MIN. REQUIREMENTS

OTHER OBLIGATIONS

- RITMI AND EMN CODE OF CONDUCT
- SMART CAMPAIGN
- EU CODE OF GOOD CONDUCT
- SEAL OF EXCELLENCE (?)



WHAT DOES THE EU COMMISSION SAYS ?

EU Commission Initiative for Microcredit

MFIs not receiving deposits should NOT be submitted to prudential rules

EU Commission recommendations to Member States

- create an environment supporting development of MFIs and covering all customer's segment**
- eliminate interest rate caps**

NO ADVANTAGES FOR MFIs

Italy is adopting a new **BANKING Law** which will regulate MC:

- creating a definition of MFIs
- keeping B.Italy's control
- setting strict and formal definitions of what can be and cannot be done:
 - deposits excluded
 - peer to peer not considered
 - interest rate caps maintained and lowered
 - excluding MFIs from self regulation.

NO CLEAR ADVANTAGE FOR MFIs

AUTHORITY

derogation to rules should not be considered a privilege BUT an acknowledgement of specificity

WE HAD PROPOSED FEW CLEAR PRINCIPLES AND SELF-REGULATION

- AN AUTHORITY MADE BY MEMBERS HAS BEEN EXCLUDED**
- WE EXPECT TO BE CONTROLLED ON HOW WE SELECT+INFORM+TRAIN+FOLLOW UP
=> SOCIAL IMPACT**

RATHER THAN THROUGH STRICT FORMAL DEFINITIONS

(MANY) FORMALITIES AND (LITTLE) PRICES

- **MANY DEFINITIONS TO COMPLY WITH, WHILE APPLYING INTEREST RATE LOWER THAN MARKET**
 - **SO BANKABLES WILL FLY IN, LOTTERY ?**
 - **HOW TO KEEP PROPER SELECTION ?**
 - **AND SUSTAINABILITY ?**

- **RISK TO IDENTIFY A NARROW SEGMENT , SUB SUB PREMIUM, TO BE SERVED AT BELOW MARKET CONDITIONS: **TOO LITTLE, TOO BAD, TOO EXPENSIVE****

THE SEGMENT SHOULD BE ENLARGED AND OFFERED WITH SERVICES NOT AVAILABLE TODAY: MC IS STANDING CLOSE , BUDGETING, PLANNING, INFORMING, FOLLOWING UP. **THIS IS FINANCIAL INCLUSION**

RISKS

WE SEE A SLIGHTLY LOWER LEVEL OF COMPLIANCE WITH OBJECTIVE AND SUBJECTIVE LIMITATIONS UNDER BANK OF ITALY'S SUPERVISION

MARKET IS RISKY AND NEW, WE EXPECT NO LESS CONTROLS, JUST MORE CONSISTENT.

MC WILL NOT RESPOND TO FINANCIAL EXCLUSION, IT WILL BE ANOTHER SOCIAL CREDIT , NOT A SUSTAINABLE CREDIT

WE ARE NOT IN A SITUATION WHERE MC HAS EXPLODED AND NEEDS STRICTER CONTROLS

=> WHAT IS UNDER DISCUSSION IS A BANKING RULE NOT A LAW FOR THE DEVELOPMENT OF THE SECTOR

CONTACTS

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Thank you!