

EU COMMISSION GIVES GREENLIGHT TO THE EXTENSION OF ITALIAN "GACS" UNTIL 2022

On 14 June 2021, the European Commission approved to extend by one year the final term for the state guarantee mechanism established by the Italian Government to facilitate the disposal of non-performing exposures ("**NPEs**") by Italian banks and financial intermediaries ("**GACS**"). The GACS scheme was originally introduced by law decree no. 18/2016 (as converted by Italian law no. 49/2016, the "**GACS Law**").

AN ADDITIONAL ONE YEAR WINDOW FOR ITALIAN BANKS TO OFF-BALANCE NPES

Since the beginning of 2021, the Italian Government has entertained discussions with the European Commission to obtain the renewal of the GACS for one more year from its expiry in May 2021. Alongside, the Italian Banking Association (hereinafter "**ABI**") has urged on the Italian Government to negotiate a wider approval by the European Commission, so to comprise within the scope of application of the GACS Law also any unlikely-to-pay exposures ("**UTPs**"), in addition to NPEs.

The long-awaited response of the European Commission was delivered on Monday, 14 June 2021. While ABI's proposal to widen the GACS's scope to UTPs has not been addressed, the applicable final term has been extended by one year, which means until 14 June 2022, banks and financial intermediaries incorporated in Italy may request the Ministry of Economy and Finance ("**MEF**") to issue (also through a state owned guarantor designated by the MEF) a first demand, unconditional and irrevocable guarantee to secure the senior tranche of asset backed securities issued in the context of securitisations of non-performing receivables (including lease receivables) transferred to Italian special purpose vehicles by such banks and financial intermediaries pursuant to Law no. 130/1999 governing Italian securitisation transactions .

The Italian MEF should issue a decree in the coming days to formalise this prolongation.

This news puts NPEs back as a hot topic to the Italian market agenda, and confirms that disposals of non-performing receivables are expected to increase significantly, also as a consequence of the possible future expiry of the large scale *moratoria* and employment protection measures that have

Key issues

- GACS' term is extended up to June 2022
- UTPs remain out of scope
- MEF's new decree to formalise extension is awaited

been applied so far to the Italian debtors as a mitigant to the outbreak of the pandemic and the related financial crisis.

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