

## Newsalert

### European Commission approves Italian recapitalisation scheme under the State aid Temporary Framework

On 17 September 2020, the European Commission has approved the Italian scheme to support large companies particularly affected by the coronavirus outbreak. The scheme consists of four complementary measures that were approved under the State aid Temporary Framework.

The Italian measures aim at supporting the solvency of a large spectrum of companies that have suffered from the coronavirus outbreak through recapitalisation instruments and supplement the Italian scheme intended to support small and medium-sized companies, already approved by the Commission on 31 July 2020.

Executive Vice-President Margrethe Vestager, in charge of competition policy, said: *"This Italian recapitalisation scheme will support large companies affected by the coronavirus outbreak by strengthening their capital base and facilitating their access to finance in these difficult times. Together with other previously approved measures, the scheme will ultimately be instrumental in supporting the Italian economy and labour market. We continue to work in close cooperation with Member States to find workable solutions to mitigate the economic impact of the coronavirus outbreak, in line with EU rules."*

In more details, the measures notified by Italy are set out in Law Decree 19 May 2020, no. 34 (the so-called "Rilancio" Decree, converted into Law 17 July 2020, no 77) and consist of: (i) equity injections; (ii) mandatory convertible bonds; (iii) convertible bonds, upon request of either the beneficiary or the bondholder; (iv) subordinated debt. The Rilancio Decree provides for specific eligibility criteria: the beneficiaries should be large companies that have faced a severe reduction of revenues in 2020 and, among other criteria, companies that are considered strategic for the economy and for the labour markets.

The Rilancio Decree lays down that these measures are going to be implemented by a specific purpose vehicle named “Patrimonio Rilancio”, set up by Cassa Depositi e Prestiti S.p.A.<sup>1</sup>

With respect to the recapitalisation measures, that may be granted until 30 June 2021, the Commission found that the scheme notified is in line with the conditions set out in the Temporary Framework for the following reasons:

- (i) the support is available to companies if it is necessary to continue performing their business, if no other appropriate solution is available and it is in the common interest to intervene;
- (ii) support is limited to the amount necessary to ensure the viability of beneficiaries and does not go beyond restoring their capital structure before the coronavirus pandemic;
- (iii) the scheme provides an adequate remuneration for the State;
- (iv) the conditions of the measures incentivise beneficiaries and/or their owners to repay the support as soon as possible;
- (v) safeguards are in place to make sure that beneficiaries do not unduly benefit from the recapitalisation aid by the State to the detriment of fair competition in the internal markets, such as an acquisition ban to avoid aggressive commercial expansion; and
- (vi) aid to a company exceeding the threshold of €250 million has to be notified and assessed individually.

Concerning the aid measure consisting of subordinated debt instruments, the Italian scheme is considered in line with the Temporary Framework because (i) aid will not exceed the relevant limits on turnover and wage bill of the beneficiaries set out in the Temporary Framework and (ii) support can only be granted until the end of 2020.

Given also the fact that only companies that were not considered to be in difficulty already on 31 December 2019 are eligible for aid under this scheme, the Commission has approved the measure under EU State aid rules.

The full text of the decision will be soon available in the State aid register on the Commission's competition website once any confidentiality issues have been resolved. The press release can be found [here](#).

*For further details, please reach out to your usual Chiomenti contact.*

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<sup>1</sup> For further information, please see our Newsalert at <https://www.chiomenti.net/public/files/0/DL-Rilancio-CDP-Patrimonio-destinato-1952020.pdf> (available in Italian only).