Foreword

by *Andrea Vismara*

2023 marks a very special year for Equita as we celebrate our 50^{th} anniversary. A remarkable milestone for a financial institution that, over the years, has been able to set itself apart as the leading independent investment bank in Italy, as well as an innovative player for the entire Italian financial system.

Since its establishment in 1973 as "Euromobiliare," Equita and its professionals have committed to improving financial markets and promoting corporate finance transactions to foster companies' growth and innovation. And as strong evidence of how capital markets are so important for the system and for us, Equita itself has been listed twice – first as Euromobiliare and then as Equita – on both the SME growth market and the regulated market.

In 2013, our DNA as an independent investment bank and our focus on capital markets led us to develop a partnership with Bocconi University, an institution which has capital markets at its heart, just like we do. Since the very beginning, the aim of the partnership between Equita and Bocconi was to study the Italian capital markets, which have historically been under-developed, considering the size of our economy and in comparison with all major OECD countries. And it is well known that this gap has significantly harmed the ability of Italian corporates to invest and innovate in their businesses, as well as their ability to compete on a global basis.

The reasons for the unsatisfactory development of our capital markets, which was very clearly described in a specific report published by OECD in 2020, range from the over-reliance on bank lending by Italian corporates, to the small number of domestic investment banks and institutional investors, such as pension funds, to the exceedingly complex regulatory framework. But ultimately, the main reason has been the historical lack of interest in capital markets of our own governments and regulators: government debt and bank lending have always been the key priorities, and Italian industrial policies have never focused on the need for efficient capital markets for the benefit of companies and investors.

Looking at what we have done in the past ten years jointly with Bocconi, we are honored to see that all our efforts – in terms of research and financial publications – have been reworked and summarized in a book to celebrate our partnership. At the same time, we feel really proud of what has been done in the past decade to promote capital markets, financial education, and human capital.

I would like to mention, for instance, the award for the best strategies on capital markets we hand out each year within the partnership (with the sponsorship of Borsa Italiana – Euronext Group) to companies that have accelerated their growth by accessing equity and debt capital markets. Another key element of the partnership I would love to recall are the scholarships with which Equita has supported students since 2013 (not limited to Bocconi but including several other schools and universities), as well as the initiatives to promote gender equality in finance, such as the "Bocconi Awards for Women," with which we sponsor scholarships for deserving female students majoring in finance and Executive MBA candidates.

Coming back to our joint research, since the very beginning of the partnership, thanks to the academic contribution of Centro BAFFI-CAREFIN we have analyzed the ongoing condition of capital markets, focusing from time to time on intermediaries, investors, companies, and their reasons to go public. We have carried out a thorough comparison with more developed models, such as the UK's model, and analyzed the performance reported by securities issued by Italian companies over the last decade. And we have always integrated this analysis with recommendations for regulatory improvements and system-wide initiatives.

Over time, encouraging improvements have emerged which also show a growing awareness of the importance of our capital markets for companies and investors.

Among the positive initiatives, we can certainly mention the pieces of legislation passed by the Italian Government to promote the introduction of PIR funds (individual savings plans) and ELTIFs (European Long Term Investment Funds), which have subsequently been further improved with the so-called "PIR Alternativi." The PIR funds for instance – whose main aim was to overcome the lack of liquidity for small and mid-caps by incentivizing the investments of long-term retail investors in such growth listed companies – benefit from tax exemption on capital gain and financial income if certain conditions are met. The same is true for the PIR Alternativi, but with a slight difference on their primary purpose because these funds are aimed at channeling Italian savings toward both public and private Italian SMEs, as it is the case in UK and France for instance. The introduction of tax credits on listing expenses for SMEs completing an IPO is another market-friendly initiative that took a significant step in encouraging Italian companies to go public.

More recently, the listing process has been simplified, following the recommendations of the task force coordinated by the Ministry of Economy and Finance (summarized in the so-called "Libro Verde"). Government representatives have also announced a wider-ranging piece of legislation which should address a number of regulatory issues regarding our capital markets.

This is in line with a renewed effort also at European level to modernize the regulatory framework and to enhance the appeal of its capital markets, as clearly shown by the work of the Technical Expert Stakeholder Group on SMEs (or TESG, a group of experts – which included Equita) promoted by the European Commission, and the Listing Act proposal published in late 2022.

In Italy, CONSOB has adopted simpler approval procedures, aligned the time limits for prospectus approval to the European standards and granted the possibility to draft prospectuses in English. On the same side, Borsa Italiana has simplified the documentation requirements, the extent of its role in the review process of listings and the responsibilities of listing agents.

All of these initiatives point out the concrete commitment of regulators to ensure faster and easier access to capital markets for issuers, and enhance the overall attractiveness of debt and equity markets, as a way to accelerate growth and diversify funding sources for European companies. Equita and Bocconi have been at the forefront of all of these developments, deeply involved in all the policy discussions and drafting of the main pieces of legislation.

However, in the last decade, prior to this recent collective effort, regulation had gone in the opposite direction, mainly as a result of new European directives, which overcomplicated the entire framework when unnecessary. I am referring to MiFID II, introduced in January 2018 with the aim of increasing transparency, protecting investors, and improving growth markets dedicated to SMEs, or the Market Abuse Regulation (MAR), entered into force in July 2016 to contrast market abuse and promote market integrity.

Whilst the regulator's purposes were noble, a number of mistakes were made, and the introduction of MiFID II and MAR resulted in significant unintended consequences, first of all an increasing level of complexity that have compromised the willingness of companies to access capital markets, especially for mid and small caps.

And nothing has been done to make sure that investment banks and investors (particularly the ones focusing on smaller companies) can prosper and guarantee efficient capital markets for European companies. Quite the opposite, with initiatives such as the MiFID II directive, which demands the completely unnecessary unbundling of the cost of research from trading fees. These rules are destroying the research industry, increasing concentration, cutting the research coverage of European companies, especially on mid and small caps, and making it impossible for weaker research institutes to survive. Within the recent Listing Act proposal, the European Commission has clearly stated that MIFiD II had a very negative impact on research coverage and is now considering some major adjustments.

In summary, some progress has been made but, as the book clearly shows, there are still a number of important issues to be addressed. In order for capital markets to function properly in Italy, initiatives must still be taken on different fronts so that the whole ecosystem made of investment banks, investors, companies, taxes and regulatory framework makes our capital markets attractive for companies and investors.

For example:

- Rules must be simplified so as to make it less burdensome for companies to go public and remain listed over time.
- Incentives must be put in place to develop a healthy research industry, after years of decreasing coverage and disappearing investment banks.
- Taxes such as the FTT that create a competitive disadvantage for the Italian equity markets must be removed.
- Local investors must be further developed, with a clear commitment from pension funds, insurance companies, banks and banking foundations to contribute actively to our capital markets.
- The Government, CONSOB and Bank of Italy must all make it their objective to find ways to develop the markets and cooperate actively with all the stakeholders.

In sum, an effective industrial policy must be put in place to foster the development of capital markets and reduce the gap with the ones of the main OECD countries and the effort should be coordinated by a dedicated team, across ministries and institutions, to take ownership of this important task.