

B15. OTHER INTERMEDIARIES

FINANCIAL MARKETS AND INSTITUTIONS

A.A. 2022/23

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TOPICS



- WHY OTHER INTERMEDIARIES EXIST?
- WHY FINTECH?
- WHY MUTUALITY?

OTHER INTERMEDIARIES

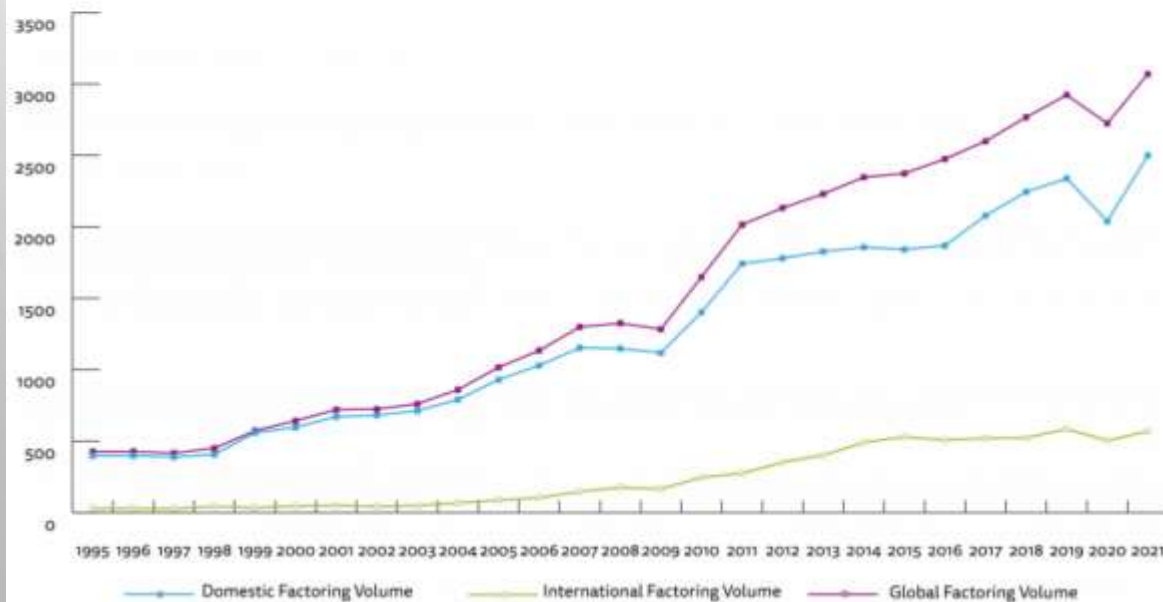
- **Servicing** main financial institutions, or **specialised** in customers (f.i. consumers) or products (f.i. leasing) less prominent in leading markets
- Funds from **money markets** (no deposits), **equity** and **bonds**
- Targeting high volumes of small-sized short/medium term loans:
 - **Lower liquidity risks (no deposits)**: still no secondary market
 - **Lower interest rate risk (shorter duration)**: still A/L gap
 - **Higher credit risks**: more concentration (geographical, customers, ...), more limited selection/monitoring tools → higher interest income
 - **Lower level of regulation/supervision**: still subject to disclosures and protection of retail borrowers/savers
- Frequently, **captives**



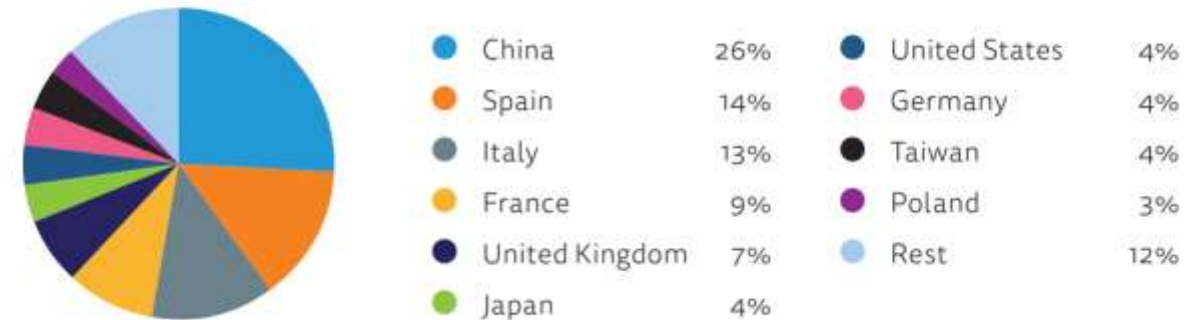
FACTORING

- commercial credit: not only financial needs – administration and guarantees
- sums discounted (credit) or simply cashed in, with or without recourse
- *reverse factoring* originated from debtor (f.i. key companies in complex value chains)

Evolution of Global Factoring Volume (in Euro billions)

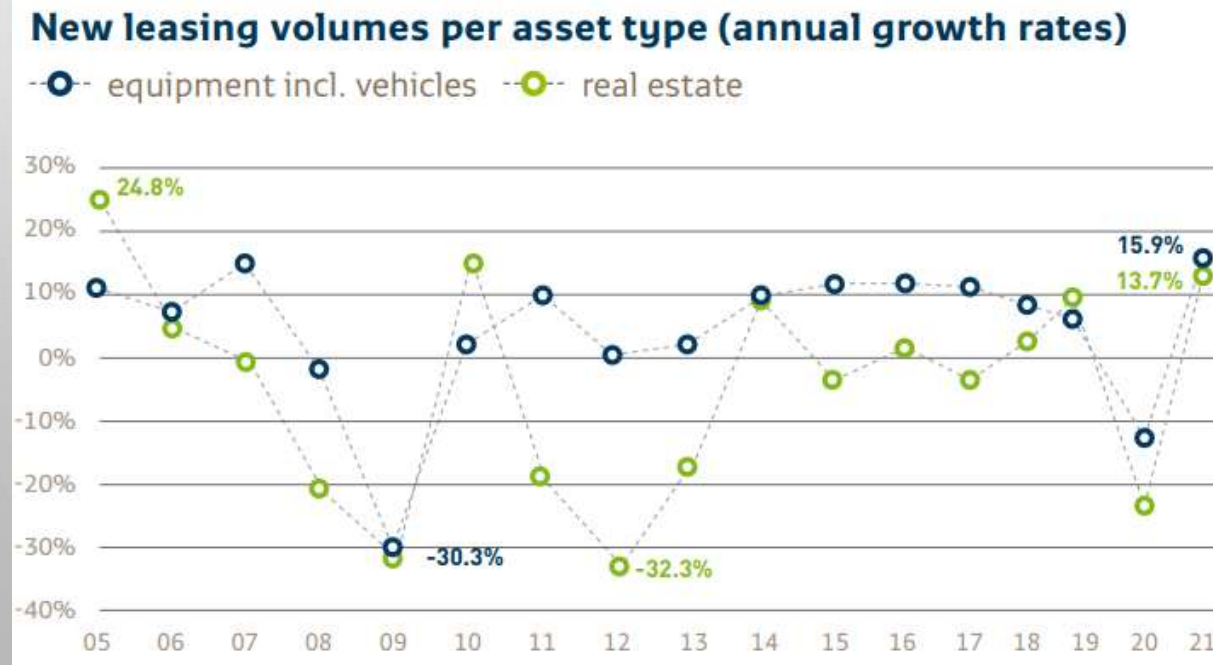


Share of 2021 FCI Factoring Volume

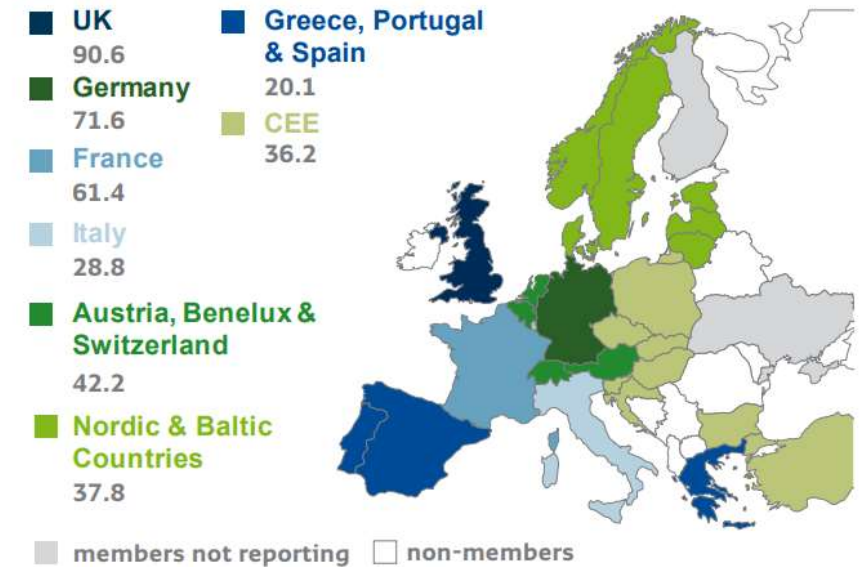


LEASING

- on real estate, equipment, ships, aircrafts, cars, ...: using an asset without ownership
- chance to redeem or not the asset at the maturity date
- operational (from constructor/maker) or financial (from financial intermediaries)
- substantially, borrowing (payment of principal and interest), formally renting
- again, offering additional accounting, administration and tax advantages
- *(sale and) lease-back*



New leasing volumes per cluster in 2021 (in Bil €)



CONSUMER CREDIT

- purpose: current personal consumption (usually with low size limits to qualify, other than real estate and debt refinancing)
- protection of retail borrowers strong in most countries (transparency, contracts, ...)
- many technical forms with huge cross-country variation (from direct debit to salary to revolving credit cards, ...)
- may require personal or insurance guarantees

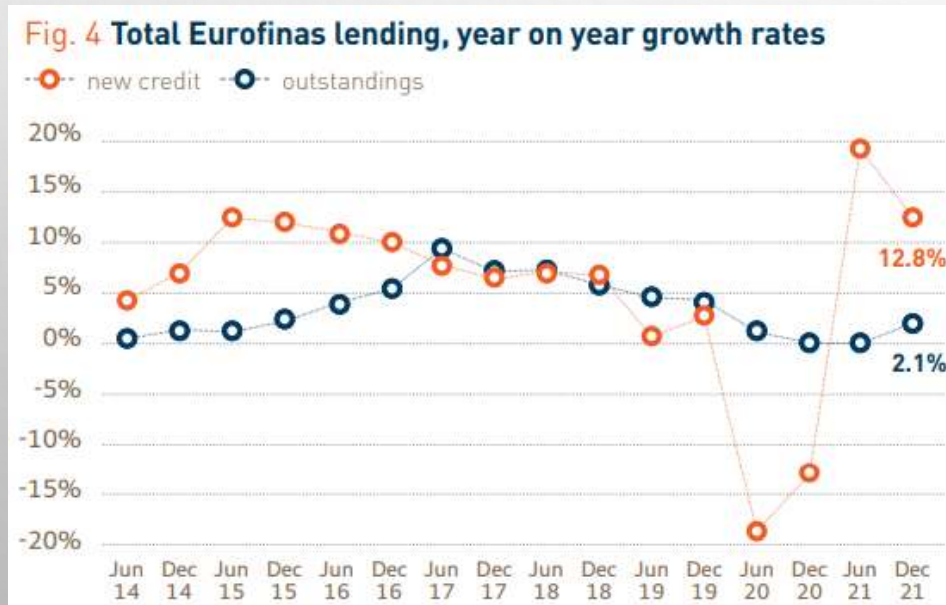
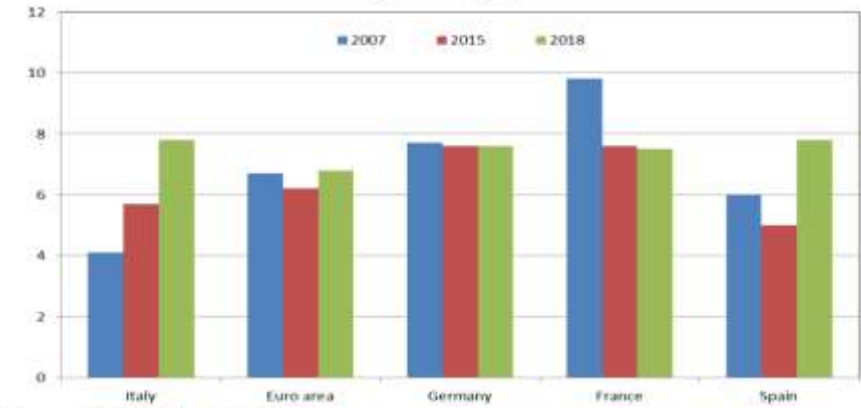


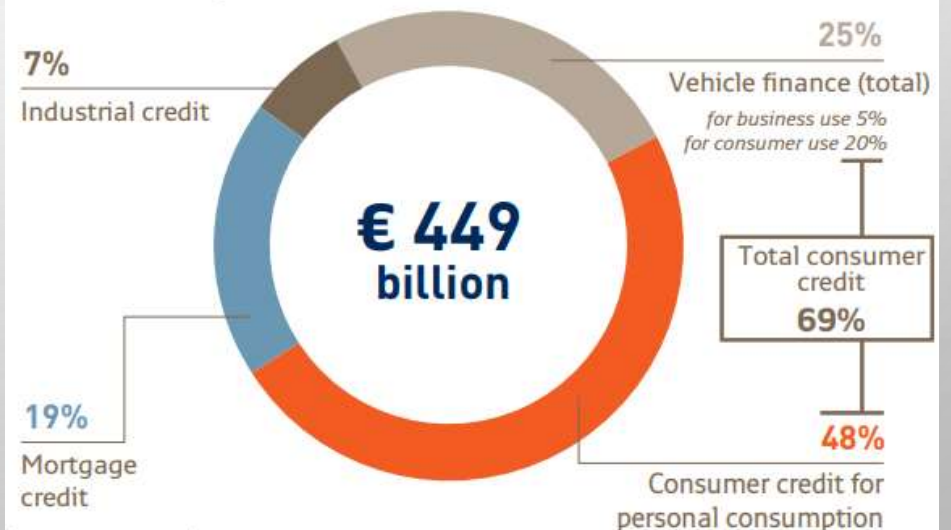
Figure 4 – Ratio of consumer credit to non-financial private sector total loans (percentages)



Source: ECB Statistical Data Warehouse.

Fig. 3 New credit granted by product type, 2021

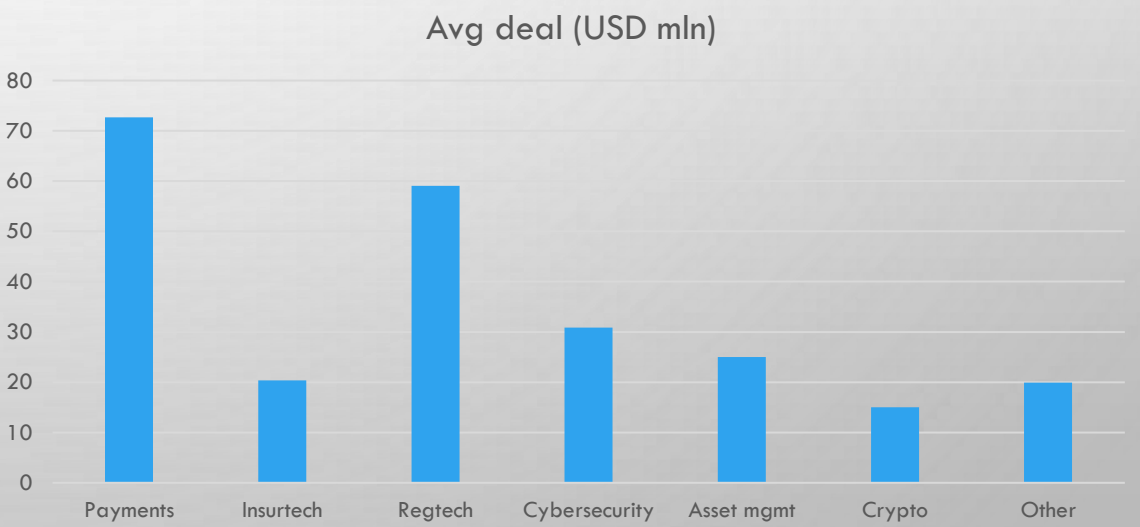
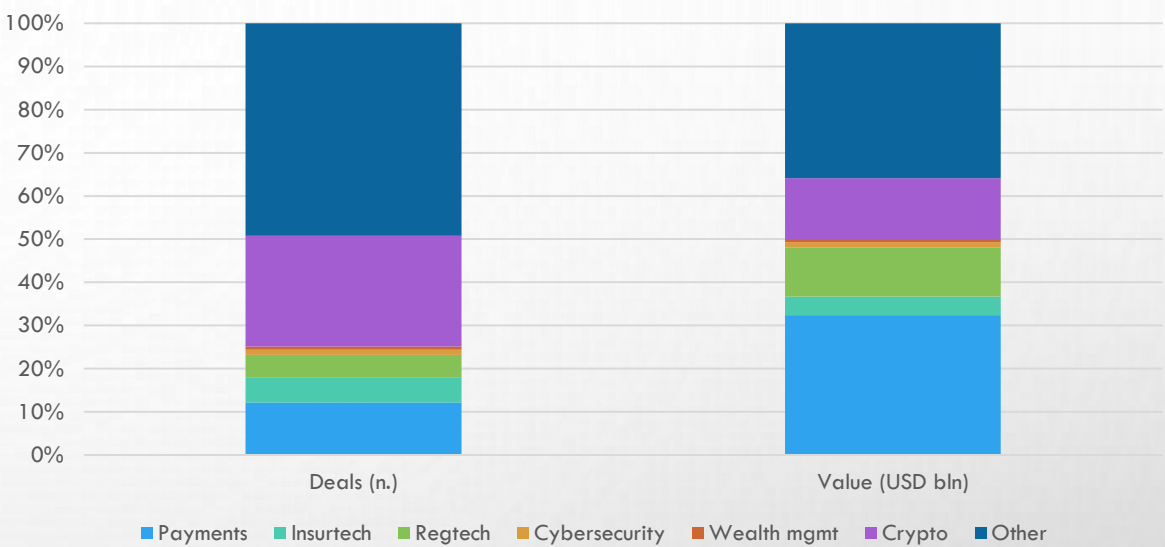
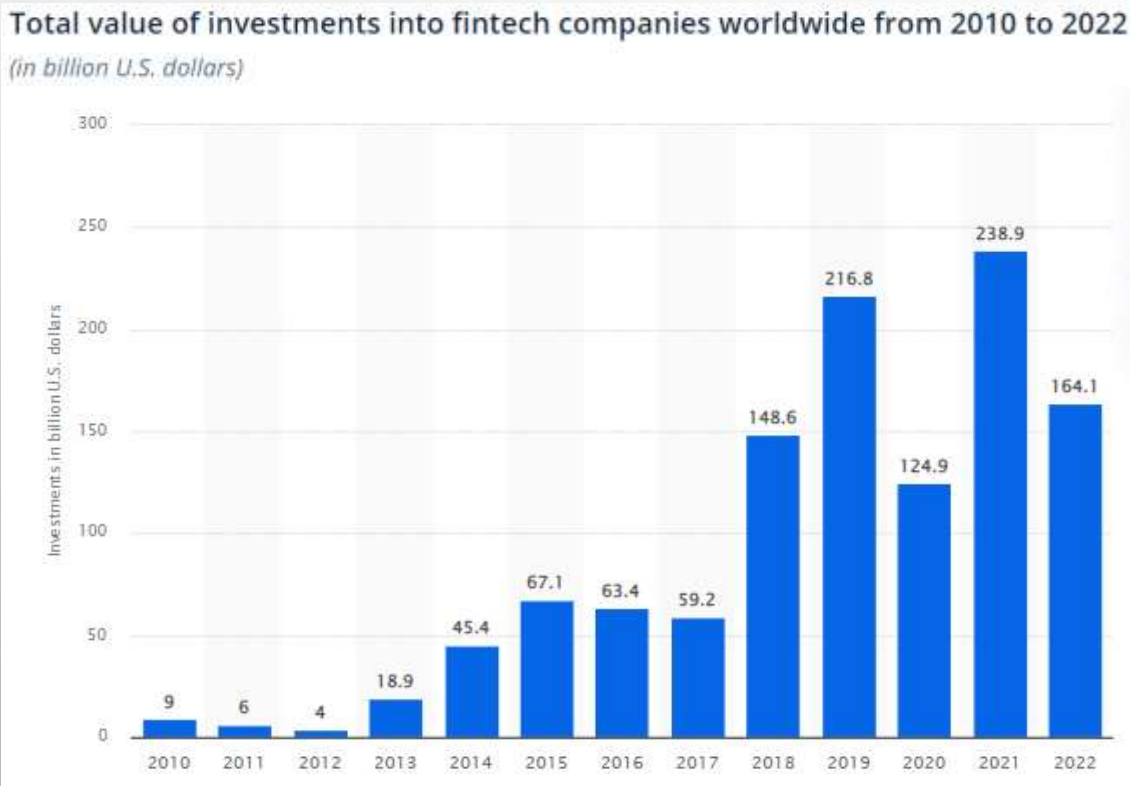
% of new credit granted



Source: B. of It., Eurofinas

FINTECH

Finance + ICT: payments, investments, asset management, insurtech, regtech, cybersecurity, crypto



FINTECH

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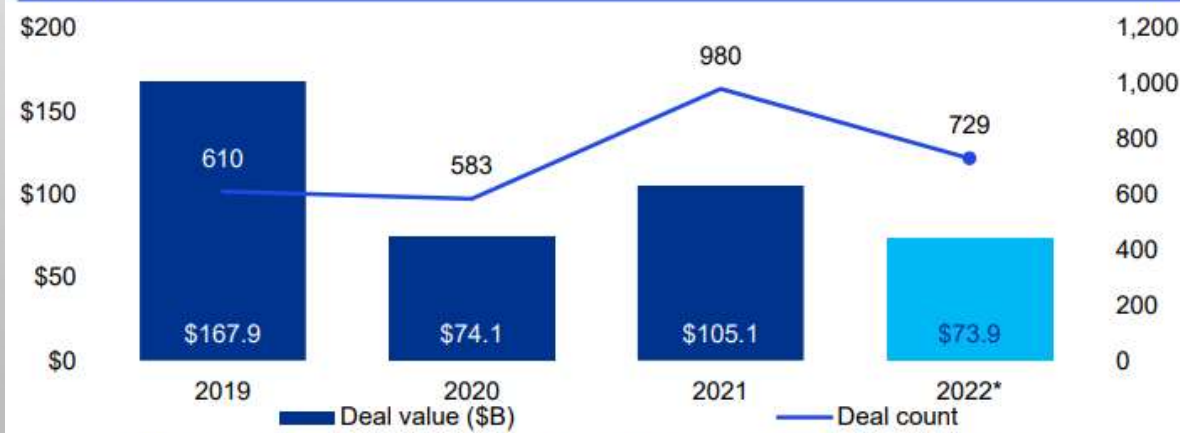
Total global investment activity (VC, PE and M&A) in fintech
2019–2022*



Global venture activity in fintech
2019–2022*



Global M&A activity in fintech
2019–2022*



Global PE growth activity in fintech
2019–2022*



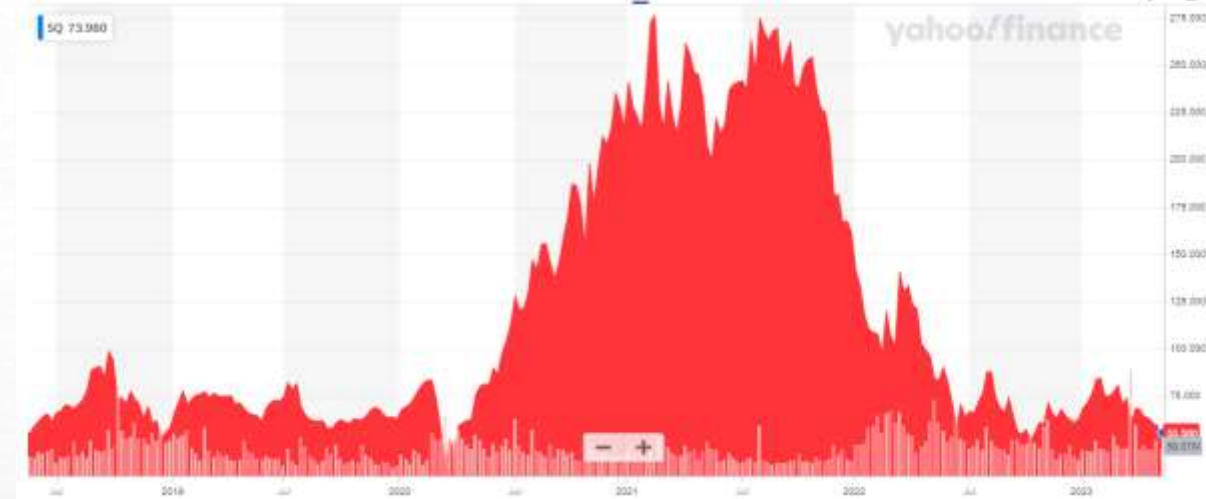
Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of December 31, 2022.

FINTECH

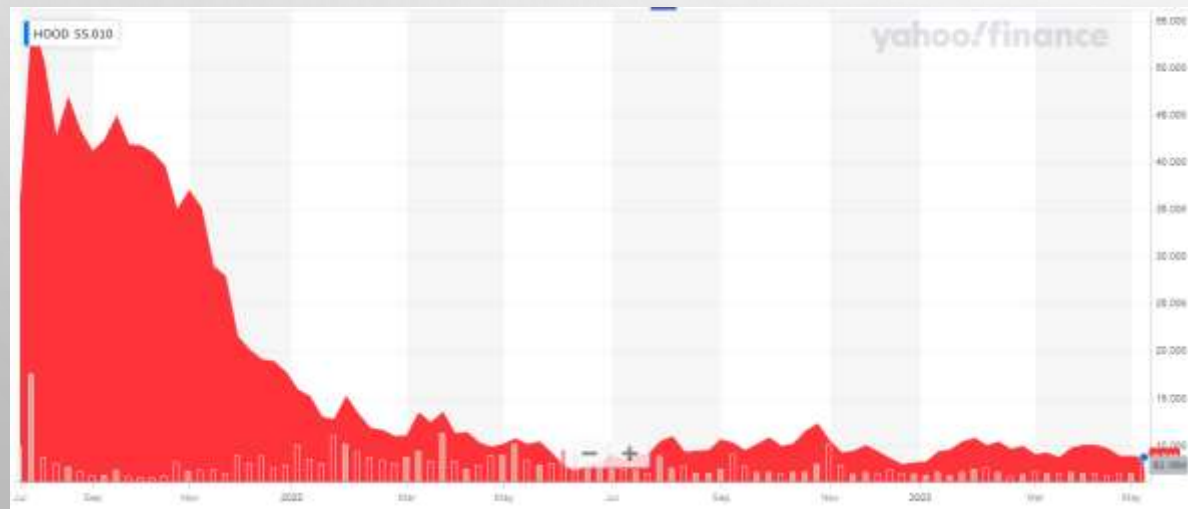
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Intuit: personal finance, accounting/tax/finance software



Block: payments and settlement



Robinhood: brokerage/investment banking



Lemonade: insurance

MUTUALITY AND FINANCE

- Not only insurance or mutual funds
- Issue: limited supply for funding a **large number of small operations**
- Different **models**:
 - Originally: urban (Schulze-Delitzsch, Luzzatti) and rural (Raiffeisen, Wollemborg) **credit unions**
 - Today: **cooperative banks**, but also **Islamic finance** and **microfinance**
- **Recurring features**: clients as main owners, **undistributable profits**, **maximum share ownership** and **headcount voting**
- **Challenges**: agency issues and governance, lower efficiency and smaller scale, conflict of interest with politics (tax advantage) and simpler regulation
- Not only credit: MGCI offer **guarantees** to access bank loans

