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The Prospect for Securitisation in Italy: Recent Developments

FRANCESCO CAPUTO NASSETTI

Francesco Caputo Nassetti, Tokyo

Introduction

The purpose of this article is not to analyse the Italian securitisation market as a whole – its players, the various kind of assets available for securitisation, the reasons and advantages of the securitisation and so on. The reader is referred to other more general publications[1] recently issued on those topics for an overview of the Italian securitisation market.

However, for the purpose of this article it can be mentioned that as in other major markets securitisation in Italy is driven, on the originator side, by pressures on financial institutions to limit the size of their balance sheets, in accordance with regulatory capital restrictions, and by the need of corporations to find alternative sources of funding. On the investor side, it reflects the flight to low risk, liquid securities. In addition to these common factors the Italian market appears to be influenced by regulations and restrictions peculiar to Italy.

As far as the Italian banking sector is concerned, one of the more compelling reasons to securitise its activities is the need to adhere to capital ratios established by the Bank of Italy. The majority of the Italian banking sector is state-owned and therefore unable, without a relative increase in public sector expenditure, to re-capitalise itself. One of the major advantages of securitisation, as seen from the Italian perspective, is that it frees existing capital resources to finance new business: in other words, the same benefits achieved by an increase in capital are obtained. Furthermore, any general loan-loss provisions will increase in percentage terms *vis-à-vis* the remaining loan portfolio or, alternatively, may be capitalised as shareholders' funds.

Commercial banks face specific problems. They are traditionally short-term institutions and are therefore subjected to upward limits on their medium-term lending. The limits are a function of their capital base and, more importantly, the sum of their total lending activity. Broadly speaking, the volume of medium-term lending in Italian lire cannot exceed 30 per cent of total lire lending. A traditional part of all commercial banks' activities is the granting of mortgage finance, consumer credit and other forms of medium-term lending to their customers. A commercial bank therefore finds itself in a 'Catch-22' situation: in order to meet its customers' demands for medium-term funds, it has to increase its overall balance sheet; but it cannot increase its overall balance sheet because it is subject to capital adequacy ratios and is unable, in the majority of cases, to request an increase in capital from its shareholders. The only viable alternative is securitisation.

A further problem to which the Italian financial institutions may see securitisation as an answer is the need to find new sources of medium-term funding. The Italian state is a formidable competitor for domestic funds, so that domestic bond issues and certificates of deposits are extremely expensive for the issuer and the depth of the market is insufficient to satisfy the growing demand. As if the situation were not bad enough, the flood of Italian financial institutions tapping the European market in the last few years has caused an indiscriminate rise in pricing, especially with the usually excellent credit risk involved and this trend has deteriorated after the Efim affair. In addition, the downgrading of Italy has brought further negative effects on the funding possibilities for Italian entities. The hope is, therefore, that securitisation will make it possible to tap new categories of investors and new markets.

The same considerations are valid for the leasing sector, in particular for those companies which are not part of a banking group. Such companies' dependence (including that of even the larger leasing companies) on external funding sources, which are necessarily limited, results in a restriction in their relative business growth.

In the light of the above reasons it can be said that Italy has a great potential for securitisation and the market is maturing steadily. However, the author thinks that the real development will take place only after a major institution enters the market setting an example for the financial community. So far, in fact, the originators of the assets securitised in the few public transactions launched in Italy are relatively small entities and cannot be considered the largest players in their respective business field. However, to those companies goes the merit of pioneering the securitisation in Italy which will certainly be part of our economic history.

Securitisation – in a broad meaning – was first introduced in Italy in February 1990 and since then only four transactions have been publicly launched.[2]

1. F. Caputo Nassetti, 'Development of securitisation in Italy', in *Asset Securitisation: Theory and Practice in Europe*, Euromoney Books, London, 1991, at 423; Caputo Nassetti, 'Securitisation in Italy; Overview', in *International Securitisation*, IFR Publishing Ltd, London, 1991, at 431.

2. The first attempt was Chariots No. 1 Ltd signed in February 1990. The amount of the transaction was Lit. 210 billion. The assets securitised were a portfolio of car loans originated by Citicorp Finanziaria Spa (Citifin). The legal structure used was a form of limited recourse financing with the underlying assets remaining on the originator's books

The securitisation is at a very early stage and no standards have been individuated yet. It is a very important and delicate moment in its development when the fundamentals of the standard structures are going to be laid down. Financial engineers, lawyers and bankers involved in the Italian market are facing an historical – and remarkable – task. An open debate on these topics will contribute to the growth of this financial technique. In this light this article will consider some of the major legal obstacles (and the possible solution, if any) that the arrangers have to face in structuring a securitisation transaction in Italy.

Registration of the Assignment of a Mortgage

Although this topic does not represent a new development it is worth mentioning, being the major obstacle to the execution of a notified assignment of a mortgage loan.

Article 9 of the tariff attached to Decree 347/1990 subjects the registration of the assignment of a mortgage (which has been transferred as a consequence of the assignment of the mortgage loan) to a two per cent taxation.

Such a percentage has to be applied on the original amount of the mortgage which is normally twice the amount of the mortgage loan granted (this is a common practice in Italy aimed to protect the lender). Therefore this tax represents in the best scenario a four per cent extra cost. However, if we assume – as would be the case in a real securitisation – that the portfolio is in part composed of seasoned loans (this improves the credit quality of the portfolio, thus reducing the cost of the enhancement), this percentage can increase to any level being applied always on the original nominal amount of the mortgage (the tax amount may even be higher than the outstanding mortgage loan).

The conclusion is that if the registration has to be done with such costs, the securitisation of mortgage loans cannot be conceived in Italy.

The New Law on Mortgage Institutions

The long awaited reform of mortgage institutions was implemented on 6 June 1991 with Law 175. In general the aim of the reform is to strengthen the domestic mortgage institutions by giving them the means to compete in the present financial markets. This target is going to be achieved through the liberalisation of the regulatory environment of the mortgage market which was previously subject to a very restrictive regime.

In this light the Law:

(1) improves the range of activity – which was so far substantially limited to residential mortgages – of the mortgage institutions by allowing them to grant industrial mortgages and public works mortgages;
(2) increases the permitted loan-to-value ratios;
(3) reduces to five years the minimum duration (previously ten years) of the mortgages;
(4) removes the limits to the maximum maturities of the mortgages;
(5) simplifies the procedure for granting the mortgages;
(6) widens the funding possibilities;

and so on.

In addition it is worth mentioning that the aim of liberalisation is clearly stated several times in the preparatory works and in the official presentation to the Parliament of Law 175. This Law does not address the securitisation issue, but Article 21 deals with the assignment of mortgages.

The text of the Article can be translated as follows:

> in accordance with the other rules and, in particular, with those ruling its activity, the mortgage institution has the option, upon communication to the debtor received at least five working days in advance, to assign, without recourse, its credits and its relating rights and (has the option) to become assignee of credits. As a result of the assignment the credit has to be considered as granted directly by the assignee.

and therefore its balance sheet. In practice Banca Commerciale Italiana (BCI) purchased a sub-participation in the car loans granted by Citifin which were designated as part of the programme. BCI obtained funding by, in turn, granting a sub-participation to the SPV, Chariots, the reimbursement of which was subject to BCI obtaining from Citifin debtors a corresponding amount, hence the 'limited recourse' nature. Chariots funded itself by means of a syndicated loan. The performance obligations of Citifin were backed by a performance guarantee of Citibank NA.

The second transaction – arranged by BCI – was launched in January 1991. Auriga Srl, the first italian SPV, purchased a Lit. 140 billion portfolio of car lease receivables originated by Finleasing Italia Spa. The purchase took place by way of assignment to Auriga. The car leasees were notified *per pubblici proclami* that Finleasing Italia Spa sold the credits but continued to act as servicer. The funds were raised through the sale of Transfer Certificates and channelled to Auriga via a conduit structure. From the legal point of view the Auriga transaction brought two important innovations; the notification *per pubblici proclami* was used for the first time ever to notify assignment and the first SPV to be set up in Italy.

The third securitisation was arranged by Manufactures Hannover Trust – now Chemical Investment Bank – and launched in March 1992. Car P. IFIM Srl brought Lit. 150 billion of car lease receivables originated by IFIM Leasing International Spa. The funds were raised on the Euromarket via conduit structure. This transaction deserves to be pointed out for being the first case in which the transfer – by way of assignment – of the receivables was executed in accordance with the new Law 52. In addition it was innovative for being the first to use the replenishment of the receivables, the overcollateralisation and the release of surplus collateral back to the originator prior to the final maturity of the transaction.

The fourth securitisation was launched by Paribas in March 1992, Osiris (No. 1) Ltd, Cayman Islands, issued F.Fr. 584 million floating rate notes, the proceeds of which were swapped into lire with Paribas and deposited with a conduit bank. In turn the conduit bank on-lent the funds to Oover Srl, a domestic SPV, which used the proceeds to purchase about F.Fr. 767 million worth of lease receivables (originated by various leasing companies of the SIPI Spa group) which were used to collateralise the bond payments. This transaction was the first Italian securitisation with a proper Eurobond issue and the first with multiple originators.

This Article seems *prima facie* to require five days prior written communication to the debtors for the assignment of mortgages. Such interpretation would block at the outset the securitisation of mortgages, not only because it would be extremely cumbersome and expensive to perform timely several thousands of such communications, but also because it would prevent the possibility of the undisclosed assignment which is allowed under the civil code.

Although the issue cannot be discussed at length here (being also a matter of sophisticated logical, systematic and historical interpretation), the most reasonable solution can be suggested.

Before the introduction of Law 175 the assignment of mortgages was regulated by Article 56 of the banking law (which Article 20 of the DPR 7/76 referred to) which only covered the case of assignment of mortgages between mortgage institutions and required the notification of the debtor. All other cases of assignment were not regulated by specific provisions and, therefore, the civil code regulations were applied.

Under the Italian civil code an assignment is valid when the assignor and the assignee agree the terms of the assignment. In that moment the legal title of the credit is transferred to the assignee, regardless of the debtor being aware of the new creditor. This is an application of the 24-centuries-old Roman law which stated *nominis venditio, etiam ignorante vel invito, adversus quem actiones mandantur, contrahi solet* (the assignment of a credit can be done also when the debtor ignores it or it is against his wish).

Of course in the case of silent assignment – which is similar to the non-notified equitable assignment under English law – the enforceability of the assignment toward the debtor and third parties is limited (for example if the debtor pays the assignor in good faith he is not required to make a second payment), but this does not affect the transfer of the title of the credit. There is a clear distinction between validity of a contract and enforceability of its effects and this can be appreciated in structuring a securitisation deal.

If Article 21 had introduced a compulsory notification to the debtor it would (1) be contrary to the spirit of Law 175 aimed to liberalise the mortgage activity and (2) have introduced a regime more rigorous than before Law 175 when notification was requested only for assignment between mortgage institutions. In addition there emerges nowhere in the bulky preparatory works of Law 175 a willingness to create such a major exception to the general rules of the civil code in relation to assignment. Furthermore, a restrictive interpretation of Article 21 would create a discriminatory position against the mortgage institution which *de facto* would not be allowed to securitise assets due to the compulsory notification. In fact, other players, such as commercial banks and other financial institutions, would be allowed to assign mortgage loans without notice while mortgage institutions would be prevented. These reasons, together with several other technical arguments, support a different interpretation of Article 21.

Although such an interpretation cannot be explained in detail in this article because it implies an accurate word-by-word analysis of the text of Article 21, the result is that a mortgage institution can assign a mortgage credit to a non-mortgage institution without communication to the debtor.

It has to be mentioned that so far no official position by the Government or by any court of justice has been taken. However, the Italian bankers' association, ABI, has recently taken official position on the issue with its Circular letter dated 10 July 1992. ABI, which initially noticed – with its Circular letter Serie Tecnica 99 dated 11 June 1991 (five days after the promulgation of Law 175) – that Article 21 was not congruous with the rest of the Law, states that Article 21 does not require notification in the case of assignment from a mortgage institution to a non-mortgage institution. The reasoning followed by ABI is in part based on the above comments.

If the mortgage loan is assigned without notification, the registration of the transfer of the mortgage would not be necessary.

Notification of the Assignment by Way of Public Announcement

If the arrangers of a securitised transaction choose the disclosed assignment route in order to transfer the assets, one of the major problems to be faced is how to notify economically the assignment. Often the disclosed assignment route is avoided because the traditional methods of notification used are cumbersome and expensive. However, there exists an efficient way to do it.

This is an example of the advantages of an unregulated market which allows the flexibility to use laws created long ago, for completely different purposes.

The Italian civil procedure code promulgated in 1940 has a section regarding the notification of legal acts (Articles 137–151). This section describes the various methods by which a notification can be carried out by a court official (civil servant): delivery by hand, to the residence of the addressee; to the relatives of the addressee in case of absence of the addressee; notification to the non-residents; to the addressee in the army; to companies; to persons whose address is unknown, and so on.

At the end of this section there is Article 150 which was created in order to cover remote possibilities in which – due to the large number of addressees or due to the difficulties of identifying them all (for example a notification to all victims of a pollution accident) – the notification of an act of the court in the ordinary manner is extremely difficult. In such a case the judge may authorise – subject to the approval of the Public Prosecutor and upon *ad hoc* request of the interested party – notification by way of public announcement (*per pubblici proclami*).

The authorisation is given with a decree which establishes method by which the notification has to be done. In other words, there is not a specific method set by the law, but it is left to the discretion of the judge to individuate the best means of notification. In addition to the above it is necessary to deposit a copy of the notice to be notified in the city council of the place in which the procedure has started and a copy of it has to be published in the *Gazzetta Ufficiale* (Official Gazette, the national paper by which the laws are promulgated) and in the *Foglio degli annunzi legali* (the local official paper for legal announcements and notices) of the province in which the majority of the addressees have their residence. The notification is considered complete only after the above procedure and the instructions of the judge are fulfilled and the court official deposits the relevant documentation in the court of the judge concerned.

This Article 150 was clearly created for the notification of notices relating to court cases where for the reasons described it would have been too difficult to notify the acts in the ordinary manners. However, a sophisticated interpretation of the Article – an interpretation that it is not possible to describe on this occasion – leads to the possibility of using such a procedure also in order to notify the notices of assignment.

In fact, for the first time ever, in February 1991 Article 150 was used to notify several thousand notices of assignment. This major breakthrough was pioneered by Banca Commerciale Italiana in the Lit.180 billion securitisation of a pool of car lease receivables originated by Finleasing Spa which were transferred to Auriga Srl, the special purpose vehicle used in the transaction. On that occasion the judge decided that the notice of assignment was to be published in a daily national newspaper.

This route, which was used again in the spring of 1992 on the occasion of the Osiris (No. 1) Ltd securitisation, seems to offer a remarkably efficient way to execute a disclosed assignment. It is worth noting that, once the above procedure is completed, it becomes irrelevant that the addressees (in our case the assigned debtors) might not become aware of the assignment because they have not read the specific newspaper, or they have not gone to the city council where the notice is deposited. From the legal point of view the assignment has been duly notified with all relevant effects (for example if the debtor pays the assignor may be required to make a second payment to the assignee).

The New Law on Factoring

On 21 February 1991 the new Law 52 on factoring was promulgated in Italy. This Law brings significant changes to the ordinary discipline of assignment regulated in the civil code, but it is applicable only if the following conditions are met:

(1) the assignor is a business concern (private individuals, for example, are excluded);
(2) the credit to be assigned arises from the business activity of the assignor;
(3) the assignee is a juridical person with at least Lit. 2 billion share capital having a statutory object that contains the purchase of such credits.

The major advantage of Law 52 is that it eliminates the need for notification to perfect a valid assignment which is enforceable against any party (assignor, creditors of the assignee, and so on). In other words, it provides the ideal means to transfer credits. Such a transfer will be bankruptcy-proof (Articles 5, 6, and 7) and the assigned assets will be removed from the balance sheet of the assignor.

In addition, such treatment is extended also to future credits (credits which do not exist at the moment of the assignment, but will be created in the future (with the limit of two years from the assignment date for the creation of new credits)). In such case the credit is transferred immediately after it is created with no further formalities.

Therefore in theory Law 52 provides – from the legal point of view – the best solution to the problems of the securitisation of receivables and loans (with the exclusion of mortgage loans for which Law 52 would not work due to the requirement under the civil code of the registration of the assignment of the transfer of the mortgage, registration which remains compulsory notwithstanding the provisions of the new Law) thanks to the simplicity of executing a valid, enforceable and perfect transfer of the assets without incurring any expensive procedure.

However, this Law presents several disadvantages which seriously jeopardise its utilisation for securitised transactions:

(1) the minimum amount of capital required (Lit. 2 billion) which especially for medium sized transactions can represent an immobilisation of resources (although the equity capital can be used as a cushion to absorb losses or, more in general, as a credit enhancement or it can represent the amount of the various costs of the deal if the transaction is relatively large. In other words the originator, instead of paying several fees and expenses, capitalises the SPV for such amount and the SPV uses its capital to pay the fees and expenses);
(2) the bureaucratic and administrative control on the SPV (registration in a specific register, the supervision of Bank of Italy, the need of a certified balance sheet, the requested professionality and honourability of the management of the SPV, the periodic reporting, the capital ratios and so on) which would imply the setting up of an 'operating' SPV.

The advantages offered by Law 52 from the legal point of view are offset by these obstacles. This trade off has to be carefully evaluated in structuring a securitisation transaction based on Law 52, which, it has to be remembered, was created for ordinary

factoring activity and not for the securitisation of assets transferred by way of assignment.[3]

The Issuance of Bonds by the Single Purpose Vehicle

In a case where the securitisation transaction is structured with a non-resident SPV, the issuance of bonds does not create any problem. Where the securitisation transaction is structured with a domestic SPV, the possibility of issuing bonds is practically non-existent.

In fact, being a company registered in Italy, the SPV has to comply with the Italian civil code which sets some stringent rules for the issuance of bonds. The most important of such rules is Article 2410 that forbids the issuance of bonds for an amount exceeding the paid-up capital of the issuer. Furthermore the code sets a cumbersome procedure for the bond holders' meetings.

In addition, the regulatory aspects of issuing a domestic bond should not be overlooked. For all issues, the Bank of Italy and Consob, the regulatory body of the Italian stock exchange, will require full details of the transaction, and a fully comprehensive information memorandum/offering circular would have to be presented to Consob for its approval. The main problems, no doubt, would be those concerning the lack of precedent.

However, the domestic SPV structure can be used if – instead of a bond issue – the funds are provided by way of loan (if the lenders are non-resident a conduit structure is required to avoid withholding tax (see 'The Fiscal Aspects' below) or by way of atypical security.

The Open Window of Atypical Securities

The natural investor base for Italian lire securities is obviously in Italy, but any issue of securities has to compete not only with the enormity of the Italian Treasury market (Italy has the third largest Treasury bond market in the world) but also with the preferential fiscal treatment afforded to Treasury bonds. Investment by an Italian resident in a Eurobond will generally be subject to a rate of taxation of 30 per cent on income receivable (see next section), while investment in Treasuries currently results in deduction at a rate of only 12.5 per cent.

It is obvious that any security which is neither state-issued nor exempt from withholding tax (such as paper issued by supranationals[4]) is not particularly easy to place.

Notwithstanding this, it may still be possible to develop a domestic investor base for a certain type of security known as *titoli atipici* (atypical bonds), because of the fiscal treatment afforded to them. Although no precedents as yet exist in Italy, the particular nature of a 'pass-through' security would probably put it in this category. As an exception to the general rule, the withholding tax deduction (currently 30 per cent) is classified as definitive not only for private individuals but also for corporations and it would therefore be exempt from inclusion in the latter's overall taxable income even if their applicable tax rate were to be in excess of 30 per cent (Law 649 of 23 November 1983). It is clear that institutional investors with a corporate tax rate in excess of 30 per cent may have a strong interest in investing in such securities as a valid alternative to Treasuries.

A further consequence of being able to securitise transactions via the issue of securities with a favourable fiscal treatment is the important knock-on effect this would have on the development of the mortgage market and thus other real estate markets. Funds will be attracted to finance home ownership, which is also in line with the directives of Article 47, paragraph (iii), of the Italian Constitution, which specifically states that the Republic should encourage investment of private savings in home ownership.

The Fiscal Aspects

The two main fiscal elements which effectively dictate and determine for any given asset the structure of a securitisation transaction are withholding tax and taxation on security. In effect, withholding tax is at present the major fiscal obstacle to securitisation in Italy. Under the current fiscal legislation, a resident would be obliged to deduct (subject to any concession granted by the double taxation treaties between Italy and third countries) 15 per cent withholding tax from loan/bond interest paid to a non-resident. In other words, deduction of withholding tax from interest payments would be necessary in the case of any interest-bearing debt (such as a mortgage or car loan) which has been effectively sold to a non-resident (for example to an SPV resident in the Cayman Islands) by means of assignment or novation. Withholding tax is not applicable to payments of any asset not having any interest element, such as general receivables.

The two principal deal structures[5] which do not incur withholding tax are not without their disadvantages. The first is the form of method of transfer

3. The first and only securitised transaction structured on the basis of Law 52 is Car P. IFIM Srl (for the details of which see Note 2 above).

4. The exemption from withholding tax on supranationals' bonds has been cancelled for the issues starting from 10 September 1992.

5. Other structures can be envisaged if a conduit bank is used. Due to the particular status of the conduit bank, which is a foreign branch of an Italian bank, interest due by residents in Italy can be paid free of withholding tax. For a detailed description of the conduit structure see F. Caputo Nassetti, 'Lending to Italian Borrowers, The Legal Framework for Funds Transfer' in [1992] 9 JIBL at 356. However, it has to be noted that if a securitisation transaction is structured with a conduit bank an additional risk element is introduced: the insolvency risk of the conduit bank. Taking into account the recent downgrading of Italy there are no more AAA-rated banks which can act as conduits and therefore any conduit bank should be enhanced (thus adding extra costs to the transaction).

(that is, by sub-participation, whereby principally domestic off-balance sheet treatment has to be sacrificed); the second is in the place of incorporation of the SPV (that is, a domestic SPV would avoid withholding tax but there might be difficulties in obtaining court approval for the limited statutory object which the company must register in order to have the correct requisites of a special-purpose company).

Apart from the fiscal treatment of the portfolio payments, the other prime source for concern and investigation is the fiscal treatment of the SPV itself and the instruments by which it obtains funding. The current situation is summarised below.

Issuer	*Investor*	*Type of investment*	*Withholding tax rate (%)*
(1) Offshore SPV	Non-resident	Eurobond	0
Offshore SPV	Resident	Eurobond	30
(2) Domestic SPV	Non-resident	Domestic bond	30
	Resident		
Domestic SPV	Non-resident	Atypical securities	30
	Resident		
(3) Republic of Italy	Non-resident	Treasuries	12.5
	Resident		
Supranational bodies	Non-resident	Eurobonds	0
	Resident		

As far as the two hypotheses of (1) are concerned, the majority of Eurobond issues are generally exempt from any form of withholding tax at source. But individual investors, depending on their country of origin, may find the income so derived taxed in accordance with local fiscal legislation. As far as Italy is concerned, an Italian intermediary used by the investor as its depositee is required to deduct 30 per cent withholding tax from interest payments received from non-residents prior to payment to the individual investor (Article 26 of the DPR 601, 29 September 1973). Any withholding tax deducted is considered definite and not further taxable if the investor is a private individual. In all other cases income from Eurobonds would form part of the investor's overall taxable income and the investor would be granted a tax credit for the withholding tax already deducted. If the income earned from foreign investments is not repatriated, no withholding tax is chargeable until it is; nevertheless, the income still has to be declared on the investor's annual fiscal declaration (on the investor's option, the bond income may be either taxed separately from the investor's other income, at a definite rate of 30 per cent, or included in its general taxable income calculations, thereby entitling the investor to claim a tax credit for any tax paid abroad on such income).

As for the two hypotheses of (2), the situation is not so clear in the case of a domestic security issue. Depending on how the bonds are ultimately classified, the withholding tax rate may be 12.5 per cent, 30 per cent as definitive tax, or 30 per cent as a tax on account. The general rate of withholding tax deductible at source is in fact 30 per cent, but certain securities are categorised as *titoli atipici*, or atypical bonds, and command a particular fiscal treatment. While in other cases, as far as corporations and sole traders (*imprenditore commerciale*) are concerned, income derived from investments in domestic securities is included in the investor's general taxable income and a tax credit is given for the withholding tax deducted, income on atypical bonds is excluded and therefore the only fiscal charge is the 30 per cent withholding tax. Certain doctrines[6] would support the view that pass-through asset-backed securities would fall into this category. If this were so, it is obvious that asset-backed securities would be – as mentioned above – extremely attractive for institutional investors wishing to diversify their portfolios into high yielding, low risk, high rating and fiscally beneficial investments.

For comparison purposes, the tax treatment of Italian Treasuries and bonds issued by certain supranationals[7] has also been outlined above in (3). It is obvious that private individuals, who are not subject to the same tax regime as corporations (for them the withholding tax deducted constitutes the sole fiscal charge to the income so derived), will continue to prefer securities with lower overall withholding tax rates.

6. Zucchella, *L'innovazione finanziaria nel credito immobiliare*, Milan 1988.
7. See Note 4 above.