

“I’m going back to banking and I intend to focus on SMEs”

Il Sole 24 Ore, Alessandro Graziani – Tuesday 16 January 2018

“The best part of being a banker is helping companies grow or helping them solve problems. This is the starting point for my new adventure in the business world.” Corrado Passera, 63 years old, father of 5, is known, both in Italy and abroad, for his management of major companies and banks: Mondadori, Espresso-Repubblica, Olivetti, Ambroveneto, Poste Italiane and Intesa Sanpaolo, having been at the helm of the latter for ten years. His latest initiative, and the first as an entrepreneur, is the launch of a special purpose acquisition company (SPAC) named Spaxs, which is preparing to collect funds for at least 400 million Euro and to transform into a bank after listing on the stock exchange and purchasing a small institute that will provide the license to operate. The bank will provide financial and credit services and will purchase non-performing receivables from Italian SMEs. Unlike other SPACs, which first collect liquidity and then decide what to invest in based on the opportunities offered by the market, Spaxs investors already know what business they are signing up for – and its management.

Mr. Passera, the bank set up via your SPAC is truly innovative. Funds will be collected through digital banking, and its credit and services will be aimed exclusively at SMEs. What market are you targeting?

Italy has over 10,000 small and medium sized enterprises with a turnover ranging from 15-20 million to 150-200 million Euro. The credit industry relating to this sector is worth around 400 billion Euro. We are targeting a share of this market, serving as partners for high-potential companies and providing them with expert credit, restructuring and capital services. I believe that the bank’s management team has the right experience and passion to partner companies with potential for growth and development.

Will you also provide services to companies in financial distress?

Within this wide range of companies, there is fortunately a large share of solid and wealthy companies. However, there are also companies that have not yet “flourished” and have a low rating, despite their potential. Others are still performing, but are suffering varying degrees of financial distress (so-called “Unlikely-To-Pay” credits). Lastly, there are companies that are in serious difficulty and that hold non-performing loans. For many of these companies, there is a solution, and that is where we come in.

Will you be competing with other banks?

We will be their competitors, but in many cases, we will also collaborate with them - especially with regard to Unlikely-To-Pay credits - through the help of our experienced professionals. Our clients will be able to benefit from an objective competitive advantage: we are a solid start-up that has no constraints (past credit portfolios and high costs) and that makes use of advanced, efficient technologies.

When will Italy’s banking crisis end?

This is a complex issue because we are not just facing one crisis. In the last ten years, there have been at least four, and some are still unresolved. The first is the 2008-2009 derivatives crisis, which barely touched Italian banks but left a profound mark on the Anglo-Saxon banking world. The second was caused by a prolonged economic recession that generated extensive non-performing debts: this is currently reversing, but is still far from being resolved. There were also serious cases of mismanagement – if not outright unlawful management – in certain banks, and this affected the sector's credibility, with serious costs to investors. However, we are slowly leaving this situation behind us. The fourth and last crisis – which is still underway and will have repercussions in the future – has been caused by a complete shift in the management paradigm, as a result of technology and regulatory developments, new competitors and monetary policies that have structurally lowered the margins.

How will we come out of these crises?

One option is to merge and to put together the assets required to make the necessary investments. In my opinion, we will also see the establishment of specialized banks of excellence in certain sectors. Technology and digital applications will play a fundamental role, bringing forth new major competitors of the caliber of Google, Amazon and Alibaba, but also the possibility of creating highly competitive banking platforms by integrating the best financial technology. Our bank sets out to make the most, both of our specialization and of digital technology.

Why did you choose this sector for your return?

It's what I do best. It is a sound business idea in a sector I am familiar with. Being able to work in banking, while also helping companies to grow, is very stimulating. If we do it well, we will be helping Italy move forward. And that is another thing I like about it.

Your passion for politics led you to leave Banca Intesa and become a minister under the Monti Government in late 2011. You then set up a political movement and ran for mayor in Milan. Do you regret any of these decisions?

I would do it all over again. How could I refuse when I was called to form an emergency Government at a time of profound crisis that could have destabilized our country? I was also highly committed during my second, albeit brief political stint: I hoped to put my experience in the private and public sphere at the service of Milan, making it stronger and more dynamic. But I had to acknowledge that it was not possible to move outside the major political parties.

Italy's political elections are nigh. In your recent meetings with investors, have you detected any fears regarding Italy's future?

There are those who are worried, especially of the country's political stability. However, more than half of the potential investors of Spaxs are from abroad: that goes to show that, in the presence of a good project, Italy is still considered trustworthy.