

CRISIS STAGES AND EARLY WARNINGS IN THE ITALIAN BANKRUPTCY CODE REFORM

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Abstract

Companies in their life cycle, may experience periods of crisis. Detecting any signal in time is very important for the company's survival.

The Italian legislator is introducing a procedure aimed at supporting companies to detect the very first warning signs of a crisis. The rise of a crisis will no longer be the sole responsibility of the directors. The supervisory board of auditors, the audit firm, and certain qualified creditors will have the right and duty to start the new early warning procedure. Among these entities, the board of statutory auditors, the specific watchdog distinguishing the Italian corporate governance system, undoubtedly plays a fundamental role: its *ex-ante* supervisory and control activities over management, conducted with independence and professionalism, allows it to effectively play an important role as main recipient of any crisis warning signs.

The new regulatory framework lays down certain indicators and critical thresholds which may trigger the alert process. Initially, the Delegated Legislation set forth certain specific financial indicators. The new bill (Crisis and Insolvency Code) on the contrary refers to a more complex and sector-specific system of indicators.

The findings of an empirical research conducted by analysing a sample of more than 600 enterprises and testing the discriminating capacity of the indicators initially considered are presented herein. The validity of the choice to increase the number of benchmark parameters is evaluated and corroborated.