Abstract

The economic and financial segregation of the initiative (ring fence) is a distinctive element of the essence of project finance.
This objective is pursued through the founding of a limited company, named project company or special purpose vehicle. The company, capable to realize the above-mentioned segregation, represents the autonomous unit where all legal relations and transactions relating the project converge.

The special purpose company that "embeds" the project is, usually, the result of the structuring of a financing transaction in a project approach. The realisation of the ring fence allows to avoid that negative events related to the management of the project contaminate the sponsor' activities and vice versa.

The ring fence implies:

- *accounting effects: the project finance transactions are off-balance for the sponsor. The activities and liabilities relating to the project are recognised in the financial statement of the project company;*
- *independence between the events of the project and events occurring to the sponsors;*
- *limited collateral of the project;*
- *high leverage of the economic unit that embeds the project;*

The Italian reform of company law is an opportunity to reflect about the possibility to purse the ring fence objective through the application of other legal structures different from the project company (patrimonio destinato and finanziamento destinato). The thesis provides, in addition, an analysis of the trust as instrument used to reach the objective of ring fence.

The thesis is developed as a comparison between the project company on one hand and trust, patrimonio destinato and finanziamento destinato on the other, in order to identify and show the strengths and weaknesses of each institute analysed.

These institutes have been compared through the study of distinctive elements characterising the project financing transaction.

These elements, that have been identified through the analysis of financial theories, are the following:

- *the segregation of the assets and cash flow of the project from the ones of the sponsor;*
- *the effects of the "de-consolidation" of this segregation in the sponsor's financial statement;*
- *the high leverage of the economic unit that "embeds" the project;*
- *the security package built for the realisation of the project.*

The objective of the thesis is to examine how each of these elements is realized in the three legal structures capable to be used for the economic and financial segregation in project finance.

The results of the analyses are intended to contribute to the debate about the possible alternative models to the company in the structuring of project financing transactions.