19th January - 1/2022

Bulletin of Italian Finance

A New Year message from FeBAF's chairman

Writing in the year's first issue of the federation's weekly newsletter *Lettera f*, Innocenzo Cipolletta drew attention to how 2022 brings Italy numerous deadlines and challenges, beginning with the election of a new head of state later this month. Mr Cipolletta noted how the choice of the next Italian president and the approaching end of the current legislature will have an impact on the extent to which the national resilience and recovery plan, which he described as a "gigantic reform and investment plan that will define Italy over the coming decades and is subject to stringent EU conditions and checks", is implemented efficiently and successfully. As for FeBAF, its work this year will be located midway between European and national matters, as a partner within a finance industry called to mobilise resources for recovery from the pandemic and relaunching the economy.

Mr Cipolletta underlined, "There is no European Union without Italy, and vice versa, just as there cannot be sustainable growth without involvement of the financial sector." Reporting developments "clearly and transparently", FeBAF's newsletters will continue to be "participant observers" of interesting times.

1. Focus on household savings

Those wishing to learn about the behavioural attitudes and approaches of Italian households to financial investments need look no further than the seventh report on the subject by Consob (the market regulator), published in English as well as Italian and presented on 11 January. The report is based on a survey of 2,695 people representative of the population

On sustainable investments (SIs), although 37 per cent are knowledgeable and 73 per cent express interest, only 9 per cent hold them. The study found a mismatch between financial satisfaction (52 per cent) and financial self-efficacy (38 per cent), and between financial anxiety (9 per cent) and a worrying level of financial fragility (39 per cent). However,

of Italian “financial decision-makers” which, since 2019, includes a longitudinal component to track the evolution of knowledge, attitudes and behaviour. Consob's researchers examined eight macro areas and their analysis drew a complex picture of Italians' financial lives during the pandemic. In parts it was reassuring, in other parts gave reason for concern. Financial knowledge is increasing, albeit slowly, but is still low with only 38 per cent (adjusted figure) giving correct answers to questions on finance. Encouragingly, 45 per cent of new investors are “highly financially knowledgeable”. Financial digitalisation is brighter with 44 per cent giving correct answers to questions and 61 per cent being digitally competent.

Italians' risk aversion (76 per cent) closely matches their loss aversion (77 per cent).

2. The Banking Association highlights its concerns

In a statement on 4 January, ABI (the banking association) said that Antonio Patuelli and Giovanni Sabatini, respectively its president and director-general, had written to Mario Draghi, Italy's prime minister, to relevant financial ministers and to the Bank of Italy's governor to underline the importance of allowing greater credit flexibility during recovery from the pandemic. ABI's senior figures urge Italy's government and central bank to emphasise to European institutions the critical need to reinstate temporary rules governing treatment of loans and the calendar provisioning of non-performing exposures. Mr Patuelli and Mr Sabatini drew attention to how the current “violent” wave of Covid-19 infections has arrived at the same time as business is being hit by sharp increases in energy costs and ongoing supply-chain problems. Interviewed at the end of December by *la Repubblica* daily newspaper, Mr Patuelli had spoken of his great concern about the nasty turn the pandemic had taken and how 2022 might be more problematic for Italy's banks than 2021.

However, government action should not stop at continuation of loan guarantees and moratoriums. “Families and firms need to be supported because measures that are good for workers and firms, for the productive fabric, are also good for banks,” noted Mr Patuelli. Moreover, Italian families should be given greater encouragement to invest their savings in the real economy, he said, pointing to the need for a tax rate on long-term investments more like the 12.5 per cent rate on government bonds than the ordinary rate of 26 per cent.

3. The occupational Pensions Association publishes a manual

“Compliance awareness in regard to the Shareholder Rights Directive II”: the subtitle to the operating manual that Assofondipensione (the occupational pensions association) gave its members at their meeting last month provides another example of how the G-element of ESG is spreading across Italian finance. The association underlines that the manual does not aim at requiring its members to adopt a particular engagement policy, rather it seeks to raise awareness of engagement and to provide an effective path to its achievement. The manual aims to offer occupational pension schemes a means to understand risk, both financial and non-financial, and to assist them in developing active stewardship of investments. Introducing the manual, Assofondipensione notes that structured procedures and meticulous planning are central to achieving incisive

Covering the perimeters of engagement, decision processes (including voting and proxy advisers), conflicts of interest and external communication of engagement policies and activities, Assofondipensione's 31-page document illustrates the large amount of work needed for high-level engagement and active stewardship.

engagement, and the manual is aimed at this. In a section of preliminary considerations, the association notes that engagement is directed at promoting risk-monitoring, encouraging sustainable practices by the firms in which they are invested and boosting long-term investment.

In Brief

ANIA (the insurers' association) took a direct and practical step on environmental sustainability at the end of last year. As a Christmas gift on behalf of its staff, the association bought trees to begin a new project in Colombia, the creation of their own forest. ANIA notes that the trees that are planted will contribute to the achievement of the UN's Agenda 2030, not only by providing economic and social benefits to the local community but also by absorbing around 69 tonnes of CO2 annually.

Individual savings plans. Both AIFI (the private equity, venture capital and private debt association) and Assogestioni (the asset managers' association) had reason to cheer when clarification of rules concerning individual savings plans emerged in a circular issued by the tax authorities on 29 December. AIFI is pleased because investors will now be able to hold more than one alternative plan, thereby diversifying risk. Use of tax credits arising from alternative investment plans and the possibility of putting direct investments in limited liability SMEs, including those made via crowdfunding platforms, into savings plans meet proposals by Assogestioni.

Consob's three-year strategy. In its plan for 2022-2024, reported by Assosim (the association of financial markets intermediaries) at the beginning of this month, Consob (the market regulator) says that its primary objective will be “support for channelling savings towards the real economy while ensuring sufficient safeguards.” The regulator aims for innovation and sustainability in capital markets and to encourage simplification and reforms, at the same time as ensuring market integrity and protecting investor interests. Among its nine strategic objectives the regulator will seek to: (a) promote firms' access to Italian capital markets; (b) boost investment flows to ESG activities; and (c) combat greenwashing; Over the coming three years Consob will also be engaged in its own technological transition by modernising its IT structure and beefing up its cybersecurity.