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Bulletin of Italian Finance

Spotlight 

1. FeBAF highlights the role of Italy's G20 presidency for the Euro-Mediterranean Region

FeBAF continues to explore broad horizons when examining economic issues affecting Italian finance. On 17 March, the federation hosted a webinar dedicated to Post-Covid Recovery in the Euro-Mediterranean: Monetary and Financial Aspects, with a panel that included speakers from the European Systemic Risk Board, the Euro-Mediterranean Economists' Association, the Bank of Italy and the Robert Triffin International Foundation, with which the webinar was co-hosted. Attendees heard how weak social systems and reliance on informal economies have contributed to the pandemic's particularly heavy impact on countries around the Mediterranean. It's often forgotten that both Spain and Italy, as well as Malta, have maritime borders with North African countries and Cyprus has maritime borders with Syria, Lebanon and Egypt, and that through these member states the EU itself has an interest in what's happening beyond these borders. The webinar was told about the need to encourage green and sustainable growth in Mediterranean countries, and about how better financial integration with the EU would help those

countries to a quicker and fuller recovery from the health emergency. In his closing remarks, Paolo Garonna, FeBAF's secretary-general emphasised that the next step must be to put Africa and the Mediterranean basin onto the G20's agenda. "With Italy holding the presidency we have the opportunity to ensure that it is. We must now prepare the ground with all who have a stake in the region," said Mr Garonna. Two days after FeBAF's webinar, Piero Cipollone, deputy governor of the Bank of Italy, addressed a conference of the Committee on Payments and Market Infrastructures of the Bank of International Settlements. He reminded attendees that the priorities of Italy's G20 presidency are: People, Planet and Prosperity. And his first point was that "enhancing cross-border payments is vital for people". Currently the average cost of sending remittances is 7 per cent, which is more than double the United Nations' target. The families of the many thousands from the southern and eastern parts of the Mediterranean who work in the EU would benefit if Italy's G20 presidency were to help win a significant reduction in this cost.

2. ABI seeks longer support-period for business

ABI (the banking association) has joined forces with more than a dozen employers' associations, cooperatives and associations of small and independent businessmen, covering manufacturing, retail and agriculture, to press for an extension to the temporary framework on public guarantees to help businesses to recover from the impact of the pandemic. In two letters, one addressed to European institutions, the other to Italian, they say that six years is far too short and the duration should be extended to at least fifteen. And classification of loans as impaired needs ongoing flexibility. In a note on 15 March, ABI said, "The exceptional severity of the crisis calls for timely and pragmatic action to limit adverse economic and social consequences." And on 22 March, Antonio Patuelli (ABI's chairman) and Giovanni Sabatini (ABI'S director-general) met

Paolo Gentiloni, the EU's commissioner for the economy, to press their case. The Bank of Italy seems in tune with ABI on the question of the financial support measures that have kept many firms going during the pandemic. Addressing a parliamentary commission on 18 March, Alessio De Vincenzo, head of the central bank's financial stability service, emphasised that changes must be gradual to prevent failures of healthy firms facing only temporary difficulties. Mr De Vincenzo also looked at medium-term challenges, among them the problem of debt overhang. His words were music for AIFI (the private equity, venture capital and private debt association). Suggesting fiscal reform to encourage venture capital, SMEs and start-ups, he said, "Venture capital funds can be an important source for financing investment by firms with high-growth potential."

3. Good news on motor insurance

The average premium for third party motor insurance has fallen by 30 per cent since 2012 and the gap that separates Italy from the rest of the EU has been halved. Giving evidence at a recent hearing of a parliamentary commission, Riccardo Cesari, a board member of IVASS, the insurance

regulator, also drew attention to how the premium-gap between Italian regions has also been sharply reduced. And he had more good news: the penetration of black-box monitoring has reached 23 per cent overall and 60 per cent in some southern provinces.

4. New rules for continuous professional development (CPD)

Financial intermediaries have a new rule-book for keeping staff professionally up to the mark. The result of a consultation on knowledge and competence requirements concluded last September and recently published by Consob (the markets regulator), the rules are effective from 31 March. Consob received responses from eleven organisations, six of them being among FeBAF's associates - ABI, AIFI, AIPB (the private banking association), Assoreti (the association of investment advisory firms with tied agents), Assosim (the association of financial markets intermediaries) and Assogestioni (the asset managers' association). Consob's 70-page report provides evidence of the role that these associations played in ensuring that pragmatism prevailed when the new rules were written. Consob had proposed two alternative frameworks. The first maintained the existing, prescriptive approach with detailed rules on CPD, while the second offered a principle-based approach that allows intermediaries operational flexibility, but

aligns with standards and requirements indicated by the European regulator, ESMA. There was unanimity among the six associations that are associated with FeBAF that the most effective and efficient form of CPD is that organised by intermediaries themselves, and this was accepted by Consob. Assogestioni drew attention to how this will not only allow Italian intermediaries competitive parity with those elsewhere in the EU but will allow them to adapt better to technological change. Also pointing to the question of competitive parity in Europe, ABI noted the value for international groups operating in different markets and for Capital Markets Union objectives. Assoreti headed its announcement: "Simplification in sight for training and refreshing financial advisers' professional skills". Assoreti underlined that "MiFID II's requirements concerning staff knowledge and professional competences for client protection are not affected."

Forum ABI Lab 2021. Digital transformation was the focus of the annual convention on innovation in information and communication technology (ICT) in the banking industry, organised by ABI's research and innovation centre. Held wholly online from 22 to 26 March, among the areas that Forum ABI Lab tackled were artificial intelligence, cybersecurity, sustainability and fintech. The pandemic has focused bankers' minds on where they should invest, and a study by ABI Lab found that the top priorities of Italian banks this year are digital onboarding (customer identification, for example) and beefing up mobile banking services. As for research, more than half of the banks surveyed (with payrolls representing two-thirds of the industry's total) put cloud computing, artificial intelligence, and management and mitigation of cyber risk as their priorities.

Assogestioni calls for major tax reforms. Giving evidence to parliament's finance commission, Fabio Galli, Assogestioni's director-general, underlined the role of taxation for encouraging long-term investment in the real economy, crucial for post-Covid-19 recovery. He was particularly critical of the perverse taxation of unrealised capital gains on portfolio and pension fund savings, and of the plethora of marginal rates and fiscal deductions. The system needs to be efficient and simple, said Mr Galli, and its objective should be "the encouragement of long-term investment over speculative investment."

Milan's Digital Week. Through networks and digital solutions, technological change is helping Italy manage problems caused by the pandemic and mitigating difficulties arising from the need for spatial distancing. Addressing Milan's Digital Week on 20 March, Alessandra Perrazzelli, the Bank of Italy's deputy general-manager, noted that much of what change has brought will remain even when the health emergency is over. She drew attention to how acceleration of digitalisation has affected the financial sector, and how this has underlined the importance of cybersecurity. Change should be viewed with confidence but commitment is needed "to ensure that digital development is sustainable, equitable and inclusive."

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