

## Spotlight

*Spotlight has returned not only to cover Rome Investment Forum 2019 but also to update our English speaking followers on developments in Italian finance, whether in banking, insurance, pension funds, asset management, technology, regulation or other areas of interest to the financial community. Beginning in mid-January, the newsletter will be issued with its former fortnightly frequency.*

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### Rome Investment Forum 2019

The sixth edition of the Rome Investment Forum, organised by FeBAF, this year in cooperation with the Association for Financial Markets in Europe (AFME), brought bankers, insurers, university professors, civil servants and other figures from the world of finance to the Scuderie di Palazzo Altieri on 9 and 10 December.

This year's conference was held as a new European Commission was getting down to work in Brussels. In his opening remarks, Luigi Abete, FeBAF's chairman, reminded delegates that the first Rome Investment Forum coincided with a start of the Juncker Commission, with its programmes of finance for growth and the launching of the strategic investment plan and the Capital Markets Union (CMU).

Memories of the global financial and economic crisis have receded, but many delays have accumulated in tackling its effects and much remains to be done, said Mr Abete. With continuing slow growth and investment that is 18 points lower than in 2008, Italy particularly has felt the effects of the crisis. Speaking at the forum's opening, Giuseppe Conte, Italy's prime minister, described the country's economy as being in a "complex phase".

Among the ten-points in the forum's wide-ranging programme that Mr Abete highlighted were: public-private partnerships; the use of technological innovation; the strengthening of public and private sector programmes for financial education; increased attention to sustainable development; and the re-launching of the CMU in a post-Brexit Europe to strengthen SMEs. All these points were discussed by more than 80 speakers, starting from Antonio Patuelli and Maria Bianca Farina, respectively leaders of the Italian banking and insurance companies associations, who highlighted the progress made by the two domestic industries in the European context.

Capital Markets Union. A stream session dedicated to the Banking Union and the CMU shed light on progress towards achieving them, but light had also been provided on CMU by Michael Cole-Fontayn, AFME's chairman, when he spoke at the forum's opening plenary session. Mr Cole-Fontayn's association had recently published a second edition of a detailed report on eight key performance indicators that measure the level of capital markets integration in the EU. Results are mixed, with improvements in some indicators but deterioration in others. Italy was mid-ranked on five indicators, ranked low on two and high on one.

Giovanni Sabatini, general manager of the ABI, the Italian banking association, stressed the need to remove the barriers to cross-border capital movements that arise through different national laws, fiscal, civil and criminal. Speed of progress was put in perspective by Verena Ross, executive director of the European Securities and Markets Authority, who told the stream session that "CMU is a long term project".

SMEs. Among AFME's policy recommendations is that of tackling the need for better conditions of access to finance for SMEs. Indeed, SMEs featured in many sessions of FeBAF's 2019 Rome Investment Forum, beginning with Mr Abete's opening remarks during which he called for a strengthening of support for Europe's small firms. "Italy and the European Union must encourage investment in this segment," he urged.

The question of community, the ties of place between SMEs and cooperative banks, was raised by Pierpaolo Stra, deputy chairman of ICCREA Banca, the bank that links most of Italy's cooperative banks. "Helping small businesses to grow and supporting local economies is our job," said Mr Stra. The origins of cooperative banks in what were agricultural economies have not been forgotten and these roots remain. "Cooperative banks have always been green," said Mr Stra.

Small and medium sized firms are central to Italian manufacturing and serving them is high in the priorities of Italy's small cooperative banks, explained Sergio Gatti, director-general of Federcasce, the cooperative banks' association. "Cooperative banks invest in the territory in which they operate, and around 85 per cent of deposits are collected in the same community," he said. The EU's approach to Banking Union regulation should have three main goals: the maintenance of a diversified banking system; the reduction of artificial competitive distortions; and the provision of credit to SMEs, above all in tackling the challenges of climate change. "Think small first," was the advice of Gianluca Riccio, the vice-chair Business at OECD (BIAC) finance task force, who emphasised that no single solution fits all in SME financing.

Italian SMEs were among the main beneficiaries of the Juncker Plan, Italy itself being the second ranked beneficiary after France, Paolo Gentiloni had said in a keynote address on the first day of the forum. As the new EU commissioner for economy, Mr Gentiloni will be closely involved with the second phase, when SME's and sustainable investment will be priorities. "People laughed at the Juncker Plan when it was announced but it was a good start," he said.

The challenges. While conditions are now more favourable than when the Juncker commission began work, they are more complicated, said Mr Gentiloni. Growth will not rebound in 2020 and 2021, but recession will be avoided. However, a continuation of the slowdown, above all in manufacturing, will affect Italy and Germany particularly. Mr Gentiloni sees challenges in global trade, in coping with uncertainty, in the absence of fiscal policy and in the gigantic transition needed for the EU to achieve zero carbon. "We must recognise that we are behind on Paris objectives and act accordingly," he said.

One member of Italy's financial community for whom an ageing society is a daily issue is Giovanni Maggi, president of Assofondipensioni, Italy's association of occupational pension funds. For him there is a sub-set of challenges. "Social sustainability is essential but nobody speaks about private pensions, there is no pension culture in Italy and politicians think only of tomorrow and not ten years ahead," said Mr Maggi.

Dealing with cyber-crime is one aspect of digitalisation, and the forum included a stream session in which this was a focus. Corrado Giustozzi, member of the advisory group European Union Agency for Cybersecurity (ENISA), noted that SMEs particularly are weak and susceptible to cyber attacks. “A cultural leap is needed,” said Mr Giustozzi. Tackling fraud and cyber attacks must be priorities because they undermine trust and credibility. “Trust is crucial for finance,” noted Paolo Garonna, FeBAF’s secretary-general, adding “and there’s no growth without finance.”

David Wright, chairman of Eurofi, a European think-tank dedicated to financial services, saw major effort needed to get over too many years of weak decision-making, to reach a real political commitment on an urgent green agenda, to achieve Banking Union, to obtain agreement between Europe’s commission, council and parliament, and to move from generalisations to specifics. “There’s a formidable set of challenges,” he said.

Yet even as he opened Rome Investment Forum 2019, Mr Abete gave the reason why the challenges must be won. “Europe deserves to be treated much better. It is the true, single large project of political vision with sense of community of our generation, of our father’s, of our children’s and of generations that will follow in the twenty-first century.”

The Forum ended on 10 December with a round table on Europe’s role in the new financial order chaired by Paolo Garonna. the discussion focused on the new context created by the undermining of the global governance institutions. Alberto Corinti (IVASS), Francesco Mazzaferro (ECB) and Domenico Fanizza (IMF) gave a regulators’ overview stressing the need for global standards to be harmonized, implemented and supervised. Sergio Fabbrini and Ferdinando Nelli Feroci, independent experts, described the state of fatigue of international institutions facing weak leaderships and multipolar confrontations. Europe’s mission is to reconstruct the Western World as an anchor of stability and sustainable development, said Garonna. B.Spitz (B20) highlighted the role of financial communities as global players, while Massimo di Tria (Chief Investment Officer, Cattolica Assicurazioni) underlined how insurance companies are contributing to improve the resilience of markets and societies in which they operate and therefore regulation should foster the insurance market as much as possible, especially in countries like Italy which are under-insured.

Just a handful of days after the Forum, new light on finance was shed in Rome with the New Space Economy Rome ExpoForum, where Paolo Garonna participated at a Seminar on the 12 December. To reap the huge opportunities of the space economy, we need a developed integrated ecosystem of both traditional and innovative financial services. Rome has the potential of becoming a pole of excellence and a brain hub for the NSE.

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