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Banche Assicurazioni Finanza

Italian Banking Insurance and Finance Federation

1. Visco on the Italian Recovery and Resilience Plan

Ignazio Visco, governor of the Bank of Italy, used his speech to the annual conference of Assiom Forex (the association of financial markets operators) on 6 February, to spell out the challenges that the Covid-19 pandemic poses for Italian business and finance, and the opportunities that will arise with the arrival of Next Generation EU (NGEU) funds and Italy's national plan for recovery and resilience plan (NPRR). Above all, Mr Visco urged, the NPRR must ensure that NGEU resources are used to generate growth. Projects must stick strictly to EU indications and their management must ensure the prompt and precise execution essential for modernising the country's productive fabric. Uncertainty abounds, from containment of the pandemic and the effectiveness of the public administration to changes in consumer habits, new ways of working and investment decisions. However, as Mr Visco noted, “the strong uptick in production in the third quarter last year provided evidence of the economy's capacity to recover”. The central bank's governor said that while protection of healthy firms and their employees made sense, public funds should not be used to support firms that, independently of the pandemic, were destined to fail. He warned that it's wrong to “cultivate the illusion that public debt can rise indefinitely”. Budget policy must be directed at a medium-term aim of lowering the ratio of public debt to GDP. Amid the warnings and urgings, Mr Visco had positive words about Italy's banks whose CET1 ratio improved by 1.2 percentage points last year to 15.1 per cent, thanks in good measure to the capitalisation of 2019 profits. And prospects are fair regarding impaired loans which at the end of September amounted to 2.7 per cent of total lending, net of adjustments. While the pandemic will bring an increase, Mr Visco is confident that the impairment ratio “will remain well below peaks reached during the euro's sovereign debt crisis.” Addressing a parliamentary commission on 8 February, Fabrizio Balassone, head of the Bank of Italy's economics service, underlined that many points in the outgoing government's NPRR fall short of what the EU expects in recovery and resilience plans. The incoming administration faces a major challenge to adjust and flesh out the NPRR in the tight timescale available.

2. Insurers focus on Insurtech and new Business Models

Among the slides that Dario Focarelli, director-general of ANIA (the insurers' association), presented on 3 February to a conference on new business models and technology in insurance was one that captures the industry's direction of travel. Global InsurTech funding volume amounted to $7,108 million last year, against $6,348 million in 2019, $4,166 million in 2018 and $2,275 million in 2017. It was $869 million in 2014. Little wonder that governments and regulators are interested. During the past year the EU has been looking into digital matters and Italy's insurers expect initiatives from Brussels covering artificial intelligence (AI), cloud and cybersecurity, as well as other digital areas. Mr Focarelli summarised the advantages and risks of InsurTech both for consumers and insurers. And he presented ANIA's wish-list to regulators, which includes avoidance of duplication of rules and regulatory barriers, encouragement of innovation-friendly and tech-neutral approaches, true level playing fields, no separate liability regime for AI applications and flexibility for insurers to develop innovative products. A survey last year revealed that there were 36 InsurTech firms in Italy, of a total of 278 FinTech firms. As to the future, Mr Focarelli offered some ideas. Whether consumer or business, digital insurance is on a firm growth path. Mobile claim management and behaviour-based insurance services already enjoy a high level of satisfaction. And while most Italian InsurTech start-ups are involved in health/wellness and transport, others are now venturing into sport and pet insurance. In a footnote on the impact of Covid-19, Mr Focarelli said that the pandemic has given a significant push to Italy's public digital identity system and to digital signatures.

3. A new venture for SME recapitalisation

In May 2007, in his governor's address to the Bank of Italy's annual meeting, Mario Draghi noted that private equity was increasingly a feature of Italian finance. He added: “Intermediaries specialised in risk capital can help the growth of small and medium firms, contribute to strengthening management, help access to stock markets and assist generational change”. That distant message from Mr Draghi returned to mind on 9 February, when AIFI (the private equity, venture capital and private debt association) launched K4G (Key for Growth), an institutional portal supported by Deloitte and legal firm Legance. Aimed at improving the understanding of risk capital among Italy's many SMEs, K4G provides information, market data, useful links to other websites and a step-by-step appraisal tool to help firms evaluate whether private equity might be a solution to their financing needs. Introducing the webinar at which K4G was launched, Innocenzo Cipolletta, AIFI's chairman, drew attention to firms' requirements to re-build capital in order to recover from the pandemic. Risk capital must take the place of bank loans, he urged. Emanuele Orsini, vice-president for credit and finance at Confindustria, the industrialists' association, has similar thoughts. “New instruments are needed to allow firms to extend debt duration,” he said. The outlook for private equity in Italy this year is encouraging, as it also is for M&A, according to a recent survey whose results were presented by AIFI during a webinar at the end of January.

4. Tied agents’ network hits new heights

“An historic result in an extraordinarily complicated year” was how Paolo Molesini, chairman of Assoreti, described last year's out-turn for the association's members. Despite the pandemic and the problems this created, Assoreti, which represents 24 banks and investment firms with networks that operate through around 25,000 tied agents, was able to report record volumes of inflows from the 4.6 million clients to whom the agents provide financial advice. The net inflow of €5.7 billion in December (up 37 per cent on December 2019) rounded off a year in which the total net inflow was €43.4 billion, an increase of 24 per cent on €34.9 billion recorded in 2019. Mutual funds, with inflows nearly 81 per cent higher at €8.6 billion, and individual asset management, where inflows were almost 65 per cent higher at €4.4 billion, were major contributors. Mr Molesini said that the good results were attributable to a mix of flexibility in the networks of Assoreti's members, the professionalism of their agents, technological progress and process digitalisation. The note issued by Assoreti on 2 February provides a breakdown of inflows by member.

In Brief

Default and calendar provisioning. The efforts of ABI (the banking association) to ensure that its members and their clients do not suffer from EU rules that came into effect in January seem to have borne fruit. On 2 February, ABI noted that the European Banking Authority has clarified that debt moratoria to support firms and families during the pandemic allow banks flexibility over reclassifying loans as impaired. In a statement on 6 February, Antonio Patuelli, ABI's president, said that “emergency financial measures introduced by European and national authorities should not be lifted before the end of the pandemic”.

Milan's minibonds. Since 7 February, firms in the cluster of provinces Milan, Lodi and Monza Brianza have been able to apply to participate in the launching of a minibond issue promoted by their chamber of commerce. Firms that satisfy requirements will be eligible for a grant that will partly cover the costs of the issue.

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