Bulletin of Italian Finance - N. 04/2020 - 04 March

Banche Assicurazioni Finanza

Italian Banking Insurance and Finance Federation

1. Asset growth for tied agents

Year-end figures show 2019 turned out well for Italy's association of investment advisory firms with networks of tied agents. At €619.8 billion, their total assets were 20.7 per cent higher overall than at the end of 2018. Assoreti, the association that brings together 25 banks, insurers and other financial firms that do business through networks of tied agents, notes that the increase was 14.5 per cent after taking account of the extension of its perimeter to include the networks of three banks not included in 2018. The association reports that €440.1 billion of assets at 31 December 2019 were defined as managed, with the largest part of these (€206.1 billion) in mutual funds and the second largest (€169.8 billion) in insurance and pension products, while €179.7 billion were administered (€96.3 billion in liquidity and €83.5 billion in securities). Assoreti's note of 14 February gives a detailed breakdown of where assets were held in aggregate, ranging across a broad spectrum of forty asset classes and savings products, from Italian equity open funds and closed real estate funds to speculative funds and unit-linked insurance products. And in lesser detail Assoreti's note provides information on where the assets managed and administered by each of its members were held at year-end.

2. Insurance product oversight governance in focus

The insurance regulator, IVASS, expects to complete implementation of the insurance distribution directive soon, with the publication of its regulation on product oversight governance (POG) and rules covering the distribution of insurance-based investment products, said Stefano De Polis, the watchdog's secretary-general. A public consultation period ended in November. Speaking on 20 February to a conference organised by La Sapienza University in Rome, Mr. De Polis said that the new regulatory framework has led IVASS to review its own organisational structure. It has added conduct oversight to its usual prudential oversight, as well as establishing a consumer protection function to manage complaints, an insurance ombudsman and a programme for insurance “literacy”. Meanwhile, over recent months IVASS has been pushing ahead with ground-work in the industry, paying particular attention to what insurers' boards and management are doing with regard to POG, to product value and to how distribution networks are responding to what is required. IVASS says it has found various issues while visiting insurance groups and intermediaries, including: definition of target markets; after-sales control systems; information flows between producers and distributors; and value-for-money non-life products. Mr De Polis sees the arrival of product oversight governance as an industry-changing moment which, if exploited, will quickly produce results. He said that it offers an opportunity “to attack the under-insurance” that is endemic in Italy.

3. Boosting the role of institutional investors

Assoprevidenza, the association of private pension and health funds, wants its members to be more involved in the listed companies in which they own shares. On 19 February, it announced that it had joined forces with the Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (CNDCEC, national council of chartered accountants) to launch a centre for protecting the rights of institutional investors. The overall aim is to ensure that the voices of Italy's pensions and health funds speak louder and are heard. The centre will keep these investors informed of their rights and the ways of exercising them. It will encourage pooling between investors, both in engagements and voting by proxy, and it will promote the adoption of electronic voting at shareholder's meetings, describing this as economic democracy. Assoprevidenza and CNDCEC aim that the centre will beef up direct representation in the companies where pension and health funds are invested through the support for candidates as independent directors. Their note provides a twelve-point plan for helping Assoprevidenza's members define strategies regarding their voting rights. Announcing the launching of the centre, Sergio Corbello, Assoprevidenza's president, said that he intends to initiate all possible forms of discussion and cooperation with Assogestioni, the fund managers' association.

4. Encouragement and training for private bankers

About 16,000 people currently work as private bankers in Italy and their average age is 49, says AIPB, the private banking association. That average looks set to fall if a scheme that AIPB launched on 19 February bears results. Aiming to bring fresh young blood into the sector, the scheme is a masters programme for new graduates in economics or management engineering, or for students in those subjects who expect to graduate this year, having already completed their final examinations by 4 May. (Those born before 1993 are excluded.) The course will run for eight months, with the first two months being taught by lecturers from top universities and by leading figures from private banking, asset management, Fintech and start-ups, as well as officers from the regulatory authorities. Following the theory, masters students will learn the practical side through paid internships with 25 of AIPB's members, a group that includes major national and international banks and financial institutions. AIPB notes that the course has been designed bearing in mind the latest EU rules covering investment consultancy. Course director Silva Lepore, head of private banking at a large bank, noted how private banking calls for professionalism and relationship skills. While the course will offer students a combination of high level theory coupled to on-the-job practice, said Ms Lepore, for AIPB's members it has been designed to match their real needs.

5. Italian banks ask for a balanced EU implementation of the Basel requirements

The European banking and financial sector eagerly wonders - not without some concern - how the Brussel legislator will implement the compromise reached by the Basel Committee on Banking Supervision in order to strengthen the capital framework of the global banking system. The European Commission plans to put on the table a proposal regarding the matter by spring 2020. Cause for concern, according to the Director General of the Italian Banking Association (ABI), Giovanni Sabatini, is the transposition of these international norms into European and national legislation. Capital requirements for banks affect the European economic and financial framework, which is characterized by the slower growth of European enterprises and lower returns for European banks, a low interest environment, heavy reliance on banking as the main credit channel for the real economy, and a fragmented and uneven playing-field as far as the harmonization of banking laws across the EU is concerned. “Financial stability has improved considerably during the past decade. However, and taking also the objectives of the European Commission on the Green New Deal and the expected and conspicuous private and public investments needed to shift towards a greener economy, we must not burden banks with excessive additional capital requirements”.

In brief

RECORD FOR VENTURE CAPITAL. Last year was a record for venture capital in Italy, both in the number of operations, 148 deals against 102 in 2018, and in their value, €597 million against €521 million. Reporting these figures, AIFI (the private equity, venture capital and private debt association) said that the value increases to almost €650 million if business-angel deals are included.

MORTGAGE GUARANTEES FOR FIRST HOMES. More than 172,000 requests for mortgages have been met since January 2015, thanks to a scheme launched by the economics and finance ministry to help young home-buyers (under-35s) and special categories that include single parent families. Mortgages worth more than €19 billion have been approved, of which €14.8 billion have been paid out, said ABI, the banking association, in a note on 22 February.

ACCOUNTING PRINCIPLE RAISES OBJECTIONS. Italian insurers oppose the proposed introduction of IFRS 17 whose annual cohort requirement would need calculation of the profitability of each single contract year. Interviewed by business daily Il Sole-24 Ore on 21 February, Angelo Doni, head of operations and finance at ANIA, the insurers' association, said, “If adopted, application of 'annual cohort' would bring very high implementation costs without corresponding benefits in terms of information.”

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