



1. Trieste-Eastern Europe Investment Forum 2020

The fifth edition of the [forum](#), organised by FeBAF and MIB Trieste School of Management drew 200 participants to its online platform on 9 June. Increased European integration, reforms, sustainability and innovation will provide the way out of the Covid-19 emergency, said speakers. Given the strong presence of the Bel Paese in the Balkans and southeast Europe - Italy ranks second as trading partner - Italian banks, insurers and funds are well placed for new business as these countries move closer to the EU and eventually become members.



2. Insurers seek digital advantages

Whether in the digitalization of claims or pricing techniques, or in containing or reducing insurance risk, the technological revolution offers opportunities to develop the industry's value chain, Maria Bianca Farina, president of ANIA (the insurers' association), told Executive.it on 3 June. Moreover, in understanding customer

needs and through working closely with its members, ANIA has a central role in managing this revolution by promoting appropriate regulatory changes with the authorities. Ms Farina underlined, however, that ANIA believes that innovation must support rather than substitute human activity. Asked about cyber risk, ANIA's president noted how this area, in which ANIA itself is actively involved, offers two sides. On one side there are opportunities for insurers to offer customers cover against the risk, while on the other, firms must ensure that they have protection against cyber attacks, both by developing defensive measures to minimise threats and by establishing crisis units for management should attacks occur. Effective cooperation between insurers and technology firms is essential to beat off cyber threats, said Ms Farina, noting that some ANIA members and tech firms are already working together to offer the insurance market integrated cyber-risk solutions. While digitalization and cyber risk are shaking the insurance world, Italy itself faces real seismic risks for which it is massively under-insured. ANIA is also at work here, pressing for a public-private insurance partnership to manage risks and building an information system, GeoSafe, to map national catastrophic and climatic risks.

3. Bank of Italy plots route to unknown new normal

When Ignazio Visco, the central bank's governor, made his annual report at the end of last month, he noted how Italy's economy must be strengthened in order to navigate the uncertain terrain created by the Covid-19 pandemic and recession. With ultra high-speed broadband currently covering less than a quarter of Italian households, against a European average of 60 per cent, boosting digital infrastructure is one area where action is needed. (Earlier Mr Visco had noted how online purchases of food and household necessities leaped 170 per cent in March and April over the same period in 2019.) The quality of human capital is another area requiring attention. "Just a shift in a modest part of public spending would produce a decisive improvement in the training of young people and the capacity to produce innovation," said Mr Visco. Several factors provide reason for optimism. Italy's banks are far stronger now than at the start of the 2008-2013 recession. Up to now the consequences of the crisis have been modest for institutional investors. Household debt is low and concentrated in those most able to support it. Italian goods are competitive and Italy has enjoyed robust trade surpluses since 2012. Moreover, as Mr Visco noted, the EU is a formidable resource for its citizens. The levels of public spending (net of interest) and tax revenues are in line with the euro-zone, and financing the measures Mr Visco identified is possible, particularly if tax evasion is tackled. Italy has the capacity to enter a virtuous circle of economic growth and balanced public sector finances. A welcome new normal.

4. A new investor category

The ministry of finance and economics opened a public consultation on 4 June. It will seek views on the proposal that a new category of non-professional investor, with entry investment of €100,000 rather than €500,000, should be permitted for reserved alternative investment funds (AIF). Typically, such AIF (hedge funds, private equity and venture capital) have been directed at upper-affluent and private clients with substantial means and able to bear the risks of non-listed illiquid assets, albeit compensated by prospects of high yields. The suggested changes - supported by the Italian financial associations such as AIFI, AIPB, Assogestioni - would contribute to the development of these instruments. Although AIF are growing globally, they have yet to realise their potential in Italy despite "manufacturing being largely based on small firms, some of them very innovative, that currently have to turn to traditional banking sources to finance growth".

5. Encouragement and incentives needed for SME research

The recent response of Assosim (the association representing the interests of intermediaries on Italian financial markets) to the EU's public consultation reviewing the MiFID II/MiFIR regime cast light on the difficulty of encouraging financial research on SMEs. Assosim offered a damning and detailed critique of MiFID II's impact. Level 2 provisions on financial research have damaged the amount of information available on SMEs. Provisions aimed at improving the transparency of the cost of research jeopardise its sustainability, particularly for SMEs. Small and medium-sized local intermediaries risk being driven out by the high level of fixed costs of compliance. Flat-fee pricing policies for research jeopardise the sustainability of their analysis departments, "which account for virtually the entire production of research on SMEs listed on peripheral markets". Yet, as the association noted, "local brokers carry the entire burden of providing SMEs with access to the capital market". Moreover, SMEs themselves are hurt as low coverage and liquidity cause information asymmetries which generate

increased volatility and higher cost of funding. A consequence of higher funding costs for SMEs is their reduced appetite for investment, leading to lower growth and employment, which is particularly damaging for Italy. What should be done? Assosim sees the prevention of underpricing and the establishment of objective criteria for defining a fair price as a way to help the sustainability of research by local brokers. The association also proposes VAT-exemption for research and, as is the case for industrial R&D, tax credits for the costs of financial research, both for those who commission it and for those who produce it. “Financial research contributes to the country’s economic growth and reduces unemployment,” noted Assosim in its response.

In Brief

SME guarantee fund passes half-million. In a note on 9 June, ABI (the banking association) said that the number of requests from banks to the guarantee fund has reached almost 502,000, while the banks themselves have received 555,000 requests from SMEs for financing up to €25,000. The total sought by firms affected by the health emergency has reached €26.7 billion.

AIFI keeps busy. AIFI (the private equity, venture capital and private debt association) keeps busy despite the restrictions that Covid-19 has brought. On 8 June it announced the launching of Invest AIFI, a platform to put institutional investors in contact with its members, thereby helping access to the liquidity necessary for private capital to invest in the real economy. The following day, AIFI said that it had begun working with Italia StartUp, an association representing innovative SMEs, start-ups, business accelerators and innovation centres. And, again on 9 June, AIFI announced that thanks to its lobbying, SACE (the state export credit agency) has decided to accept bonds and other debt instruments as guarantees.

Save the date

The Roman Chapter of the Foundation Centesimus Annus Pro Pontifice (FCAPP)
in collaboration with FeBAF & ANDAF organise

Ethics and new normals in the post-covid world of work
Speakers: Anna Maria Tarantola - President of FCAPP
Paolo Garonna - Secretary General of FeBAF
Roberto Mannozi - President of ANDAF

Zoom Webinar
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