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Banche Assicurazioni Finanza
Italian Banking Insurance and Finance Federation


## 1. 6th Round of the Italian-German Dialogue on Financial Services

The sixth round of the Italian-German dialogue on financial services between FeBAF and the German Banking Industry Committee (GBIC) - which represents the 5 German banking associations - was held on Friday 15th May by videoconference due to the Coronavirus epidemic. The dialogue has witnessed a successful debate on the main European financial and economic issues and it has provided a fruitful exchange of views among the representatives of the financial industries of the two countries. The two delegations were led, respectively, by Innocenzo Cipolletta (Vice President of FeBAF) for Italy and Gerhard Hofmann (member of the BoD of the German association of cooperative banks) for Germany.

In a somber context due to uncertain economic forecasts, many topics have been discussed: from implementing reforms in the health sector and providing financial relief to businesses and families struck by the ensuing economic crisis, to the role that efficient financial markets could play in the recovery. The two delegations had the opportunity to discuss on the recent banking "package" adopted by the European Commission about lower capital requirement rules for European banks affected by the Coronavirus, on the rules regarding the treatment for NPLs (calendar provisioning) and on the different contributions of EU banks to the European Resolution Fund (ERF) for 2020 and 2021. The two delegations also agreed on the overall idea that the current health emergency should not affect cross-border activities and investments in order to avoid segmentation of markets and to delay economic recovery. Participants agreed on the need to accelerate the completion of the Capital Markets Union, a key factor for relaunching the European firms which will emerge more fragile in the aftermath of this crisis.

The dialogue was also attended by the Director of DG Fisma of the European Commission, Mario Nava, and the financial attaché of the German Permanent Representation to the EU, Nicole Rosin. Mr. Nava highlighted the recent measures taken in Brussels in order to face the emergency and discussed still outstanding measures, including the negotiations on the European multi-annual financial framework (MFF) and the exceptional tool of the "European Recovery Fund" to be presented on 27th May. Mrs. Rosin outlined the priorities of the forthcoming EU Presidency which Germany will take over from Croatia on 1st July. Six months marked by a difficult economic recovery which will take years to complete and will need a balanced flexibility of new regulations for European financial players.

Encouraged by the success of the bilateral dialogue, the two delegations agreed to meet again in autumn 2020, possibly in Berlin. Mr. Innocenzo Cipolletta pointed out there are many shared views between the two financial communities, which are supporting the real economies of their respective countries and their medium and long-term resiliencies.

## 2. Managing the Covid-19 emergency

The emergency doesn't take breaks, and neither do Italian banks, for whom weekends are no longer days of rest. A note from ABI reported on May 19 that banks have processed and approved SMEs applications for a total of €12 billions.

In a recent submission to the senate's industry, trade and tourism commission, Giovanni Sabatini, ABI's director-general, suggested ways in which measures could be made more effective. He was particularly concerned about loan applications exceeding €25,000 for which usual banking evaluation procedures must be applied, those under €25,000 essentially being “automatic”. It is impossible in the present circumstances, he said, to evaluate the reliability of business plans. Requiring that borrowers must indicate exactly where loans will be spent, thus allowing checks to be made, might be a solution. Mr Sabatini was also concerned about the effect of limiting new financing under emergency legislation only to firms in good credit standing after 31 January, as this may condemn firms whose loans were classified as probable default “to irreversible crisis”.

Information and communications are central to ensure awareness of the financial assistance available and the rules for obtaining it. To help banks understand what they can do for customers, ABI has prepared a “simplified unified text” that draws together the regulations issued following April's emergency decree. And the authorities have been working to help households and businesses know what is available by publishing a ten-page primer on the financial education website. In a recent note, IVASS, the insurance regulator, drew attention to consumers' concerns about being able to suspend obligatory third party motor insurance without penalties and about the grace period at the end of expiry dates of motor policies. Unsurprisingly, travel insurance is another area of concern. And the Bank of Italy has published an explanatory note about its central risk data bank, underlining that applications for loan repayment suspensions under the Covid-19 emergency rules do not modify credit standings.

## 3. Looking beyond the emergency

While financial effort is being directed at managing today's problems, Italy's financial industry hasn't forgotten the future, and the need to kick-start the economy when the health emergency is over. Interviewed by Corriere della Sera on 11 May, Antonella Massari, secretary-general of AIPB (the private banking association), noted that members of her association manage more than €880 billion. She believes that they can provide significant support to the real economy. “The contribution of private savings will be valuable once the emergency is over, not only for financing growth and industrial restructuring projects, particularly in SMEs, but also for helping public infrastructure," said Ms Massari. The private equity, venture capital and private debt association (AIFI) also says that its members will be able to make an important contribution to getting the Italian economy back on its feet. "Private equity and venture capital funds are essential instruments to help SMEs' capitalisation," said the executive council on 12 May. Among the government measures that AIFI seeks are the promotion of investment by pension funds and, in order to reduce debt levels, the transformation of part of loans made to SMEs into capital grants. Writing in Private Capital Today, Dario Voltattorni, executive director of AIDAF (an association of 200 Italian family firms that represent 15 per cent of GDP), said that the emergency's Phase 3 will lead to an acceleration of changes firms are already experiencing. His ten-point programme to boost business resilience includes large-scale investment in new technologies and training; enhancing the role of finance within firms; and strengthening the relationships between firms and financial markets. "Strategies for the management and allocation of family assets within both owning families and firms will be more cautious," said Mr Voltattorni.

## 4. Bank of Italy warns UK intermediaries

British banks and other UK financial intermediaries for which the Bank of Italy is the competent authority have been warned. In two pages of instructions, the Italian central bank has reminded them that the clock is ticking. And if the British government's words are to be believed, after midnight on 31 December, the Italian third-country regime will apply to all UK intermediaries operating in Italy. If they wish to continue operating in the Bel Paese they will require licences as third-country firms. Alternatively they may transfer Italian activities to Italian intermediaries or to EU-licensed intermediaries passported into Italy. Otherwise they must wind down and cease operations. In its instructions, the Bank of Italy told UK firms that time is running out for taking the necessary steps.

## In Brief

**Bank employment.** The fund operated by Italy's banks has agreed to finance a further 1,664 permanent jobs with particular attention to young people and the poorer southern part of the country. Announcing the new effort, ABI noted that the fund, financed by the banks themselves and without state help, has spent €195 million in the recruitment of new staff or the stabilisation of jobs at risk since 2012. More than 25,000 applications involving 267 banks have been approved, last year registering a record number of 3,260.

**Savings.** Despite the emergency, Italians have continued to save, according to figures from Assoreti (the association of investment advisory firms with tied agents). A net outflow of €2.5 billion, mainly from mutual funds, was compensated in March by €6.3 billion flowing into liquid assets and securities. Assoreti's members recorded an overall net inflow of €11.6 billion in the first quarter, of which liquidity and securities accounted for €11.5 billion.

**Public consultation for pension funds.** On 7 May, Covip the pension funds' regulator, published its regulatory framework for the transparency of investment strategies. Covip requires observations, comments and proposals by 22 June.

**Life insurance first quarter.** In its monthly Trends note for May, ANIA (the insurers' association), records a sharp fall of 42 per cent in March to €5.5 billion of new life premiums. This dragged down the first quarter's figure to almost €24 billion, a fall of 4.3 per cent on first-quarter 2019. Traditional non-linked policies (endowment, whole life and term) continued to be the principal source of new business, representing almost two-thirds in the first quarter. With just over two-thirds of new business, bank branches and post offices were the main distribution channels.

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