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Banche Assicurazioni Finanza

Italian Banking Insurance and Finance Federation

1. FeBAF on the European Single Access Point for companies' information

A single standardized European platform that collects financial and non-financial information of EU companies has been recently presented by the European Commission as an ambitious overall proposal named the European Single Access Point (ESAP). The European Commission presented the initiative through a public consultation which closes on Friday 12th March. The creation of such a platform is the first action in the Commission's new Action Plan on the Capital Markets Union (CMU). It has a dual purpose, on the one hand to facilitate the access and use of disclosed information to encourage cross-border investments at a European level and on the other hand to improve the quality of the information provided by companies and financial operators, particularly information concerning ESG principles engrained in sustainable finance, and in compliance with European regulations. In its response to the consultation, FeBAF - The Italian Banking Insurance and Finance Federation expressed support for the initiative, taking up the challenge of sustainability and the collection of ESG data but highlighted the need to safeguard the principles of proportionality and graduality.

The Berlaymont Building, seat of the European Commission

In this sense, the completeness of the information that companies will have to provide should not lead to greater burdens within the reporting and compliance obligations, especially for SMEs. Therefore, it is auspicabile to harmonize European legislations, avoiding unnecessary effects of duplication and redundancy - also in light of those deriving from the pandemic and the forthcoming revision of the directive on reporting on non-financial information (NFRD) - and in order to bring significant benefits and facilitate investments in listed and unlisted companies. Lastly, FeBAF believes that the governance and financing of the platform should be a prerogative of European institutions and authorities.

2. ANIA focuses on motor insurance

Often a subject that Italians are ready to grumble about, motor insurance is also on the minds of politicians in Rome. On 4 March, Maria Bianca Farina, president of ANIA (the insurers' association), gave more food for thought to a parliamentary commission examining a bill concerning third party motor insurance. Most of Ms Farina's evidence was concerned with uninsured vehicles on Italian roads. An estimate by ANIA put the number of uninsured cars in 2019 at 2.6 million, equal to 5.9 per cent of the total on the road. (The estimates were 9.4 per cent in the South and 3.8 per cent in the North.)

Driving without insurance is not only “socially unacceptable”, said Ms Farina, but it also imposes costs that society as a whole is called to pay. At that level of evasion, premium income is about €1 billion lower than it would otherwise be, leading to higher premiums and regional differences. And the state loses an estimated €280 million a year in premium-taxes and contributions. The good news is that for the past two years the ANIA Foundation has been working with the police to combat insurance evasion. Using 140 kits able to check 100 number plates a second, and supplied by the foundation, the police checked nearly 1.8 million cars last year and found that almost 33,000 were uninsured and 84,000 had not undergone obligatory periodic safety checks. Yet much more could be done if the use of other number plate readers like those at motorway tolls and for speed checks were authorised. For Ms Farina, however, rather than trying to deal with the three issues covered by the bill, of which insurance evasion was the third, parliament should turn its attention to a full overhaul of 1969's legislation on third party motor insurance.

3. Banks look to the recovery

Italy's banks have been ahead of the curve in providing support for the country's firms during the pandemic, said Antonio Patuelli, chairman of ABI (the banking association), in an interview published in la Repubblica newspaper on 7 March. And they will be alongside firms during the recovery, but the government should do its part by lengthening the period for which loans are guaranteed and ensuring that banks are able to prolong repayment moratoriums. These supports should continue until the pandemic is over, said Mr Patuelli. Noting that the health crisis now seems to be worsening again, he underlined that firms should be given the opportunity of putting their businesses back on track in a worry-free climate. “Support measures must be removed gradually and not abruptly cut off, as if by guillotine,” he urged. On 2 March, Giovanni Sabatini, ABI's director-general, gave evidence to a parliamentary commission examining the national recovery and resilience plan (PNRR). He called for certainty “in order to create positive expectations and allow beneficiaries of incentives to plan their investments.” Welcoming the European Banking Authority's recent clarification on loan moratoriums and on classification of loans as impaired, he underlined the importance of bank regulation always taking account of the need for economic growth as well as for stability. Commenting on forecasts prepared by ABI and Cerved (a credit information agency) for impaired loans this year and next, Mr Sabatini said on 5 March that support measures should be maintained “until the health emergency is fully and finally behind us.” The analysis presented by ABI and Cerved highlighted the positive effect of last year's measures, with just 2.5 per cent of performing loans becoming non-performing in Q3 last year against 2.9 per cent in third-quarter 2019 and 7.5 per cent in 2012. However, the flow of new loans into default is expected to be 4.3 per cent of performing loans this year and 3.7 per cent in 2022, with SMEs suffering more than large firms, construction and services suffering more than manufacturing, and southern and central Italy more problematic than the north.

4. Capital support for SMEs

Whether in the north, centre or south of the Bel Paese, in manufacturing or services, SME's are a major driver of the Italian economy. Little wonder, therefore, that as the country's financial players look forward to the whistle blowing time on the pandemic they are focusing on what they can do to help a strong bounce-back. Ensuring that small and medium sized firms are properly capitalised is a key and recent reports and webinars have examined alternatives to bank loans on which, traditionally, firms have relied heavily. Introducing AIFI's annual report on private debt on 4 March, Innocenzo Cipolletta, chairman of the private equity, venture capital and private debt association, drew attention to “the role of private debt funds in providing finance to SMEs in this dramatic period”. That SMEs turned to private debt last year is borne out by two figures. At 410, the number of operations was 62 per cent higher than in 2019, but the amount invested (€1,197 million) was 9 per cent lower. In terms of reimbursement, last year turned out well, with €400 million paid back by 130 firms, against €324 million from 104 firms in 2019. A problem that needs addressing, noted Mr Cipolletta, is funding, which slowed significantly last year, being down 24 per cent on 2019 at €293 million. As part of its efforts to interest SMEs in this form of financing, AIFI, in partnership with Deloitte, recently published a guide, Private Debt Funds: the path to the market. Private debt is one way of funding SMEs. Another is venture capital, and AIFI reported on 10 March that there were 234 such operations last year, worth a total of €595 million. The association will publish an analysis of Italy's private equity market next month. Another instrument for helping SMEs through this difficult period are minibonds, the subject of a recent webinar at which the management school of Milan's Politecnico university presented its seventh annual report on Italy's minibond market. Issuing firms numbered 176 last year, with 131 of them entering the market for the first time, and there were 56 issuers with turnover of less than €10 million. Among the details in the 80-page report was the fact that there were a “a good number of small firms which, although they had access to bank credit, experimented with minibonds to acquire new capital-market competence”. Innexta, the credit and finance consortium of the Milan, Monza-Brianza and Lodi provincial chambers of commerce, has launched a portal that aims to boost equity crowdfunding. The portal provides details of firms that have raised capital this way, thereby improving transparency and encouraging dealing and liquidity.

In Brief

Sustainable finance disclosure regulation. Reminding its members that the EU's sustainable finance disclosure directive (SFDR) came into effect on 10 March, Manuela Mazzoleni, head of sustainability at Assogestioni (the fund managers' association), said that they should be “ready to reply to clients and help them understand the new language”. For Ms Mazzoleni, the directive is an important step for promoting the growth of sustainable investments. AIFI has also moved

ahead, providing its members with a guide to the directive at the beginning of March, although the association notes that the normative framework is as yet incomplete and the directive's implementation will be gradual.

Digital acceleration in finance. Choosing to wait and see how technology affects business is unlikely to help incumbent intermediaries defend profit margins, warned Alessandra Perrazzelli, deputy general-manager of the Bank of Italy. Planning and ensuring the availability of skills is essential to keep up in the rapidly changing environment that FinTech is creating. Addressing a recent webinar on open finance and the future of banking, Ms Perrazzelli noted that the pandemic has accelerated technological change in finance. And she drew attention to the launching of the central bank's innovation centre, Milano Hub, last December and to its website, which now offers a FinTech section.

Save the date

FeBAF and Robert Triffin International Foundation organize

Post-Covid Recovery in the Euro-Mediterranean: Monetary and Financial Aspects

Webinar on Microsoft Teams - Registration needed at info@febaf.it

17 marzo 2021 dalle 10:00 - 11:30

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