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1. Covid-19: managing the financial emergency

Three hearings of parliamentary commissions in Rome during the last week of April again underlined how the pandemic has created an emergency for financial systems as well as for people and health. Giving evidence to the lower house's finance and industry commission on 27 April, Fabrizio Balassone, a senior officer of the Bank of Italy, noted how assistance to business needs a balance between transferring liquidity rapidly to firms while also safeguarding the interests of the state and avoiding guarantees to cover loans with high risk of default. Mentioning the Italian payments system, Mr Balassone drew attention to how ownership of financial infrastructure by non-EU firms poses a risks for strategically important firms and justifies inclusion within the perimeter of a state golden power.

When Giovanni Sabatini, director-general of ABI (the banking association), addressed the same commission on 23 April, he focused on the considerable workload that the emergency has brought for banks and on what the association has done. ABI had quickly foreseen that liquidity would be a central issue and that suspension of loan repayments would be needed. At the end of his submission, Mr Sabatini suggested further measures, among them: help for families in difficulty with

consumer credit payments; the simplification of loan-suspension procedures for local government; and increased recourse to factoring to improve working capital.

In a 32-page submission the previous day, Mr Sabatini brought the commission investigating the banking and financial system up to date on initiatives taken by the banking sector's liquidity task force. Reflecting on the significant improvement in NPLs since 2013, he noted that the banking system is better placed to manage the situation than it would otherwise have been. "Nevertheless, the current emergency brings concrete risks," he warned. Home and flexible working, and consequent increased reliance on technology has brought cyber risks that banks are tackling, Mr Sabatini assured the commission. Reassuring for consumers in a country where cash remains important for payments is the fact that, apart from sporadic episodes, ATMs have been kept topped up with banknotes and ATMs themselves have remained operational.

2. Business facing the crisis with a better financial structure

There was light among the darker clouds of the Bank of Italy's second economic bulletin for 2020 (No. 2 - April 2020). "Business faces the crisis with a more solid and balanced financial structure than at the start of the preceding recession," it reported. Equivalent to 68.4 per cent of GDP, overall business debt is much lower than the euro-area average of 107.6 per cent. And households are similarly well positioned with debt to gross disposable income of 61.9 per cent, against the euro-area average of 95.1 per cent, and debt to GDP of 41.2 per cent compared to 57.9 per cent.

3. Guarantee insurance higher in 2019

Italian insurers offering guarantee insurance can look back on 2019 with a degree of satisfaction. Figures published by ANIA (the insurers' association) on 20 April show increases in both total premiums and new production. Premiums from credit insurance rose by 6.2 per cent in 2019 to €570 million, continuing a steady upward trend since 2015 when they were €486 million. Taking account of prior-year portfolio movements, premiums amounted to €584 million, an increase of 7.5 per cent on 2018. ANIA reports that 80.7 per cent of premiums last year were for policies covering commercial risk within Italy while 10.6 per cent concerned salary-backed loans. Premiums from other types of guarantee insurance were of a similar magnitude, and at €568 million last year they were an increase of 8.6 per cent on 2018. Premiums from new business were 11.5 per cent higher at €336 million. At €205 million, public contract bonds provided the largest slice of premiums from guarantee insurance last year, while premiums for policies covering invitations to tender amounted to €30 million. Premiums from policies for building licences (construction, compliance and similar bonds) were €60 million. Premiums from customs bonds amounted to €26 million. Bonds for waste management, a problematic matter for several Italian regions, brought premiums of €36 million.

4. Pushing ahead with blockchain

The Covid-19 emergency has not held back a major innovation in Italian banking, however. Since the end of March distributed ledger technology (DLT) has brought a new way of working to 32 banks, including all the largest. Another 23 banks will be adopting this from May and it is planned that a

third group will join in October. A central part of back office work has been revolutionised. Traditional methods of checking interbank transactions based on telephone calls, messages and bi-lateral ledgers, with a low level of standardisation and antiquated procedures, have given way to the blockchain. ABI was behind the project (called Spunta Banca DLT) which was coordinated by ABI Lab, the banking sector's research and innovation centre, and involved three technical partners. Simulations and operational checks around the beginning of February showed that time objectives could be met, even complex operations being undertaken in less than a second and reports generated in half a minute. During testing, 103 reciprocal accounts and bi-lateral ledgers were fed some 7 million transactions, and automatic checking hit 94.5 per cent. Announcing implementation of the project on 28 April, ABI noted that the advantages of this new procedure of checks include: full visibility of own and counter-party movements; speed in the management of flows, with daily rather than monthly reconciliation; and the integrated management of communications and processes in cases of variance.

5. Rescheduling and video-conferencing of major financial events

The Covid-19 emergency is playing havoc with conferences, meetings and training schemes, and our industry is adapting. FeBAF confirms its Trieste-Eastern Europe Investment Forum. The annual conference focused on economy, investments and finance in Western Balkans and European neighbour regions will be held on June 9th thanks to video conferencing platforms. The Forum is a positive sign of continuity at its fifth edition and intends to be a stimulus for debating the financial issues in the area. Two of FeBAF's associates have recently announced modifications to their 2020 plans. Assogestioni (the fund managers' association) announced on 21 April that the 11th edition of the Salone del Risparmio savings fair will now take place from 20 to 22 April next year, "a hard choice but inevitable," said Fabio Galli, the association's director-general. Earlier AIPB (the private banking association) had announced that its Master's course in private banking and wealth management that was due to begin on 4 May will be re-scheduled for 2021. "The project is only being put back, not abandoned. We are convinced that private banking, now more than ever, will have an important role in Italy's economic recovery," said Antonella Massari, AIPB's secretary-general. Stay tuned.

In brief

Cybercrime. The online working, learning and socialising that Italians are now experiencing will continue when the emergency is over, said the insurance regulator IVASS and the Bank of Italy in a joint note on 17 April. And the risk of cyber attacks will increase. The note highlights the work of the bank's Computer Emergency Response Team in checking vulnerabilities and proposing ways of tackling them.

Online learning. The management school of Milan's Politecnico University followed up February's massive open online course (MOOC) in alternative finance for SMEs with a marathon webinar on 21 April. Numerous experts and professionals contributed to the three-hour programme "Finance for recovery - solutions and proposals for SMEs". On 30 April, the school of management offered an online Q&A session on SMEs' access to public guarantees.



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