

Spotlight

Strong growth in private pensions

Italians are thinking harder about their retirement and doing more to provide for it. This is the message from figures for last year released earlier this month by [Covip](#) (the pensions regulator). About 7.8 million people had funds invested in private pension schemes at the end of 2016, an increase on 2015 of 7.7 per cent, net of members leaving schemes. All three main categories of scheme recorded increase in membership: occupational schemes by 7.3 per cent to 2.6 million members, open pension funds by 9.5 per cent to 1.3 million and 'new' personal pension plans by 10.5 per cent to 2.9 million. In these three sectors, total funds under management amounted to €86.8 billion, an increase of 11.3 per cent on year-end 2015, with 'new' personal pension plans showing the largest increase (18.8 per cent), compared with open pension funds (10.8 per cent) and occupational schemes (8.0 per cent). As to performance, equities did best and Italians with savings in equity funds in 'new' personal pension plans did best of all with a year-on-year return, net of management charges and tax, of 5.7 per cent, followed by occupational equity funds with 4.1 per cent and open equity funds with 3.7 per cent. Funds generally performed better than the benchmark provided by the revaluation of employees' leaving indemnities (an alternative to occupational pension funds) which was plus 1.5 per cent.

Hydrogeological risk and financial sector

The Bank of Italy is undertaking a study of how hydrogeological risk in the country could spread to the banking sector, Luigi Federico Signorini, the deputy governor, told a conference in Rome on 6 February. [Mr. Signorini's speech](#) on the impact of environment and climate change examined the impact of flood and earthquake risk in Italy on its financial system. Mr Signorini underlined the exposure of households and businesses to hydrogeological risk, as an example of how physical risk is a fundamental topic in Italy: between 2009 and 2011 there was an average of 82 events each year, affecting more than 2.3 million people, with estimated economic damages of approximately €2.7 billion per year and the recent earthquakes' estimated cost has reached €23,5 billion. The impact of these events is not limited to disruption and reconstruction of physical capital. It also reduces the collateral value of bank loans as a result of the material damage to the collateralized assets and, in turn, influence borrowing and lending propensities. The ongoing study at the Bank of Italy examines the relation between hydrogeological events and banking sector. Preliminary econometric evidence shows that a reduction in flooding risk is associated with an increase in outstanding loans to small and medium-sized enterprises. Physical risk can be mitigated both by prevention and risk-reduction measures, such as the climate proofing of buildings and infrastructures, and/or by increasing insurance coverage on properties. Although one third of Italy's population lives in seismic areas, he underlined, the insurance industry association estimates that less than 1 per cent of dwellings have private earthquake coverage.

A new staff-management agreement in banking

A message that Italian banks and their staff are allies in tackling some of banking's big challenges was delivered on 8 February, when [ABI](#) (the banking association) announced that it had reached an agreement with staff associations and unions that covers important issues of commercial and organisational policies in its member banks. The strengthening of efforts to ensure that relations between banks, their staff and customers are transparent and governed by values that are ethical and based on integrity, notes the agreement, is "essential for developing sustainable commercial policies". Such policies, which also contribute to the achievement of medium- and long-term productivity and profitability objectives, are in the common interest of customers, staff and the banks themselves. Placing the customer at the centre is crucial and this requires "quality in products that are sold, transparency in conditions and the provision of appropriate financial advice, in full respect of industry regulations and banks' own rules". These aims

can only be achieved by recognising the role played by staff and ensuring that they are given training to fit them for the responsibilities they carry. How work is organised must be based on the fundamental principles of "honesty, loyalty, transparency, equity, respect, freedom, trust and professionalism". Ensuring that staff are informed and appropriately trained is essential, says the agreement, in order that they can fully participate in efforts to achieve their banks' objectives. The agreement foresees the use of two industry funds to help pay for training. One section in the agreement covers the protection of whistle-blowers, and another the question of incentive schemes. The agreement will form part of the next national contract for bank staff.

Fund managers go talent-spotting

"Over recent years, our industry has seen a significant decline in the numbers of staff. Moreover, various studies have shown how Italian fund management is becoming a mature industry, perhaps too much a niche business," said Tommaso Corcos, president of [Assogestioni](#) (the fund managers' association). He was introducing a new scheme to attract the best young talent into the business. Some 23 fund management firms are together offering 40 training places for outstanding students. Already 150 students from two universities in Milan and one in Naples have been interviewed and a further seven universities will be visited by 20 March. Students who are chosen will spend a day, 13 April, at the Salone del Risparmio in Milan, attending a workshop on career construction and meeting fund managers, and will then be given an induction session by Assogestioni. "This scheme provides a great occasion to re-launch the idea of careers in fund management, and is a reminder of the role that the industry has and must continue to have in the Italian economy," said Mr Corcos.

In brief

With the aim of ensuring benefits are passed to the appropriate beneficiaries, dormant life policies (when the customer has not been in contact with the insurance company for a long period from the date the policy matured) are to be investigated, said [IVASS](#) (the insurance regulator), following preliminary discussions with consumer associations and the insurance industry. Luigi Di Falco of [ANIA](#) (the insurers' association) said the association is in favour of policy benefits being paid to those for whom they were intended, but noted that legislative changes will be needed.

[ABI's](#) monthly report on the banking sector, containing aggregate figures for deposits, loans, interest rates and spreads, notes that the average interest rate paid by household borrowers reached a record low of 2.85 per cent in January.

In a note issued earlier this month, [Assogestioni](#) said that the Bank of Italy has given assurances that funds managed by its members and held by banks placed in resolution will not be affected in the event of bail-in.

Just over 37,300 families in difficulty had their mortgage repayment suspended between November 2010 and December last year, said the banking association and the economics and finance ministry in a joint note on 4 February. The total amount of the residual mortgages involved was more than €3.5 billion, and the cost to the state was over €50 million.

Six researchers at the [central bank in Rome](#) have taken a close look at shadow banking in Italy. Their detailed [53-page report](#) is available in English on the Bank of Italy's website.

LOOKING AHEAD

22 February, Milan.

[Individual savings plans: a bridge towards the real economy](#). Conference organised by Assogestioni - the fund managers association.

08 March, Rome.

[I nuovi strumenti di politica pubblica per gli investimenti: come tradurli in crescita e occupazione](#). Organised by FeBAF.



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