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Spotlight

"Investments, savings and finance at the service of the European idea"

"Investments, savings and finance at the service of the European idea" is the title of the Joint Statement through which FeBAF and the representatives of the financial communities of the six countries that signed the Treaty of Rome celebrated its 60th anniversary. The document was presented on April 3rd at Palazzo Altieri in Rome in a meeting introduced by Luigi Abete, Chairman of FeBAF, with the participation of Sandro Gozi, Italian State Secretary for European Affairs, and of representatives of the six EU founding countries. At the meeting, in addition to FeBAF (Italy) and Paris Europlace (France), numerous other financial associations took part and shared the Statement: Febelfin for Belgium, Frankfurt Main Finance, Finanzplatz Munchen Initiative, Finanzplatz Hamburg, Stuttgart Financial and Deutsche Kreditwirtschaft (which represents the five German banking associations) for Germany, Luxembourg for Finance for Luxembourg and the Dutch Banking Association for the Netherlands. The "manifesto" expresses the availability of the business community to work together with the European Institutions, national governments, regulatory authorities, investors and consumers, to complete the economic and social integration in Europe and safeguard the specificity of the continental industry which has always been at the basis of the European project. Our goal - Mr. Abete said - is a stronger and integrated Europe, and a small steps policy is not sufficent anymore. While expressing his appreciation for the Joint Statement, Mr. Gozi stressed the need for a "pari passu" between economic and social integration in Europe.

How to boost the real economy

Political and business leaders often talk about boosting Italy's real economy. On 27 March in Milan Innocenzo Cipolletta, president of AIFI (the private equity, venture capital and private debt association), told the association's annual conference how its members could help that talk to be turned into reality. Mr Cipolletta - who is also Vice-President of FeBAF - listed measures that would encourage the flow of capital from private savings held by insurers and pension funds into non-quoted SMEs, with AIFI's members providing the channel. AIFI seeks zero tax on private debt investment by pension funds and clarification on private debt investment in individual savings plans. In addition, the association wants Italian treatment of carried interest to be aligned with that in Britain, France and Germany, as well the cutting of the red tape that handicaps firms in the sector. Yet already those firms are busy. Last year private equity and venture capital investment in Italy hit an all-time high of €8.2 billion. "Italy's attractiveness and the competitiveness of its firms helps explain this optimum result," noted Anna Gervasoni, AIFI's director-general. At the same time, disinvestment from 145 exit operations brought €3.7 billion. However, private debt seems to be the flavour of the moment, with investment in 65 operations totaling €378 million last year, an increase of 87 per cent on 2015, and with nine firms raising €632 million of private debt funding, an increase of 65 per cent. FeBAF supports all public policy measures that enable institutional investors such as funds to sustain more broadly economy and in particular SMEs.

Five Italian and French priorities for Europe

Five priorities for Europe emerged from the Italian-French Dialogue on financial services held at FeBAF on April 3rd. Paris Europlace and FeBAF represented their financial, banking and insurance communities in their fifth meeting of the Dialogue. The main issues discussed (press release in Italian and French) are the completion of the Banking Union, the faster implementation of the Capital Markets Union, the importance of the balance between the international

financial regulation - particularly considering the uncertainty on the modification of capital requirements for banks (such as Basel IV) and of future impacts of Solvency II for the insurance sector - and the role of political authorities which need to enhance growth and long-term investments in Europe. Participants also stressed the need for political initiatives aimed at a more integrated European Union and able to face the challenges coming from "Brexit" and from the new geopolitical equilibrium. The stimulus of Fintech for the European financial industry, and the implementation of "green finance" could place Europe in an advanced position at a global level. The two delegations, led by Luigi Abete (Chirman of FeBAF) and by Bernard Spitz (President of the French Federation of Insurance, FFA), agreed on the need for improving the attraction of financial markets at a continental level, and for accelerating the Capital Markets Union by introducing tools able to boost long-term investments and the financing of medium-small companies thanks to concrete and appliable rules. In addition, the two delegations agreed on the need for reducing the overegulation in the finance sector through the application of the principle of "better regulation" and proportionality for financial actors. The objective is to reach a regulation in line with the B20 recomendations on a path towards real growth and employment. The European integration needs to ensure the integrity of the internal market to grant overall benefits and development in Europe.

European Investment Bank survey – Italy overview

On 27 March the Bank of Italy hosted the presentation of the investment survey undertaken by the EIB in early autumn last year and for which it contacted 622 Italian firms. In comparing data for 2015 and 2014 the findings on investment dynamics were backward looking, but the survey offers a good picture on current business thinking and investment. The investment direction is upwards, 36 per cent of firms expecting to increase their spending, a percentage similar to those expecting no change. The EIB found that SMEs and firms in the service sectors and construction are less positive about investment, while large firms and firms in manufacturing and infrastructure expect expansion. In line with elsewhere in the EU, just over one half of investment over the coming three years will be driven by replacement requirements, whether of buildings, machinery, equipment or IT. However, that 48 per cent of machinery and equipment is state-of-the-art in Italy, against 44 per cent for the EU as a whole, bodes well for the Italian economy. But firms face various challenges and barriers to investment in the political and regulatory climate. Yet while business regulations, labour market regulations, energy costs are all obstacles to investment in the long term, firms told the EIB that above all their concern was about uncertainty, an issue that worries Italians far more than their counterparts elsewhere in the EU.

Insurance premium income dips

After three years of continuous growth (22 per cent in 2013, 30 per cent in 2014 and 4 per cent in 2015), premium income reported by Italian and non-EU firms present in Italy dipped by 11 per cent last year to €102.2 billion. However, the premium income from the non-life business of Italian and non-EU insurers fell only slightly, being down 1 per cent on 2015 at €32.0 billion, giving an overall decline of 8.8 per cent in total life and non-life premiums earned by Italian and non-EU firms. In publishing these figures ANIA (the insurers' association) noted that the contribution of insurance premium income to GDP fell from 8.9 per cent in 2015 to 8 per cent last year. EU insurers present in Italy reported smaller falls, with life premiums down 3.9 per cent to €4.4 billion and non-life down 0.8 per cent also to €4.4 billion. (ANIA notes that about 60 of 97 authorised EU firms provided data and that this accounted for about 90 per cent of the EU firms' total premiums.) Just two sectors account for 95.5 per cent of life premiums paid to Italian and non-EU insurers, and both recorded falls, unit-linked premiums by 24.5 per cent to €24.0 billion and pure life by 5.4 per cent to €73.6 billion. Third party motor and marine premiums which at €13.5 billion accounted for 42.3 per cent of total non-life premiums recorded by Italian and non-EU insurers last year, were down 5.6 per cent on 2015 and continued a decline that began five years earlier. Increasing use of black boxes, lower use of private cars, less insurance fraud and fewer accidents are good news for Italy but mean lower premium income for its insurers.

Focus on the role of advisors' networks

The recent annual report of Assoreti (the association of firms using investment advisors) casts light on a sigificant part of the savings industry in Italy. Almost 25,000 advisors generate business for Assoreti's 28 members, 25 banks and three other financial concerns, and they had been responsible for placing 11.2 per cent of financial assets held by families at September last year, €451.1 billion of a total of €4,011.9 billion, or 15.2 per cent of assets when only financial products of the kind distributed by advisors are considered. Moreover, the share held by financial advisors has risen steadily since 2012, from 6.8 to 11.2 per cent and from 9.2 to 15.2 per cent respectively. Assoreti's 68-page report provides a detailed analysis of financial advisors' work.

Tackling money-laundering

Dealing with suspicious financial operations whether laundering money made from crime or the financing of terrorism is a laudable aim, but Italian legislators seem to have gone too far in their decree to implement the European directive 2015/849. On 27 March a parliamentary commission heard evidence from Giovanni Sabatini, the director-

general of ABI (the banking association), who said that the decree contains measures that “might compromise its effectiveness”. The 30-day limit for reporting suspicious operations, he said, would either encourage the reporting of any minimally doubtful operation or even less reporting. Moreover, penalties are wholly disproportionate. ABI is not alone in worrying about the decree. The insurers's association ANIA expressed similar concerns when it gave evidence the same day.

In brief

About 95 per cent of Italian bank customers engage in do-it-yourself banking, said ABI, giving advance news of research that will presented at a conference in April.

With the aim of reducing dormant insurance policies, central bank governor Ignazio Visco has written on behalf of IVASS (the insurance regulator) to the economic development minister seeking authorisation for insurers to access a new national residents roll.

LOOKING AHEAD

11, 12 &13 April, Milan.

Salone del Risparmio, investment and savings fair organised by Assogestioni. FeBAF chairs the roundtable on sustainabilty and governance ("Sostenibilità nei CdA italiani alla luce del rapporto Unep") on the 13th, 9 a.m.

'Spotlight f' is the bimonthly English newsletter of the Italian Banking Insurance and Finance Federation