

## Spotlight

### Banking, insurance and the fourth industrial revolution

"New jobs are being created that need skills very different from those needed in the past and many old activities are being profoundly changed". The picture that ABI (the Italian banking association, [www.abi.it](http://www.abi.it)) painted for the senate's labour and social security commission on 31 May was of an industry that is changing radically and rapidly, and of banking being one of the industries most exposed to the challenge of the digital revolution. Some administrative phases have been eliminated, back-office work is being reduced and standardisation is reducing and simplifying the teller's work, ABI noted. The use of electronic money transfer systems grows while the use of cash diminishes and clients visit branches less frequently. According to ABI, 17 per cent of Italians now use innovative and electronic banking channels and nothing else when dealing with their banks, and last year alone the number of visits by customers to branches fell by 3 per cent. Managing human resources in conditions of staff surplus is one of the biggest challenges, with retraining rather than redundancies made "complicated by the significant differences between the skills needed for new jobs and the skills needed for previous jobs". And as to much-needed generational renewal, ABI noted that employees under 35 years-old accounted for just 15 per cent of the total at the end of 2015, against 30 per cent in 2000, while those over 55 years-old were 18 per cent of the total against 4 per cent in 2000. A similar picture was painted by ANIA (the insurers' association, [www.ania.it](http://www.ania.it)) when it addressed the same senate commission, and highlighted the desirability of the entry of young people, the digital natives, into the industry. Over recent years, the insurance industry has gone through a major transformation in terms of consolidation, restructuring and reorganisations but the fourth industrial revolution threatens even heavier consequences. On one hand there will be an increasing requirement for staff with technical competences, specialists in data analysis, risk management and cyber security, but on the other insurers face a tendency to mass technological unemployment, the progressive obsolescence of professional skills and further misalignment between labour supply and demand. Even so, ANIA underlined the need to view digitalisation in a positive way, as "representing new opportunities both for insurance companies and their staff".

### Schuldscheindarlehen and Mini-Bonds compared

On 14 June 2017, FeBAF held a seminar with VÖB (The associations of German public banks) presenting two loaning instruments for small and medium-sized enterprises (SMEs): the Italian Minibond and the German Schuldscheindarlehen. The Schuldscheindarlehen had a strong year in 2016, making today's volume close to 30 billion, while the outstanding of Mini-bonds reached €12 billion in Italy last year. The Schuldscheindarlehen market - presented by Georg Baur, (VÖB) and Michael Spitzner, (Bayern LB) - that took flight in 2004 and is now becoming more international with the number of issuers outside of Germany growing. The mini-bonds presented by Valeria Cipollone (Italian Minister of Economy and Finance), Stefano Romiti (AIFI), David Sabatini (ABI), Edoardo Marullo-Reedtz (ANIA), and Marco Nocivelli (Epta), pointed out that minibonds have become more commonly the primary choice of SMEs of those available, and they consider it a step towards greater managerial maturity of businesses. Florian Denis (European Commission) presented a comparison between the two instruments in the light of the Capital Markets Union programme. Giovanni Guazzarotti (Bank of Italy) has underlined the necessity for the creation of a truly European market for private placement, thereby asking also for more harmonization for the reporting rules and the creation of a secondary market for mini bonds, and the removal of cross-border tax barriers. Emphasizing that Mini-bonds can serve as a more stable source than bank lending, especially in regard to long-term financing, Paolo Garonna (Secretary General of FeBAF), said that "In Italy and Germany, the transaction towards a single capital market that opens also to

non-bank loans is of fundamental importance in supporting manufacturing systems which are principle in Europe and have similar characteristics and natural tendency to export".

View the presentations [here](#).

## On the mend at last

After the double-dip recession of the past decade, Italian public sector finances have started along a path to better health. Presenting his annual report on 31 May, Ignazio Visco, the governor of the Bank of Italy ([www.bancaditalia.it](http://www.bancaditalia.it)) drew attention to how the increase in the debt/GDP ratio since 2008 has been due to "the unfavourable movement of the latter". The steep falls in GDP hit the ratio badly. However, with the economy growing at around 1 per cent and inflation of about 2 per cent, the ratio should slowly improve. Mr Visco foresees a debt/GDP ratio of less than 100 per cent in ten years, against somewhat more than 130 per cent last year. The Bank of Italy's governor drew attention to how the high level of debt "is an element of vulnerability and a brake on the economy" and warned against the calls that some politicians make for leaving the euro. "It's an illusion to think that the solution to national economic problems would be easier outside the Economic and Monetary Union", he said. Rather than helping to cure the structural weaknesses of the economy, exit from the euro would create grave risks of instability. Mr Visco dealt separately with the question of bank crises, a matter that has been particularly evident over the past two years and over which the Bank of Italy itself has been criticised. Looking back at the 1970s and 1990s, he noted how banking crises are not a peculiarity of our times. Moreover, it is not always possible to prevent them. Among the various issues on which Mr Visco touched were the qualities of banks' senior managers, the need for speed in tackling crises and the complexity of doing so, and the need both to pay attention to public opinion and to boost public financial literacy.

## What do pensions cost?

Employees or the self-employed who put money into pension funds have been given a hand in assessing what part of their money goes in administrating those funds. Earlier in June, COVIP (the regulatory authority for the pensions industry, [www.covip.it](http://www.covip.it)) published a study that aims to make comparison of the different funds easier. Using a cost indicator that it has developed, COVIP's study provides graphs and tables, showing what costs are incurred by individual funds, both occupational schemes and private funds offered mainly by insurers. COVIP notes that a synthetic cost index of 2 per cent rather than 1 per cent will over a 35-year period lead to 18 per cent lower capital accumulation.

## Safe home banking

Italian banks aim to be ahead of the crooks and make sure that the online banking services they offer customers are secure and beyond criminal penetration. Developing technology and training staff are two prongs of the banking system's commitment to defend their customers. On 3 June they added a third prong: a decalogue of rules for customers themselves. Some may seem obvious, but ABI believes they are well worth repeating. Anti-virus protection should be installed and kept up-to-date. Operating systems should be continuously updated. Never click on links in emails and sms's. Even if it seems authentic, distrust any message that invites documents or programmes to be downloaded. Do not respond to any request for data concerning payment cards, home-banking codes or other personal data - banks and other authorities will never make such requests. And clearly, Italians should ensure that connections they make really are to their banks.

## In brief

\*\* External and internal communications were the focus of the seminar organised by the Bank of Italy from 5 to 7 June for other central banks. The issues on which the seminar focused included communication in moments of crisis and the monitoring and use of social media.

\*\* Writing in Insurance Europe Annual Report 2016/2017, Alberto Corinti, board member of IVASS (the insurance regulator, [www.ivass.it](http://www.ivass.it)), drew attention to the risks accompanying the free movement of services in the EU and the challenges of supervising cross-border activity.

\*\* FeBAF continues to show its interest in the question of ethics and finance, presenting last 7 June a new book, Ethics in Finance, Finance in Ethics, published by LUISS University Press.

## LOOKING AHEAD

## 22 & 23 June, Rome.

Forum HR 2017 Banks and Human Resources. Conference organised by ABI, themes this year including smart working, development of new skills and motivation.

## 23 June, Milan.

Presentation of annual report of insurance regulator, IVASS. By invitation.



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