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Spotlight

A better customer experience for banks

The days are long past that banks were indifferent to what their customers wanted or to what customers thought about their banks. Customers are now the centre of attention, and banks are making increasing effort to improve the 'customer experience'. An annual research project jointly undertaken by ABI (the banking association) and CIPA (the interbank convention for automation issues,), whose results were released in mid-June, focused on the experience of bank customers and how banks are using information technology to make those experiences better. The industry the 48-page report describes is far different from that of monthly bank statements that arrive by post and face-to-face meetings with bank managers. The report's numerous graphs and figures speak of a world of big data analytics, sentiment analysis, social-content early warnings, customer experience management and customer relationship management. Twelve banking groups, of the twenty-two that took part in the survey and represent nearly 90 per cent of Italian banking, said that improving customer experience was a strategic objective, while nine considered it important. Nineteen of the groups had an IT budget dedicated to customer experience and over the next two years nine of these will increase their spending while spending will be stable for the others. Among the critical issues signalled by the report are the difficulties of making customer experience consistent across all channels and integrating internal data sources. As far as IT organisation is concerned, the banking groups mainly plan to achieve their objectives by broadening existing IT structures. Only two of the groups who participated in ABI-CIPA's research see a significant role for outsourcing. The functional aspects of customer experience most involved in IT initiatives are survey feedback, customer profiling and contact-centre support. Scattered with terms like mapping, tuning, customer journeys and cognitive computing, ABI-CIPA's report photographs a banking industry undergoing radical change.

Governor Visco on public debt

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 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.

The banking union and Basel 3

Implementation of the bank recovery and resolution directive was sequenced wrongly and bail-in should have come last, said Giovanni Sabatini, director-general of ABI (the banking association). He was opening a two-day conference on the banking union and Basel 3 in Rome earlier this month. According to Mr Sabatini, bailing-in deposits is contrary to the Italian constitution because deposits are savings not investments, and this needs to be corrected in order to recover the trust of savers. He called for a new regulatory equilibrium. "We must work to eliminate the cloud of uncertainty, to promote stability without prejudicing growth. ... Without growth there cannot be durable financial stability," he said. The absence of a common normative framework in all member states is an element of weakness, Mr Sabatini noted, pointing to the need to eliminate possibilities of regulatory arbitrage and divergent national interpretations. Bankruptcy law, accounting rules, tax regulations and administrative measures all need to be harmonised. "The sooner these reforms are realised, the more solid will be the base on which the banking and financial union rests," he said. Addressing the conference, Fabio Panetta, deputy director-general of the Bank of Italy, said that unresolved questions have to be settled but now a pause is needed "to consolidate adaptation to the new system and to prevent the incessant production of rules itself being a source of uncertainty."

Accident and sickness insurance looking perky

Figures published on 19 June by ANIA (the insurers' association) show Italians being increasingly interested in accident and sickness insurance. While they paid €3.4 billion in accident insurance premiums last year, an increase of 0.8 per cent, premiums from new business rose by 14.5 per cent on 2015 to just over €0.6 billion. ANIA's figures show that Italians are insuring less against death, with total premiums down 5.3 per cent, and more against permanent invalidity, with total premiums up 5 per cent to €1.2 billion, the largest segment. As for sickness insurance, premiums of €1.9 billion for reimbursement of medical expenses were 5.4 per cent up on 2015 and accounted for 76 per cent of the €2.3 billion total. Permanent invalidity insurance forms part of sickness insurance as well as accident insurance, and although small, the segment recorded a sharp increase in premiums from under €0.2 billion to almost €0.3 billion.

In brief

** Italy is paying the highest price for how the financial crisis has been managed in the euro-zone because just when its banks were being saddled with non-performing loans due to the double-dip recession they were caught up in the new logic of "never again bail out, only bail in", noted Salvatore Rossi, the Bank of Italy's director-general. Mr Rossi was speaking in Pavia on 14 June about European monetary and economic union.

LOOKING AHEAD

29 June, Washington DC, USA

Italian Financial Reforms in the New European and Transatlantic Context, organised by FeBAF

11 July, Rome.

Seminar on the regulation of EU financial markets: Mifid 2 and Mifir, organised by LUISS University

11 July, Rome.

Conference on the protection of investors and intermediaries' clients, organised by Bocconi University

13&14 July, Rome.

Conference on insurance research organised by the insurance regulator

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