



BANCA D'ITALIA
EUROSISTEMA



NUMBER 9
JANUARY 2018

Contents

2017 (2nd Semester) Highlights	1
Seminars & Workshops	2
2017 Activities – Snippets of Information	3
2018 Seminar & Workshop Catalogue	6
General Information	9
Contacts	9



This newsletter is a twice-yearly publication intended to inform readers regularly about international technical cooperation at the Bank of Italy, especially seminars and workshops.

The Bank of Italy is engaged in technical cooperation activities (i.e. seminars and workshops, bilateral staff training and institution building) to strengthen the institutional capabilities of the beneficiaries. The beneficiary institutions are generally in new EU member states that have not yet adopted the euro, EU candidate and potential candidate countries, Mediterranean countries, Eastern European and Caucasian countries within the European Neighbourhood Policy area, BRICS and other emerging countries.

The areas of cooperation relate to the Bank's institutional functions (central banking including market operations, payment systems and treasury services, economic research and statistics, banking and financial supervision, and currency circulation) and some support activities (IT, internal auditing, controls).

Further details on <https://www.bancaditalia.it/compiti/ricerca-economica/cooperazione-tecnica-internazionale/index.html>

2017 (2nd Semester)

Highlights

During the second half of 2017 the number of requests for technical cooperation addressed to the Bank of Italy almost doubled. Most of the activities were performed for the National Bank of Ukraine, followed by the central banks of Albania and Turkey. The activities held in Rome involved a total of 191 participants from all over the world.

An overview of all the activities held in 2017, including some comparisons with those held in previous years, is available inside.

Seminars & Workshops

Seminar on 'Balance of Payments Data Production According to BPM6: the Experience of the Bank of Italy'
(Rome, 12-14 July 2017)

Participants: 28

The Balance of Payments (BoP) and the International Investment Position (IIP) are core macroeconomic statistics. They are crucial for understanding how an economy interacts with the rest of the world, in particular its competitiveness and degree of financial interdependency. They are also of great interest for analyzing large cross-border financial flows. Monetary policy and economic analysis and forecasting, as well as work on financial stability and banking supervision, all rely on this data. The recent financial crisis was a stark reminder of the importance of BoP/IIP statistics and this was also reflected in the inclusion of key BoP/IIP indicators in the Macroeconomic Imbalance Procedure (MIP) scoreboard, an early warning system established by the European Union in 2011.

[\[Read more on page 10\]](#)

Workshop on 'Financial Reporting and Operating and Accounting Systems: the Case of the Bank of Italy'
(Rome, 28-29 September 2017)

Participants: 20

The use of unconventional monetary policy instruments in response to the crisis, such as asset purchase programmes, longer-term refinancing operations, and negative interest rates dramatically affected the balance sheets and profit and loss accounts of central banks as well as their accounting functions. New monetary policy operations made it necessary to develop new rules, to adapt the reporting schemes, to refine the architecture of the accounting system, and to strengthen internal controls in order to manage increasing risks effectively. At the same time, central banks faced increasing demand for accountability on how financial resources are used to pursue their institutional tasks.

[\[Read more on page 10\]](#)

Workshop on 'Macroprudential Analyses and Supervision'
(Rome, 19-20 October 2017)

Participants: 24

Now into its second edition, the workshop addressed some key topics for central banks and supervisory authorities. Macroprudential analyses and policies are currently acknowledged as essential to preserve financial stability and contain systemic risks. Central bankers, regulators and supervisors are still gaining experience in devising methodologies and tools as well as in defining the most appropriate frameworks for policies and interventions.

[\[Read more on page 12\]](#)

Seminar on 'Monetary Policy Implementation and Liquidity Management'
(Rome, 22-24 November 2017)

Participants: 22

Since the outbreak of the global financial crisis, central banks have introduced a wide array of monetary policy measures in response to unprecedented challenges stemming from a general collapse of confidence, a tightening of financial conditions and a severe economic downturn. Central banks' responses included massive liquidity provision to a broader range of counterparties against a larger set of eligible collateral, private asset purchases (i.e. credit easing), public asset purchases (i.e. quantitative easing), negative interest rates, and forward guidance.

[\[Read more on page 13\]](#)

Workshop on 'Customer Protection in the Banking Sector – The role of the Bank of Italy'

(Rome, 4-5 December 2017)

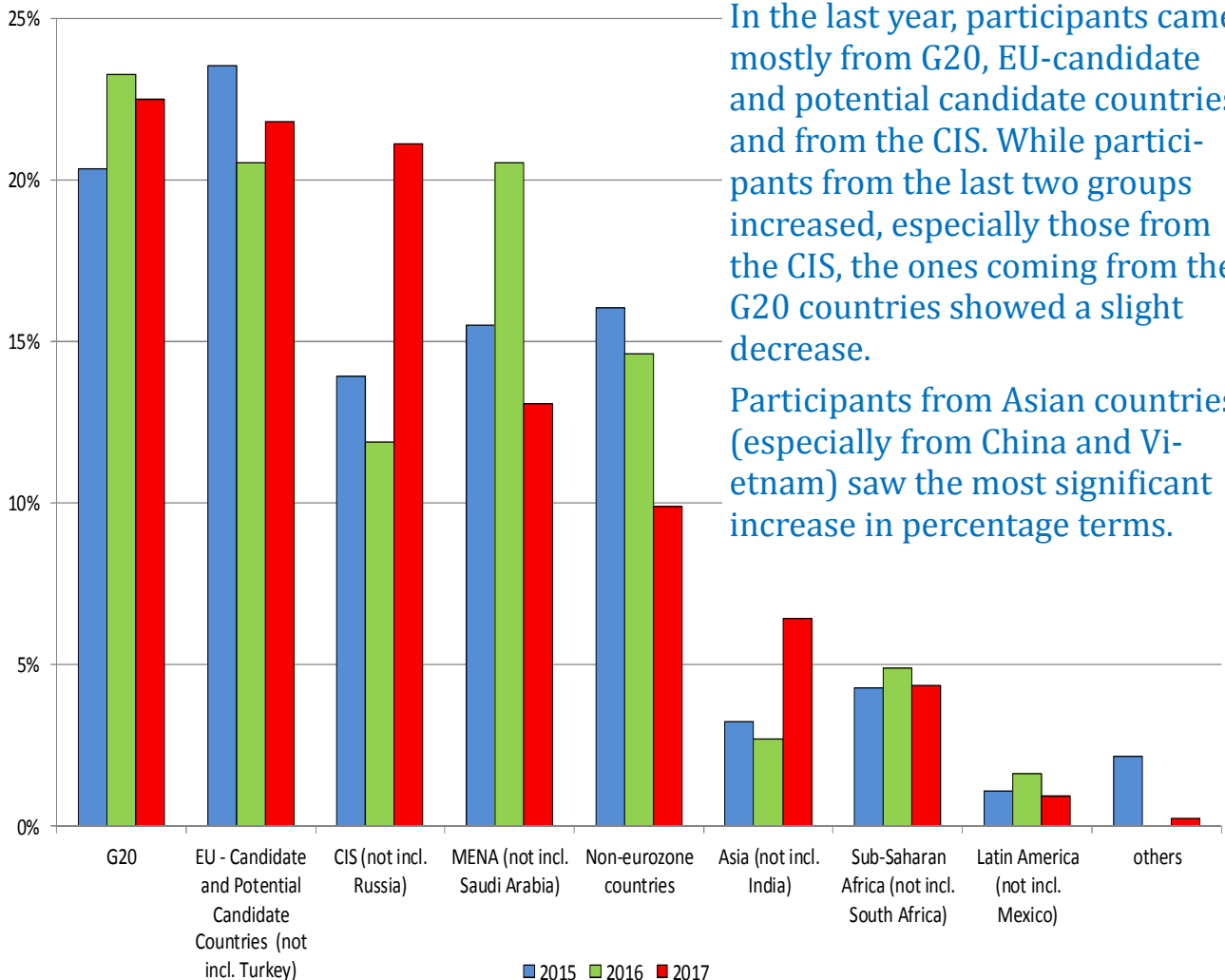
Participants: 22

In the aftermath of the global financial crisis, financial consumer protection has emerged as a critical issue, which shall be accomplished by several means: a proper regulatory framework, a sound supervisory system, the implementation of alternative dispute resolution systems, a comprehensive strategy for advancing the financial literacy of consumers.

[\[Read more on page 14\]](#)

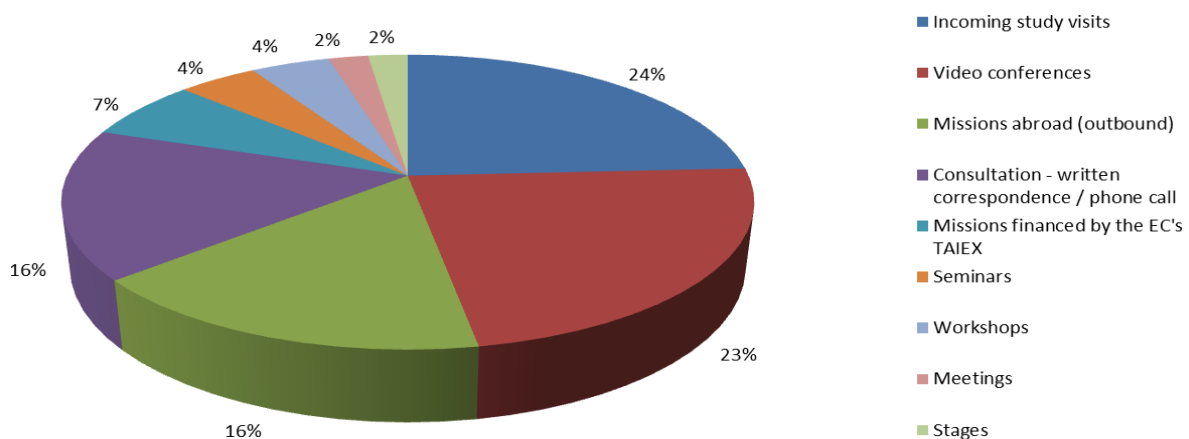
2017 Activities – Snippets of Information ...

Bol International Technical Cooperation Activities
Distribution by participants' geographical area of origin
 2015 - 2016 - 2017

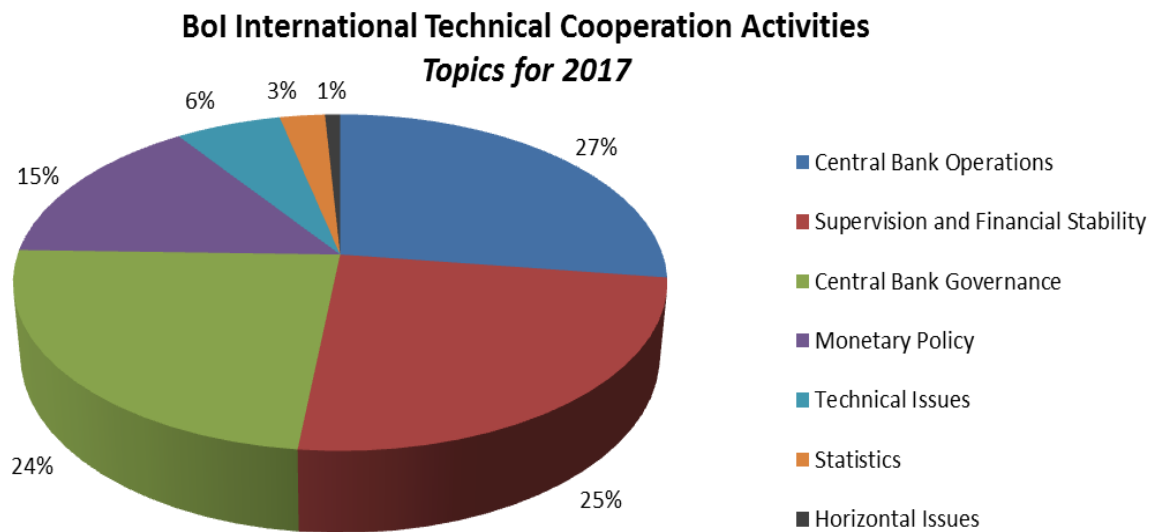


47% of activities consisted of incoming study visits and videoconferences.

Bol International Technical Cooperation Activities
Breakdown of activities for 2017

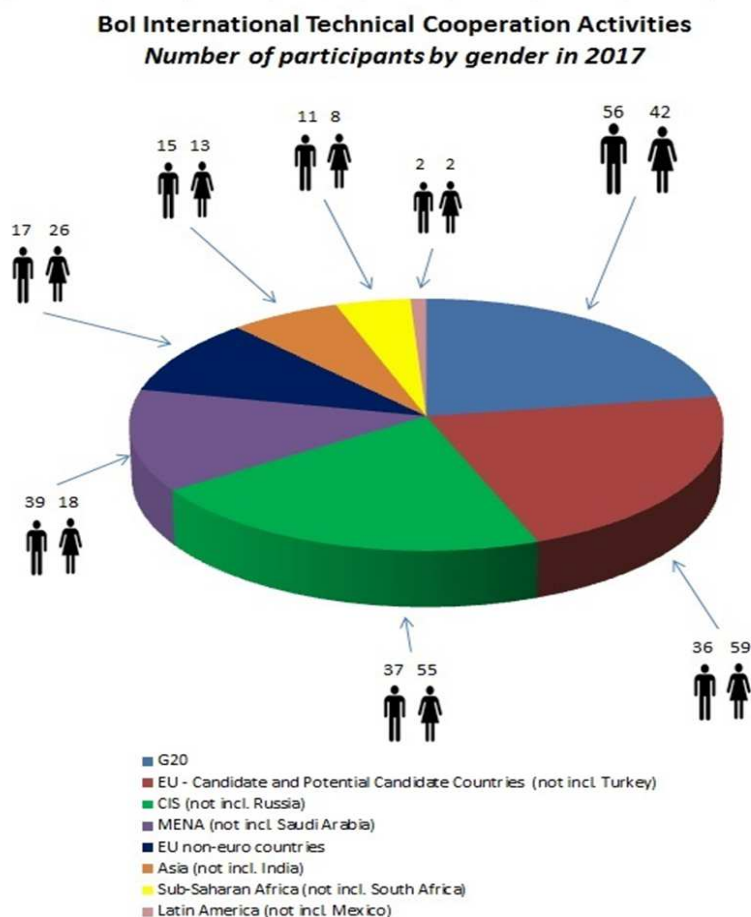


... 2017 Activities – Snippets of Information ...



76 % of activities concerned topics falling within three main areas:

- Central bank operations
- Banking supervision and financial stability
- Central bank governance

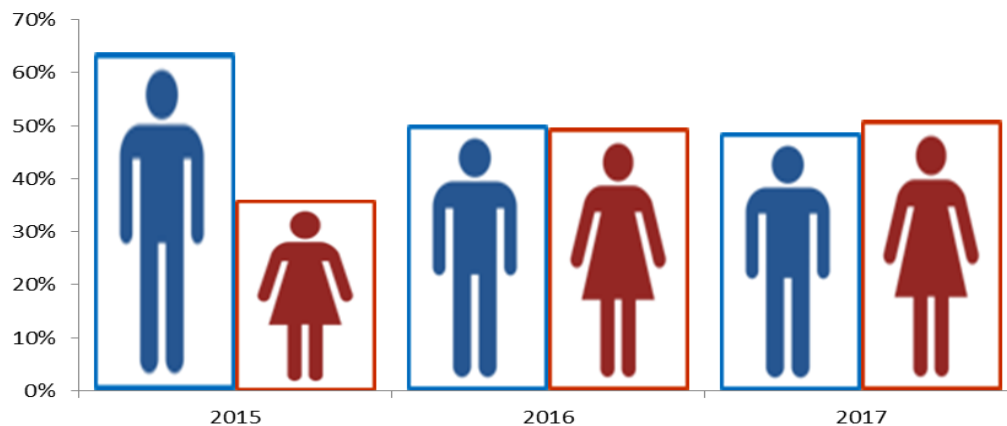


In 2017, most of female participants came from EU-candidate and potential candidate countries, CIS, and EU non-euro countries.

The lowest female percentage was recorded among participants from MENA countries.

... 2017 Activities – Snippets of Information

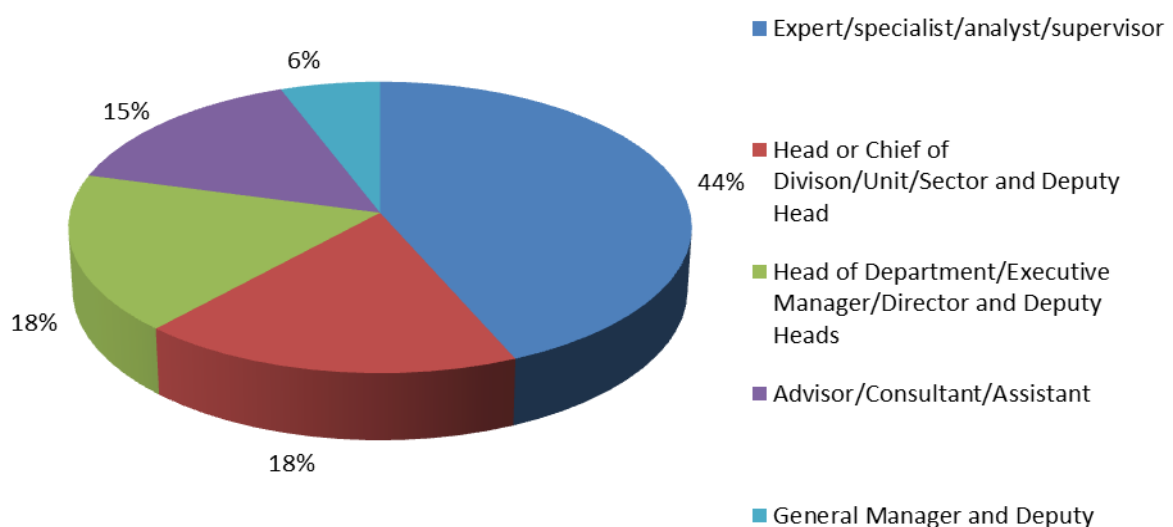
Bol International Technical Cooperation Activities
Distribution by gender in 2017



In the past two years, the rate of overall female participation has considerably increased, slightly surpassing the rate of male participation in 2017.

Looking at the position within their Central Banks, junior participants (Expert/Specialist/Analyst/Supervisor) show the highest rate of participation. However, the senior ones (Head of Department and Head of Division)

Bol International Technical Cooperation Seminars and Workshops 2017
Positions held by participants



2018

Seminar & Workshop Catalogue...

Workshop on 'Integrating the key variables in a changing organization: approaches and tools'

(Rome, 15-16 February 2018)

In line with the event offered in 2016 ['Building the backbone of the organization: internal rules, processes and procedures'], this new workshop discusses tools to plan, assess and improve the organization, motivate and develop human resources and make the best use of technology. Looking at the organization as a system, the workshop covers the classic key organizational variables (structures, processes, HR and technology), highlights the importance of a synergic interaction between them and explores their combined role in new concepts, such as smart working and organizational well-being.

Specific case studies and examples from the Bank of Italy's experience are provided on topics such as the strategic planning system, the management dashboard, the project management framework, and the new objective and feedback system. Actions for process improvement (including the dematerialization of internal documents) is also shared. Participants are asked to take an active part in discussing and analysing case studies; first-hand accounts are also encouraged.

Workshop on 'Banknote circulation, the cash cycle and the Bank of Italy's monitoring of professional cash handlers'

(Rome, 1-2 March 2018)

The workshop illustrates trends of banknote circulation in Italy and estimations of banknote requirements. The Italian cash cycle is described, providing information on the actors involved and data on the cash handling industry. The programme also includes: regulatory aspects, with a focus on the Bank of Italy's role in preserving the quality of banknote circulation; the experience gathered on

monitoring activities, including off-site and on-site monitoring of professional cash handlers; the analysis of counterfeits; and the activity of the Italian National Analysis Centre (NAC).

Workshop on 'Supervisory activities: IT tools for data management'

(Rome, 12-13 April 2018)

The workshop illustrates the main features of the IT tools used in day-to-day supervisory activity at the Bank of Italy (namely, SIGMA for analysis, SMART for monitoring and reporting, and Workflow for managing the work process of the main activities and the related interventions). The workshop is largely based on live demos of the tools, in order to show how to manage internal and external data and use them to extract useful information.

Seminar on 'Cybersecurity challenges for central banks'

(Rome, 16-18 May 2018)

Cyber-attacks, vulnerabilities affecting the confidentiality of sensitive data and cyber-ransoms highlight how one of the most significant risks faced by corporations and public institutions today is that connected to information technology (IT). It is, therefore, key to ensure that these specific IT risks are properly managed by engaging with all possible stakeholders.

Central banks are particularly concerned about cybersecurity because of their role in preserving the stability of the entire financial system. Together with other authorities and operators, central banks are working to increase cyber-resilience at both internal and system-wide level.

The seminar discusses how the Bank of Italy is dealing with this strategic issue from a policy, operational and audit point of view, as well as from the overseer's perspective.

2018

...Seminar & Workshop Catalogue...

The Directorate General for Information Technology illustrates how the Information Security and Cyber Resilience Infrastructure management framework is being developed and implemented, while the Internal Audit Directorate describes how controls and audit practices are changing in order to strengthen the ability to address cyber risks. The Market and Payment System Oversight Directorate then provides an overview of the implementation in the Italian marketplace of the international guidelines for banks, fund-transfer providers and financial market infrastructures, whose goal is to make the global financial system safer.

Seminar on 'Current issues on liquidity and funding risk: the Bank of Italy's experience in analysis, measurement and surveillance'

(Rome, 20-22 June 2018)

Funding arrangements link banks with other banks, financial institutions and the non-financial sector. As a result, failure of one institution to meet its obligations in full and on time will potentially cause others to be short of liquidity, thus leading to a cascade of illiquidity. Liquidity is also inherently fragile: markets that are liquid in normal times may rapidly freeze up as conditions deteriorate, and what seems like a stable source of funding can abruptly become unavailable.

Against this backdrop, the seminar intends to offer an overview of the tools used at the Bank of Italy to analyse, identify and supervise liquidity and funding risks from both a micro and a macro perspective.

The seminar covers the following topics: market liquidity indicators; banks' funding and liquidity mismatch across maturity buckets; the refinancing risk of bonds and market funding; the liquidity issues connected to intraday payments and settlements; early warning signals; systemic risk and impact on market and funding liquidity; stress

test – key scenarios and trigger events (e.g. change in rating or market disruption); the liquidity of assets under stressed market conditions; collateral assessment; asset encumbrance; prudential measures affecting funding policies; and central banks' liquidity assistance measures and lending of last resort policies. In a dedicated session, participants are invited to share their methodologies and experience in analysing liquidity risk and preparing to address liquidity crises.

Workshop on 'Sample surveys in central banking'

(Rome, 8-9 October 2018)

Central banks conduct periodical sample surveys on households, businesses and selected intermediaries to 1) compile aggregate statistics and 2) periodically collect cross-sectional information which allows them to examine economic agents' heterogeneity and the distributional effects of shocks, policies and institutional changes. Although national statistical institutes are in charge of data collection and sample surveys, the need for timely and specific information to be used for monetary policy purposes calls for surveys directly managed by central banks. The workshop reviews the Bank of Italy's long experience with sample surveys and highlights the critical issues arising in practice: questionnaire design, sample selection and weighting, treatment of non-responses, data imputation, analysis and publication.

Seminar on 'Post-trading for monetary policy and investment operations'

(Rome, 12-14 November 2018)

The seminar focuses on a broad range of activities related to the back-office function and aims at sharing best practices in the post-trading phase of central bank monetary policy operations and investment transac-

2018

...Seminar & Workshop Catalogue

tions. The settlement process for different financial instruments is thoroughly examined, as well as issues related to accounting and to the relationship with custodians. Specific sessions are dedicated to securities lending and collateral management and to the treatment of futures and interest rate swaps, as well as the related clearing issues. Finally, a specific session is devoted to IT platforms supporting the front-, middle- and back-office functions. The importance of a proper management of operational risk throughout the entire lifecycle of central banks' financial transactions is a pivotal theme of the whole seminar.

Seminar on 'Payment systems and market infrastructures in the EU; policy, operation, oversight. The Bank of Italy's experience'

(Rome, 12-14 December 2018)

The seminar aims to deepen participants' knowledge of EU payment systems and market infrastructures from a policy, operational, technical and oversight point of view; the Bank of Italy's experience from these different perspectives is presented.

The following topics are covered: the role of the ESCB in payment and securities settlement systems; the TARGET2 large-value payment system and the T2S (business and IT) securities clearing and settlement system; central banks' collateral management and the mobilization of marketable collateral in Eurosystem credit operations (the Eurosystem Collateral Management System, ECMS); the post-SEPA (Single Euro Payments Area) landscape – interoperability and reachability in European retail payments and in the Bank of Italy's retail payment services; new Eurosystem services in the field of instant payments, TIPS (business and IT); business relationships with the national banking community; services offered to non-EU central banks and international institutions; recent

developments in the regulatory framework, at EU and international level; and the Bank of Italy's role in the oversight of systemically important payment systems as well as retail systems and services.

Presentations are complemented by a visit to the Service Desk of the TARGET2 and T2S Eurosystem Market Infrastructures, which is jointly operated by the Bank of Italy and Deutsche Bundesbank.

Workshop 'Euro banknote production at the Bank of Italy - outstanding features'

(Rome, February 2019, date t.b.a.)

The workshop offers a general overview of the framework for euro banknote production (reference context and principles, the role of the ECB and of NCBs, and Eurosystem requirements for banknote production) and provide an outline of the Bank of Italy's Banknotes Directorate (resources and activities, organizational set-up, and machinery & equipment). The main manufacturing steps (the printing stages and the cutting and finishing process) will be illustrated; the programme includes a visit on-site.

Special attention is devoted to design and origination (D&O) facilities and expertise (description of the process as a whole as well as of key achievements in the field, production of offset and intaglio plates using the most advanced computer-to-plate techniques, and contribution to the development of the ES2 project) and to innovative pre-press activities (coating of pre-press materials through physical vapour deposition).

General Information

Participation in the seminars and workshops is by invitation.

Requests from institutions other than the regular beneficiaries are considered on a case-by-case basis.

The working language is English. Participation is free of charge.

In some cases hotel accommodation is provided by the Bank of Italy.

Travel expenses to and from Rome are not reimbursed.

Seminars usually last 3 days; workshops last 2 days at the most.

Lunches are provided for the duration of the seminar/workshop. A courtesy dinner is also offered.

We usually accept only one representative from each institution.

Our seminars and workshops are as interactive as possible. Occasionally, selected participants are invited to deliver short presentations in order to stimulate discussion and debate.

Contacts

International Technical Cooperation and EU Neighbouring Economies Division

International Relations and Economics Directorate

Directorate General for Economics, Statistics and Research

Bank of Italy

Via Nazionale, 91

00184 Roma

Italy

<https://www.bancaditalia.it>

Tel. +39 0647921

Fax +39 0647922681

E-mail:

bdi.cooperation@bancaditalia.it



The Bank of Italy's conference centre 'Carlo Azeglio Ciampi'

Seminars & Workshops (...continued)

(Seminar on 'Balance of Payments Data Production According to BPM6: the Experience of the Bank of Italy', continued from page 2) Since its inception in 1945, the IMF has demonstrated a keen interest in developing and promulgating guidelines for the compilation of consistent, sound, and timely balance-of-payments statistics. These guidelines have been embodied in successive editions of the Balance of Payments Manual since the first edition was published in 1948. In 2009 the IMF published the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6), building on the growing interest in examining more recent developments in the world economy, such as the increased international fragmentation of production, the high degree of complexity in firms' structures and strong interest in analyzing vulnerabilities through the use of balance sheet data. The importance of the latter was also reflected in the addition of international investment position to the title of the Manual, continuing the work done in the fifth edition released in 1993, where for the first time the importance of international investment position statistics was stressed. Because of the correlation between external and domestic economic developments, in the sixth edition international statistical standards on BoP/IIP were completely aligned with those on National Accounts, namely the United Nations System of National Accounts (2008) and the European

System of Accounts (2010).

In 2014, the ECB revised its criteria and methodologies for the compilation of BoP/IIP statistics to ensure compliance with BPM6. Consequently, the Bank of Italy, along with the other central banks and national statistical institutes responsible for compiling and disseminating external statistics in Europe and the euro area, aligned the process of data production on the balance of payments and international investment position to the new international standards. The Bank of Italy decided to share its experience with those countries interested in adapting their system to the BPM6 standards, by organizing specific seminars on the subject. The last edition of the seminar provided a detailed description of the challenges faced and the changes in the data collection and compilation system which had been implemented in order to meet the BPM6 standards.

During the seminar, Bank of Italy representatives gave a broad overview of data sources, collection and compilation methodologies, forecasting techniques and dissemination procedures, with specific reference to each functional category of the BoP/IIP framework. On the last day, the focus shifted to user needs and estimation methods for undeclared assets held abroad. The seminar was an opportunity to exchange views on the different national perspectives and to debate constructively on the most efficient way of implementing the new requirements with participants from Eastern Europe, Asia, Africa and Latin America. In this spirit, the experts from the National Bank of Ukraine, the Croatian National Bank, the Bank of Korea, and the Central Bank of Armenia also presented their countries' experiences, in order to share their methods and the difficulties faced with all the participants.



Seminar on 'Balance of Payments Data Production According to BPM6: the Experience of the Bank of Italy'

(Workshop on 'Financial Reporting and Operating and Accounting Systems: the Case of the Bank of Italy', continued from page 2)

Drawing on the Bank of Italy's experience, this two-day workshop gathered together accounting experts from 20 NCBs from all over the



Workshop on 'Financial Reporting and Operating and Accounting Systems: the Case of the Bank of Italy'

world for a valuable exchange of views. Participants were given a detailed picture of the different financial reporting frameworks and the related operating procedures, along with insights into best practices and the key elements of relevant processes.

In particular, three main sessions examined how operational theories were translated into practical measures. The first session dealt with financial reporting and described the Bank of Italy's financial statements, focusing on their different purposes. An interesting presentation followed on the comparison of the Eurosystem accounting framework with the 'well-known' International Financial Reporting Standards (IFRS), which are widely applied by the attendees. The theoretical session ended with the case presented by the participant from the Bank of Russia, which produces two annual balance sheets, one compliant with the national accounting standards and the other with IFRS, which considers the Bank of Russia 'as a group'. The second session was dedicated to the operating and accounting system, illustrating its framework, history and organization. The focus was on the Bank of Italy's experience in building up an operating and accounting system fully in line with the Eurosystem requirements and in particular with the need to produce reliable accounting data on a daily basis to be sent to the ECB for reporting and monetary policy purposes. The session was enriched by the presentation of a representative from the Czech

National Bank.

The results of a survey of participants before the workshop were also presented to highlight the different accounting and reporting settings adopted by the central banks in attendance. Special attention was paid to the governance of the year-end activities and the pro and cons of the Eurosystem accounting rules compared to the IFRS.

The third session, which was held on the second day, set out to answer the question: 'how can the accounting rules be implemented?'. Bank of Italy experts explained, using examples, the recognition rules and the main differences between the cash/settlement approach and the economic approach. An interesting case study based on a real accounting problem challenged the attendees, which were grouped into three teams. In particular, the case study focused on the accounting treatment of the second series of targeted longer-term refinancing operations (TLTRO2s) launched by the ECB and their interplay with the current negative interest rate environment. The three groups proposed three different solutions, demonstrating the complexity of the problems currently challenging the accounting function. The analysis of this specific issue preceded the final presentation, which gave a more general description of the unconventional tools adopted by the ECB to tackle the financial crisis, and their implications for the financial reporting and accounting systems.

In conclusion, since the onset of the financial crisis in 2007, many central banks have implemented unprecedented monetary policy interventions that have strongly affected their reporting functions. Thanks to innovative solutions, central banks have sidestepped the effects of the global financial crisis and most likely will be called on to define new interventions in the future. In this complex context, the accounting function can be seen as a living construction site; every day represents a new step along the road, but there is plenty of room for learning by implementing new processes for better and more transparent financial reporting.

(Workshop on 'Macroprudential Analyses and Supervision', continued from page 2)

The workshop provided the opportunity to exchange views on the approaches implemented by the Bank of Italy and the participating institutions.

The introductory session was dedicated to an illustration of the framework for macroprudential supervision in Italy and in Europe. This provided an opportunity for sharing experiences on models and indicators used to assess risks to financial stability. A presentation focused on the main features of the Bank of Italy's Financial Stability Report (FSR), which is released twice yearly and is a key instrument for policy communication. The report provides information on the state of the financial system, identifies the main domestic and external risk factors, assesses their possible impact on financial stability, and the scope for applying macroprudential policy measures. Another presentation addressed the ongoing project for the creation of a Risk Dashboard to be used for the regular monitoring of the buildup of risks, complementing the analytical tools for identifying risks to financial stability and a guide for possible macroprudential policy actions. The microsimulation models employed to monitor the financial vulnerabilities of Italian households and firms and the early-warning models for evaluating risks stemming from the real estate market were also illustrated.

Attention was devoted to instruments and policies designed to manage risks arising from credit growth. An overview of the technical challenges posed by the design of the counter-cyclical capital buffer (CCyB) framework was given. Examples from countries' experience highlighted the range of practices adopted to implement the analytical and policy framework for the CCyB, focusing in particular on the Italian experience. Participants brought their individual experience to the workshop, commenting, for example, that the stricter criteria for granting loans to households (such as Payment-to-Income and Loan-to-Income ratios) appeared to have brought down the ratio of highly indebted borrowers.

Italy's experience in identifying global and do-

mestic systemically important banks, G-SIIs¹ and O-SIIs² in the EU, was also discussed. For systemically important domestic banks, attention was given to the use of mandatory and optional indicators as set by the EU rules. Great interest was shown in the calibration of buffer requirements and, in particular, bucketing approaches. Considering that the European O-SII framework is relatively young (as indeed is the entire macroprudential response to the financial crisis), the experience gained during the early years of application will contribute to its refinement and enhancement in the near future. Indeed, one of the lessons learned so far is that in this field there is no one-size-fits-all solution, and that national peculiarities should continue to play a role.

Finally, the workshop concentrated on the use of stress tests for both macroprudential and microprudential purposes. Macroprudential stress tests are a valuable tool for assessing the financial resilience of banking systems, as they allow for a more direct evaluation of feedback loops, amplification mechanisms and spillovers. Stress tests can also be used to calibrate macroprudential measures. The use of stress test outputs in this latter field is still a work in progress. Regarding the microprudential use of



Workshop on 'Macroprudential Analyses and Supervision'

The views expressed during the seminars and workshops do not necessarily reflect the position of the Bank of Italy

stress tests, an overview of the different practices adopted by the SSM for the integration of the stress test results in the Supervisory Review and Evaluation Process (SREP) was presented. Given the different nature of the exercises performed in the first years of the SSM, the methodological choices reflected different solutions, depending on the nature, scope and risk coverage of the stress test. Given the complexity and multifaceted nature of supervisory stress tests, the SSM is still in the process of defining a long-term strategy in order to make them better suited to supervisory needs. The presentations indicated that the stress testing frameworks should have clearly articulated objectives and include effective governance structures. Resources, organizational structures, and information systems should be adequate to meet the objectives. Finally, stress tests need to be critically evaluated and properly integrated in supervisory and/or financial stability programmes and to be used along with other available analytical and/or policy instruments. The workshop benefited from the presentations of the participants from the Central Bank of Russia and the Central Bank of Hungary, respectively on the countercyclical capital buffer and the debt cap rules.

¹Global Systemically Important Institutions.

²Other Systemically Important Institutions.

(Seminar on ‘Monetary Policy Implementation and Liquidity Management’, continued from page 2) Against this backdrop, the seminar provided participants with an insight into the measures implemented by the Eurosystem in the last decade to ward off the risks arising from the global financial crisis, the sovereign debt crisis, and a prolonged period of subdued inflation. The seminar also touched on the governance of the Eurosystem so as to clarify the role and functions performed by national central banks together with the ECB, with a special



Seminar on ‘Monetary Policy Implementation and Liquidity Management’

focus on the Bank of Italy’s contribution to the implementation of monetary policy in the euro area.

Three sessions were held involving Bank of Italy experts from several business areas (market operations, research, market oversight, risk management, and supervision). There were also presentations by guest speakers from the central banks of Jordan, Brazil, and Bulgaria as well as open discussions to share experiences and opinions. The first session started with the presentation of the main features of the Eurosystem monetary policy strategy to shed light on the rationale behind the so-called unconventional monetary policy measures (e.g. the fixed rate full allotment tender procedures, new collateral eligibility criteria, longer term credit operations, asset purchases, etc.) and the connections between these measures and the transmission mechanism. The session also focused on the operational framework and on how it changed throughout the crisis as well as on risk mitigation measures. Originally based on a structural liquidity deficit owing to the minimum reserve requirement and developments in autonomous factors, the operational framework turned out to be based on a large liquidity surplus further to the implementation of unconventional monetary policy measures. What the operational framework will look like in the future is still open to debate; however, it is of pivot-

al importance at this stage to understand the main market and regulatory developments that have emerged in recent years, which are expected to matter for the implementation of monetary policy in the future.

The second session of the seminar developed these topics further. Market trends include the shift from unsecured to secured transactions in money markets as well as the greater role of agents other than banks, which could in principle influence a central bank's ability to steer money market rates. Regulatory developments encompass new liquidity (Liquidity Coverage Ratio, Net Stable Funding Ratio) and capital (Leverage Ratio) adequacy rules, which proved to have some impact on banks' demand for liquidity (including high-quality liquid assets).

The concluding session had the goal of increasing the awareness of the financial and reputational risks faced by central banks and the implications for balance sheets. As a matter of fact, unconventional monetary policy measures have dramatically altered the size and composition of central banks' balance sheets over the last decade, exposing them to risks that must be managed. This session described the main features of the asset and liability management model developed by the Bank of Italy as well as portfolio management techniques, to provide an insight into the interconnections between monetary policy implementation and other central bank functions.

(Workshop on 'Customer Protection in the Banking Sector – The role of the Bank of Italy', continued from page 2) The workshop held in Rome on 4 and 5 December 2017 focused on the role of the Bank of Italy as one of the Italian authorities in charge of financial consumer protection.

The workshop was organized in three sessions.

The first session was devoted to introducing the Italian framework for financial consumer protection and describing its evolution

over time. In the opening speech, it was outlined the theoretical underpinnings of financial consumer protection and the new perspectives arising from behavioural economics, and it was stressed how necessary a proper system of financial consumer protection was for restoring trust in the financial sector. The presentations that followed concerned the evolution of the Italian regulatory framework in light of EU legislation; the public enforcement system implemented by the Bank of Italy and the tools it relies on, with a focus on the increasing use of thematic reviews to foster proactive and effective supervision to prevent harm to consumers; the current development of a model for the assessment of customer protection; the changing approach to on-site inspections; the administrative penalties system, as recently renewed in the wake of important reforms at EU level.

The second session provided an overview of the Bank of Italy's role in the field of financial literacy over the last ten years, in particular the new National Strategy. Recent initiatives in this field go beyond the traditional approach – based on 'teaching the teachers' and targeted at young students – and aim instead to respond to the needs of adults, especially in the most vulnerable categories. The third session was dedicated to sharing experiences and took advantage of the stimulating contribution from Israel and Brazil, whose delegates presented their supervisory approaches in the field of consumer pro-



Workshop on 'Customer Protection in the Banking Sector – The role of the Bank of Italy'

The views expressed during the seminars and workshops do not necessarily reflect the position of the Bank of Italy

tection. The presentations were followed by a very productive tour de table, which confirmed how important the proper handling of complaints is for central banks that are also in charge of financial consumer protection, in order to detect relevant issues and to deal with them at an early stage.

Presentations followed on the Arbitro Bancario Finanziario (ABF), the Italian Financial Ombudsman scheme set up by the Bank of Italy in 2009. After recalling its main features – independence, impartiality, cost effectiveness – some facts and figures were supplied to help participants gauge how effective the system has proved to be; there were also some remarks on the interaction between the ABF and the public enforcement duties directly discharged by the Bank of Italy. The session included a brief summary of the activities the Bank of Italy carries out in the field of anti-money laundering and counter-terrorism financing.

Questions and debate were strongly encouraged throughout the sessions; as a result, the workshop has proved to be a very effective forum for sharing experiences from authori-

ties with different social and institutional backgrounds.

Financial consumer protection is among the duties supervisory authorities have most recently taken on. Establishing informal, frank and open interaction among national authorities to exchange insights and compare different approaches proved to be of extraordinary use, and encourages further coordination efforts.

‘Each and every session benefitted me in the capacity building of my organization. Plus I truly appreciate the networking that has developed within BoI as well as the counterparts from other countries’

A participant from Bank Negara Malaysia

www.bancaditalia.it [Youtube.com/bancaditalia](https://www.youtube.com/bancaditalia) [Google.com/+BancaditaliaEurosistema](https://plus.google.com/+BancaditaliaEurosistema) [@UfficioStampaBI](https://twitter.com/UfficioStampaBI)**This issue was prepared by:**

Magda Bianco, Giovanni Candura, Federica Ciocchetta, Miriam Di Battista, Maria Alessandra Freni, Pietro Giammario, Rosario Grasso, Vincenza Marzovillo, Valentina Michelangeli, Salvatore Nasti, Giovanni Palmisano, Silvia Sabatini, Alberto Maria Sorrentino, Miriam Tagliavia.