



## 2022 Call for Proposals

### 1. Theme of the 2022 Call for Proposals

As part of Milano Hub's activities to support the digital development of the Italian financial market, this year's Call for Proposals (hereinafter also 'Call') is dedicated to the following theme:

***'Application of Distributed Ledger Technology (DLT) to banking, financial, insurance and payment services, with special regard to ensuring: governance reliability and compliance with the applicable provisions and guidelines expressed by the Authorities; robust settlement mechanisms with particular regard to solutions capable of ensuring the final settlement of payments in central bank money; interoperability with other DLT platforms or platforms based on alternative models (e.g. API); certainty and security of operations from a technical and legal standpoint (for example, in terms of transaction finality); and consumer protection.'***

The increasing uptake of distributed ledger technology (DLT) solutions, including in the financial market, is one of the most interesting developments in the Fintech environment.

DLT offers several promising applications which could help to increase the efficiency of the production and distribution processes of banking, financial, insurance and payment services, while also improving the management of documents and contracts and making them more user-friendly.

For the digital ecosystem to be able to reap the benefits of DLT, its applications must have a number of features that can steer their potential in a positive direction. For example, it is important that they ensure the following: compliance with adequate and prudent governance and risk management rules; high standards of legal and technical transparency and accountability; reduced market fragmentation risks; and full environmental sustainability.

With specific reference to payments, a further potential of DLT could be its interoperability both in relation to several DLT solutions and to different technical solutions, such as those based on application programming interface (API) paradigms, or centralized market infrastructures (e.g. settlement systems operated by central banks).

On the insurance market, projects should make it easier for customers and intermediaries to access blockchain solutions, make the management of pre-contractual documents, signature processes and smart contracts (e.g. for parametric insurance policies) more efficient and secure by setting market standards, and ensure integration with applications designed to assess compliance, in particular with insurance distribution regulations.

When submitting projects, applicants should consider one or more of the above needs and could focus, by way of example, on one or more of the following areas:

- interoperability mechanisms with centralized platforms and/or API-based solutions;
- solutions to increase the transparency of banking, financial and insurance products based on smart contracts and to facilitate the management of digital documents and signatures;
- safeguards, including legal ones, to reduce possible disputes arising from the use of DLT-based solutions;
- mechanisms for managing blockchain risks, bearing in mind the safeguards already in place in



## 2022 Milano Hub Call for Proposals - Rules

- banking, financial, insurance and payment regulations;
- use of blockchain data through innovative RegTech and SupTech applications;
- decentralized finance solutions: risk assessment, risk monitoring and customer protection methodologies;
- digital identity verification processes, activities relating to Know Your Customer (KYC) processes, Anti Money Laundering (AML) safeguards, and customer onboarding.

Participation in the 2022 edition is regulated by the provisions contained in this Call for Proposals and in the Milano Hub Rules (hereinafter referred to as 'the Rules'), published on the Milano Hub section of the Bank of Italy's website, unless the relevant provisions have been specifically waived.

### 2. Who can participate

Different categories of participants, Italian or foreign, divided into the following Milano Hub areas of operations, are eligible to apply as individuals or as a group:

- A) **Fintech Hub**: non-bank/non-financial undertakings (e.g. technology solution providers);
- B) **Innovation Hub**: banking, financial and insurance intermediaries;
- C) **Research & Development Hub**: universities, research institutes, other bodies.

Participants applying in group form must name an Applicant. Groups whose members fall within two or more of the above categories A), B) and C) can only apply for admission to the area of operations that is most consistent with the nature of the named Applicant (for example, if a banking intermediary is the named Applicant of a group which also includes a non-banking undertaking, the group can only apply for admission to the Innovation Hub area).

Each participant may only submit one application in individual form.

Participants applying in group form must specify which member of the group is the named Applicant, as set out in the Rules. The named Applicant cannot apply in individual form, but they can be members of other groups of which they are not named Applicant. Failure to comply with the provisions of this Section will result in the exclusion of the Participant individually or of each Participant collectively for all proposed project initiatives contrary to the provisions of this Section.

### 3. How to participate

Application forms and all other supporting documents listed in Section 4 'Application process and supporting documents' of this Call for Proposals may be submitted **from 3 p.m. CET on 15 December 2022 to 3 p.m. CET on 31 January 2023 by e-mail to the shared mailbox: [application@milanohub.bancaditalia.it](mailto:application@milanohub.bancaditalia.it)**. Applications submitted after this deadline and/or received via any other channel than the one specified or with partial and/or incomplete documentation will be rejected. The mailbox will send an automatic reply confirming receipt of the application, without prejudice to the Bank of Italy's subsequent evaluations also with reference to the timeliness and completeness of the applications. The Bank of Italy is not liable for any delays due to malfunctions or breakdowns of the IT and internet connections used by Participants, nor is it responsible for any technical difficulties encountered when submitting the application attributable to these systems. Participants are therefore invited to send their application **well in advance of the deadline**.

The Bank of Italy is not responsible for any failure to submit documents required for the evaluation process, as detailed in Section 4 'Application process and supporting documents', including cases of illegibility or lack of information required for the evaluation process.

Requests for clarification may be sent to the shared mailbox [info@milanohub.bancaditalia.it](mailto:info@milanohub.bancaditalia.it).

### 4. Application process and supporting documents

Applications must be submitted by filling in the forms listed below, available on the Bank of Italy's website (<https://www.bancaditalia.it/focus/milano-hub/call-for-proposals-2022/index.html>):

- Application form (Form A); For group applications, the named Applicant shall complete Form A and each of the other Participants shall complete Form A1;
- Personal details (Form B); For group applications, Form B must be completed by each of the Participants, including the Applicant;
- Declaration of eligibility and possession of the integrity requirements (Form C); For group applications, Form C must be completed by each of the Participants, including the Applicant;
- Project proposal; Please note you should use a different form for each of the three areas of Milano Hub:
  - Form D1 for the Fintech area;
  - Form D2 for the Innovation area;
  - Form D3 for the R&D area;
- Technological description of the project (Form E).

All forms must be completed and signed digitally by the Participant's legal representative. For group applications, the Applicant must sign digitally Forms A, B, C, D and E, while the legal representatives of all other Participants must sign digitally the Forms A1, B and C. Forms may also be hand-signed and submitted together with a copy of the signatory's valid identity document.

Applications that are incomplete or submitted using documentation that does not comply with the requirements shall be excluded from the selection process.

Participants or, for group applications, the Applicant may withdraw their application by sending a waiver letter signed by their legal representative to [application@milanohub.bancaditalia.it](mailto:application@milanohub.bancaditalia.it).

## 5. Evaluation and selection of projects

Applications will be evaluated by a panel appointed by the Bank of Italy after the deadline specified in Section 3 of this Call. The appointment and composition of this panel shall be published on the Bank of Italy's website.

For the 2022 Call for Proposals, **a maximum of 10 projects will be eligible for support from Milano Hub and divided among the three operational areas listed in Section 2** as follows:

- A maximum of 5 projects for the Fintech Hub;**
- A maximum of 3 projects for the Innovation Hub;**
- A maximum of 2 projects for the Research & Development Hub.**

The project evaluation process is detailed in the following Section.

### 5.1 Scoring based on RELEVANCE, VALUE and PRACTICABILITY criteria

Each project is assessed against the criteria of relevance, value and practicability, under the provisions set out in this Call.

Each member of the panel will score the projects, based on the documents submitted, on a scale from 0 to 10 for the relevance criterion and for each of the value and practicability sub-criteria described in this section (e.g. systemic value and scalability, innovation, etc.)

We then calculate the arithmetic mean of the individual scores awarded by the panel members for the relevance criterion and for each of the value and practicability sub-criteria. The scores obtained (hereinafter 'average scores') are weighted as described in Section 5.2.

More specifically, projects are assessed against the following criteria:

- RELEVANCE**, which measures how relevant projects are to the theme of this year's Call for Proposals, as described in Section 1;

**B) VALUE**, which includes the following sub-criteria:

*B.1 Systemic value and scalability*

This sub-criterion assesses whether the objectives pursued by the project are valuable<sup>1</sup> for the banking, financial, insurance and payment system as a whole, for companies and customers – also from the point of view of financial inclusion – and for the public administration.

This sub-criterion also assesses whether projects are adaptable and exportable to wider contexts.

*B.2 Innovation*

This sub-criterion establishes whether the projects offer innovative<sup>2</sup> products/services/processes for banking, financial and insurance activities.

*B.3 Completeness*

This sub-criterion determines whether the project is generally well defined as regards resources (financial, human, technological and logistical), how it is to be achieved, what objectives it pursues, and any other significant aspect for its area of activity.

*B.4 Sustainability*

This sub-criterion evaluates the extent to which the project focuses on environmental, social, and governance (ESG) themes.

**C) PRACTICABILITY**, which includes the following sub-criteria:

*C.1 Feasibility*

This sub-criterion assesses whether the estimates of the necessary resources (financial, human, technological, logistical) for the development of the project are adequate and proportionate in relation to the expected results and to the contribution of Milano Hub. The sub-criterion also aims at assessing whether the project adequately reflects the reference context (e.g. the market situation).

*C.2 Measurability*

This sub-criterion assesses the measurability of the activity and of the expected results, both to effectively monitor the progress of the project over the duration of the support offered by Milano Hub and more generally to monitor the achievement of the project objectives

*C.3 Security*

This sub-criterion determines whether the project proposal contains a reliable assessment of the possible exposure to risks (e.g. cyber-attacks, operational risks, etc.), and of appropriate mitigation measures to ensure suitably high security standards.

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<sup>1</sup> Projects shall be deemed valuable for the banking, financial, insurance and payment system if they add value to it, for example in one of the following ways:

- they benefit end users, e.g. by improving customer experience, inclusion, transparency, enhancing security, or reducing costs for end users;
- they make the system more effective, e.g. by reducing the time required to perform minor operations or by improving the availability and use of information;
- they make regulatory enforcement more effective by streamlining internal processes to fulfil regulatory obligations, improving data management for compliance and reporting purposes, etc.;
- they improve the risk management systems/procedures/processes of banking, financial or insurance operators, optimising costs and internal resources, increasing effectiveness in identifying and/or measuring/managing risks.

<sup>2</sup> For example:

- does the product, service or process use innovative technologies?
- does the proposed solution differ significantly from what is on the market, if similar products, services or processes already exist?
- does the project use an innovative business model?

## 5.2 Weighting of scores and calculation of the final score

For each project, the final score is calculated by summing up the average scores weighted on the basis of different coefficients for each area of Milano Hub, as outlined below.

The average score for the relevance criterion is weighted by applying a coefficient of 0.5 for all areas.

For the **Fintech Hub**, the value and practicability criteria and the average scores for their sub-criteria are weighted as follows:

0.25		0.25	
VALUE		PRACTICABILITY	
Systemic value and scalability	0.40	Feasibility	0.35
Completeness	0.15	Measurability	0.35
Sustainability	0.15	Security	0.30
Innovation	0.30		

**Final score** = 0.5 \* (average relevance score) + 0.25 \* (value score) + 0.25 \* (practicability score)

For the **Innovation Hub**, value carries more weight than practicability, and the relative sub-criteria are weighted as specified in the table below:

0.35		0.15	
VALUE		PRACTICABILITY	
Systemic value and scalability	0.60	Feasibility	0.35
Innovation	0.40	Measurability	0.35
		Security	0.30

**Final score** = 0.5 \* (average relevance score) + 0.35 \* (value score) + 0.15 \* (practicability score)

For the **Research & Development Hub**, value carries greater weight than practicability and the relative sub-criteria are weighted as specified in the table below:

0.35		0.15	
VALUE		PRACTICABILITY	
Systemic value and scalability	0.70	Feasibility	0.50
Completeness	0.10	Measurability	0.50
Sustainability	0.10		
Innovation	0.10		



## 2022 Milano Hub Call for Proposals - Rules

**Final score** = 0.5 \* (average relevance score) + 0.35 \* (value score) + 0.15 \* (practicability score)

As an indication, the admission process is expected to be completed by 30 April 2023. At the end of this process, Participants (for individual applications) and Applicants (for group applications) will be notified of the outcome of the selection and informed of their final score and ranking. The list of eligible projects will be published on the Bank of Italy's website, together with a brief description in compliance with Section 9 of the Rules.