

Press Release

By the Communications Directorate

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Banca d'Italia's intervention power concerning financial instruments: regular assessment of risks to financial stability

Taking into account the provisions of Regulation (EU) No 600/2014 (MiFIR), Article 7-bis of the Italian Consolidated Law on Finance (TUF) empowers Banca d'Italia to limit the marketing, distribution or sale of financial instruments (product intervention power) in order to preserve the stability of the national financial system.

In order to exercise its intervention power, Banca d'Italia regularly carries out analyses and assessments of the risks to financial stability that may arise from financial instruments circulating in Italy based on a specific analytical and methodological framework, which is periodically updated and refined.

This press release provides some information on the most recent analyses and assessments. More detailed information on Banca d'Italia's intervention power and its activities in this area can be found on the Bank's website: ['Banca d'Italia's 'intervention power' concerning financial instruments, structured deposits and related financial activities/practices'](#).

Summary assessments

Based on the most recent analyses, conducted using data up to 31 December 2024, Banca d'Italia continues to focus on certificates and structured bonds, due to their complexity and to the rise in the volumes of them in circulation observed last year.¹ An increase in the amount of some derivative instruments in circulation, specifically credit default swaps (CDS), swaptions and non-plain vanilla options, was also observed.

The risks to financial stability connected with the volume of these instruments in circulation are not high. More information on the analyses conducted is provided below.²

Complex securities. At the end of 2024, debt securities with a face value of €2,945 billion were in circulation in Italy,³ 15 per cent (€440 billion)⁴ of which were instruments that can be considered

¹ For the list and definitions of all the individual financial instruments analysed as part of the intervention power, see the Bank's website: ['Glossary of the types of financial instruments analysed by Banca d'Italia within the scope of its intervention power'](#).

² Any discrepancies between the data published in the various editions of this press release are attributable to revisions, including those made retroactively, of the data.

³ Securities in circulation in Italy include debt securities deposited in Italy and those issued by resident entities.

⁴ Starting with this edition of the press release, complex securities also include securitization transactions in which the originator bank acquires all the securities issued by a special purpose vehicle (i.e. self-securitization).

complex.⁵ Among these instruments, those potentially posing the greatest risk to financial stability were certificates (accounting for 19 per cent of complex securities and amounting to €85 billion) and structured bonds (8 per cent and €33 billion; Figure 1 and Table 1).

At the end of 2024, the amount of complex debt securities held directly by Italian households was €75 billion, up €5 billion on the previous year and equal to 16 per cent of total debt securities held (€474 billion). The increase is largely due to the growth in certificates, which rose by about €3 billion to €56 billion (Table 1), and was concentrated in the first half of the year, with volumes remaining stable in the second half.

Certificates. Certificates in circulation in Italy also increased in 2024 (by €10 billion) and consist primarily of those offering full or partial capital protection (57 per cent of the total); the remainder is made up of riskier securities. Households hold two thirds of the certificates (67 per cent with capital protection), equal to 12 per cent of the total value of the debt securities held. Certificates can improve the risk-return profile of diversified portfolios, thanks in part to favourable tax treatment;⁶ however, they are complex instruments whose value is not easy to assess and may expose holders to heavy losses in adverse scenarios.

Structured bonds. At the end of 2024 the volume of structured bonds - which are financially but not fiscally⁷ equivalent to protected capital certificates - amounted to €33 billion. Over the last several years, while the amount of certificates has risen, that of structured bonds has gradually declined from a peak of €181 billion in 2011 (Figure 2). One fourth of these instruments (€8 billion) is held by households (compared with a high of €115 billion in 2011).

Complex derivatives. Around 5 per cent of derivatives with Italian counterparties can be considered complex. Of these, swaptions and credit default swaps (CDSs) dominate (Figure 3). At the end of 2024, the total notional value of complex derivatives was €684 billion, up from the €550 billion reported at the end of 2023. In the second half of 2024, there was a significant increase in the notional amount of CDSs, non-plain vanilla options and, to a lesser extent, swaptions. The simultaneous decrease in the notional value of derivatives classified in the residual category 'other' suggests that at least part of the increase may be due to a more accurate classification of positions than in the past. The main counterparties in these markets are Italian banks, whose exposures are balanced between long and short positions, and the main international dealers; these instruments do not feature in households' portfolios.

Assessment. Overall, the risks to financial stability that may arise from the financial instruments analysed appear to be contained at present. However, it should be borne in mind that certificates may expose holders to significant losses: the value of these instruments may fluctuate wildly, even more so than the value of the underlying assets, especially under unfavourable market conditions.

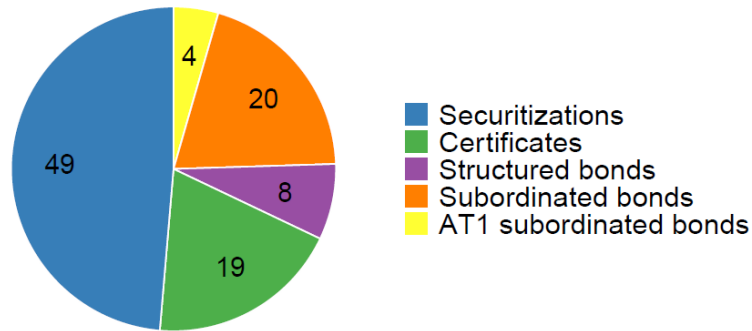
⁵ The list of complex securities is set out in '[Banca d'Italia's intervention power concerning financial instruments, structure deposits and related financial activities/practices: legal, analytical and methodological framework](#)'.

⁶ For more information, see '[The Global Economy: Navigating Uncertainty and Change](#)', speech by the Governor of Banca d'Italia, Fabio Panetta, at the 31st ASSIOM FOREX Congress, Turin, 15 February 2025.

⁷ Unlike the gains on certificates, which are classified as 'other financial income', the gains on structured bonds fall under the category of 'equity income' and therefore cannot be used to offset any losses realized by the investor.

Figure 1

Breakdown of complex securities by type of instrument (1)
(data at 31 December 2024; per cent)



(1) Shares are calculated on the basis of the value of the instruments.

Figure 2

Amounts of complex securities by type of instrument
(billions of euros)

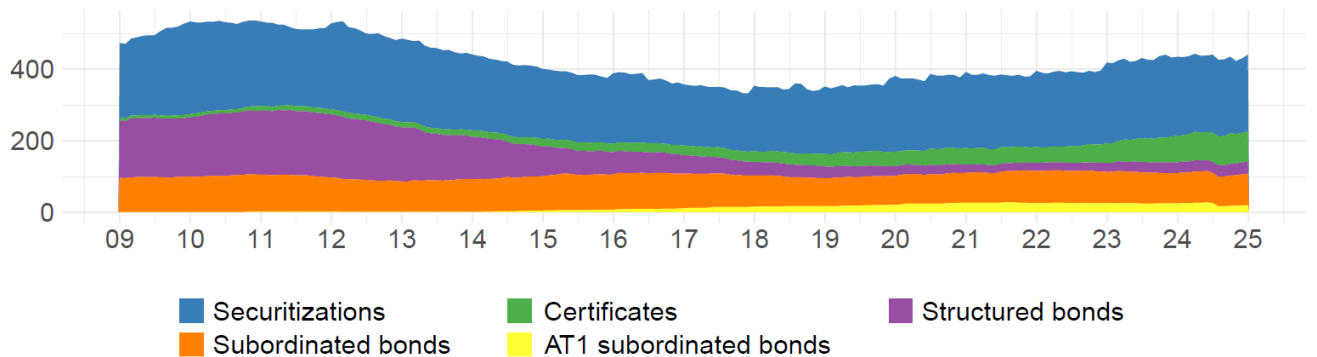


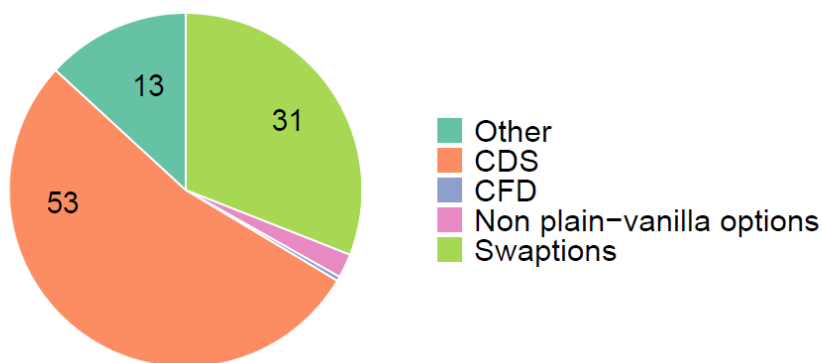
Table 1. Amounts of complex securities by type of instrument and holder sector (1)
(data at 31 December 2024; billions of euros)

	Securitizations (2)	Certificates	Structured bonds	Subordinated bonds	Subordinated bonds AT1	Total
Banks	108.6	13.7	3.4	3.0	0.3	129.0
Foreign	63.9	2.7	10.2	13.8	2.4	93.0
Households	1.0	55.6	7.8	7.6	2.8	74.9
Insurance companies	5.4	1.9	2.8	25.8	2.3	38.2
Investment funds	13.2	0.2	2.9	16.5	3.5	36.2
Other financial intermediaries	10.6	1.8	1.4	5.3	2.6	21.7
Firms	5.9	4.2	0.9	3.9	2.0	16.9
Public sectors	0.6	0.3	1.4	1.1	0.2	3.6
SPVs	0.9	0.0	0.6	0.0	0.0	1.5
Other (3)	4.2	4.4	1.8	11.2	3.4	25.0
Total	214.3	84.9	33.3	88.1	19.5	440.1

(1) The holder sector field is only reported in the Matrice dei conti, and not in the reports under Article 129 of the TUB or in the Securities Register. To map the sectors more accurately, this table also draws on data extracted from the Securities Holdings Statistics by Sector (SHSS). (2) Transactions in which the originator bank acquires all the securities issued by an SPV (i.e. 'self-securitizations') are also included among securitizations. (3) This item also includes: i) the case in which the holder's sector is not known; and ii) other residual sectors beyond those reported.

Figure 3

Breakdown of complex derivatives by type of instrument (1)
(data at 31 December 2024; per cent)



(1) Shares are calculated on the basis of the notional value of the instruments.

For definitions of individual financial instruments, see Banca d'Italia's website: '[Glossary of the types of financial instruments analysed by Banca d'Italia within the scope of its intervention power](#)'.

Methodological Appendix⁸

Banca d'Italia has developed a methodological framework to identify and assess risk areas that may concern financial instruments marketed, distributed or sold in Italy or from Italy. The analysis on debt securities uses the statistical and supervisory reporting that banks and other supervised intermediaries send to Banca d'Italia. Information from the securities register and from reports under Article 129 of the Consolidated Law on Banking (TUB) and the ECB's SHSS database are also used. The methodological framework is periodically updated and refined.

Derivatives are analysed using data from the EMIR database. In the supervisory reporting templates, the information is usually reported in an aggregate form, with reference not to the individual contract but to the broader type of instrument, the characteristics of the underlying instrument and the direction of the position taken. The data contained in the supervisory reports relate to instruments held by banks and are reported quarterly. The EMIR database, instead, contains daily information on individual trades carried out by financial and non-financial counterparties (Italian entities or those with an Italian parent company). Use of the database also means that it is possible to more precisely classify complex derivatives and eliminate any overlap in those cases in which the same contract is reported by more than one party. The scope of the analysis is now broader in terms of the type of derivative, the nature and residence of the counterparties than it was when supervisory reports were used.

The methodology involves splitting financial instruments into 'complex' and 'non-complex' categories.⁹ Each financial instrument is assigned a complexity indicator according to the type of instrument and the nature of any underlying assets. Thereafter, a two-stage analysis of risks is performed on complex securities.

In the first step, a complex financial instrument is considered potentially risky if the outstanding amounts exceed the 90th percentile of the historical distribution of its amount observed over the last five years. However, since the EMIR data are available starting from January 2021, the length of the historical series used to calculate the threshold for derivatives instruments is currently four years.

The financial instruments identified in the first step as being potentially risky are further analysed at a second stage, in which a risk assessment is carried out through the analysis of a variety of indicators (including the complexity, riskiness characteristics of the instrument, and characteristics of the reference market) using methodologies selected ad hoc by experts involved in the analysis based on the characteristics of the instruments. At this stage, quantitative analyses are supplemented by

⁸ For more information on the methodologies used by Banca d'Italia for analyses relating to its intervention power, see the Bank's website: [Banca d'Italia's 'intervention power' concerning financial instruments, structured deposits and related financial activities/practices](#).

⁹ For securities, the following are considered complex: securitizations (including self-securitizations), certificates (including credit linked notes and covered warrants), structured bonds, subordinated bonds, AT1 subordinated bonds. The following are considered non-complex, in addition to the residual types: shares, commercial papers, covered bonds, rights, ETFs, investment funds, bonds (others), Italian and foreign government bonds. Self-securitizations are considered complex securities because they are similar to securitizations. For derivatives, the following are considered complex: contracts for differences (CFDs), credit default swaps (CDSs), other options (non-plain vanilla), spread bets, swaptions, non-plain vanilla options and other derivatives contracts. The following are considered non-complex: forwards, forward rate agreements (FRAs), futures, plain vanilla options, and swaps other than CDSs.

discretionary assessments, for example of the adequacy of the effects expected from the imposition of prohibitions or limitations with respect to the risks identified.