



**BANCA D'ITALIA**  
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**Contents**

<b>2016 (2nd Semester) Highlights</b>	<b>1</b>
Seminars & Workshops	2
A focus on...	3
<b>2016 Snippets of Information</b>	<b>3</b>
<b>2017 Seminar &amp; Workshop Catalogue</b>	<b>6</b>
<b>General Information</b>	<b>8</b>
<b>Contacts</b>	<b>8</b>

INTERNATIONAL TECHNICAL COOPERATION

**NEWSLETTER**



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.

**T**he 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.

**T**he 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>

**2016 (2<sup>nd</sup> Semester)**

**Highlights**

**T**he seminars and workshops listed in the 2016 catalogue that were scheduled for the second semester were held as planned, with two seminars and two workshops involving a total of 92 participants from all over the world.

In addition, our activities included 15 bilateral activities (i.e., study visits to Rome and missions abroad), one third of which financed by the European Commission, and a number of information exchange projects upon request from other central banks. A bilateral technical cooperation project with the Bank of Albania was also launched. [Details inside]

An overview of the activities held in 2016, including some comparisons with those held in previous years, is available inside.

## Seminars & Workshops

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### **Seminar on 'Regulatory and Supervisory Issues of Small Banking and Financial Entities, with Special Focus on SME and Household Financing'**

**(Rome, 14-16 September 2016)**

***Participants: 23***

The combined effects of the financial crisis followed by a long lasting recession and financial reforms aimed at enhancing financial stability have significantly impacted on the relationships between financial institutions, small and medium-sized enterprises (SMEs) and retail customers, as both been particularly affected by the credit crunch and the rising costs of services. The seminar aimed to share the knowledge and experience gained by central banks and supervisory authorities in matters relating to SMEs and households' access to finance and, more broadly, financial services. [\[Read more on page 9\]](#)

### **Workshop on 'Financial Statistics in Central Banks'**

**(Rome, 13-14 October 2016)**

***Participants: 24***

The sixth event in the Bank of Italy's annual technical cooperation seminar and workshop catalogue was devoted to financial statistics in central banks. The recent financial crisis and the responses to it have raised the level of analytical interest in sound and reliable information on sectoral balance sheets and transactions and in the interconnectedness of financial systems as well as the national economy's financial exposure with the rest of the world. Statisticians and national accountants are called upon to provide suitable and timely statistical data to support policy decisions. Against this background, the workshop described the latest developments in the methods used by central banks to produce their financial statistics, as well as their scope. [\[Read more on page 10\]](#)

### **Workshop on 'Anti-Money Laundering: the Italian Experience'**

**(Rome, 17-18 November 2016)**

***Participants: 19***

The workshop aimed to provide an overview of the action taken by the Bank of Italy to prevent supervised entities from being used for criminal purposes, which is an essential contribution to preserve the stability and integrity of the financial markets and ensure they are competitive. The workshop was organized taking into consideration the supranational dimension of money-laundering and terrorism financing, which requires an international effort aimed at harmonizing rules and at implementing a joint strategy; in this context, the Italian anti-money laundering and counter-terrorism financing (AML/CTF) system has been evaluated favourably by the 2015 FATF-IMF Report. [\[Read more on page 11\]](#)

### **Seminar on 'Payment and Securities Clearing and Market Infrastructures in the EU; Policy, Operation, Oversight: the Bank of Italy's Experience'**

**(Rome, 14 - 16 December 2016)**

***Participants: 25***

Payment systems and market infrastructures play a key role in ensuring the stability and efficiency of the financial system and of the economy as a whole. Monetary policy, too, relies on the existence of reliable and efficient payment systems. This is the reason why this topic is one of the most requested by central banks and is therefore often included in the Bank of Italy technical cooperation offer.

The seminar programme was designed to provide attendees with an overview as exhaustive as possible of such a complex subject, ranging from payment system infrastructures to the Bank of Italy's objectives, methodologies, and main activities, both as service provider and as overseer. [\[Read more on page 12\]](#)

## A focus on...

### The bilateral technical cooperation project with the Bank of Albania

Following the Bank of Italy's long-standing and fruitful cooperation with the Bank of Albania (BoA), a bilateral technical cooperation project was launched in the second part of 2016. The project will last 18 months.

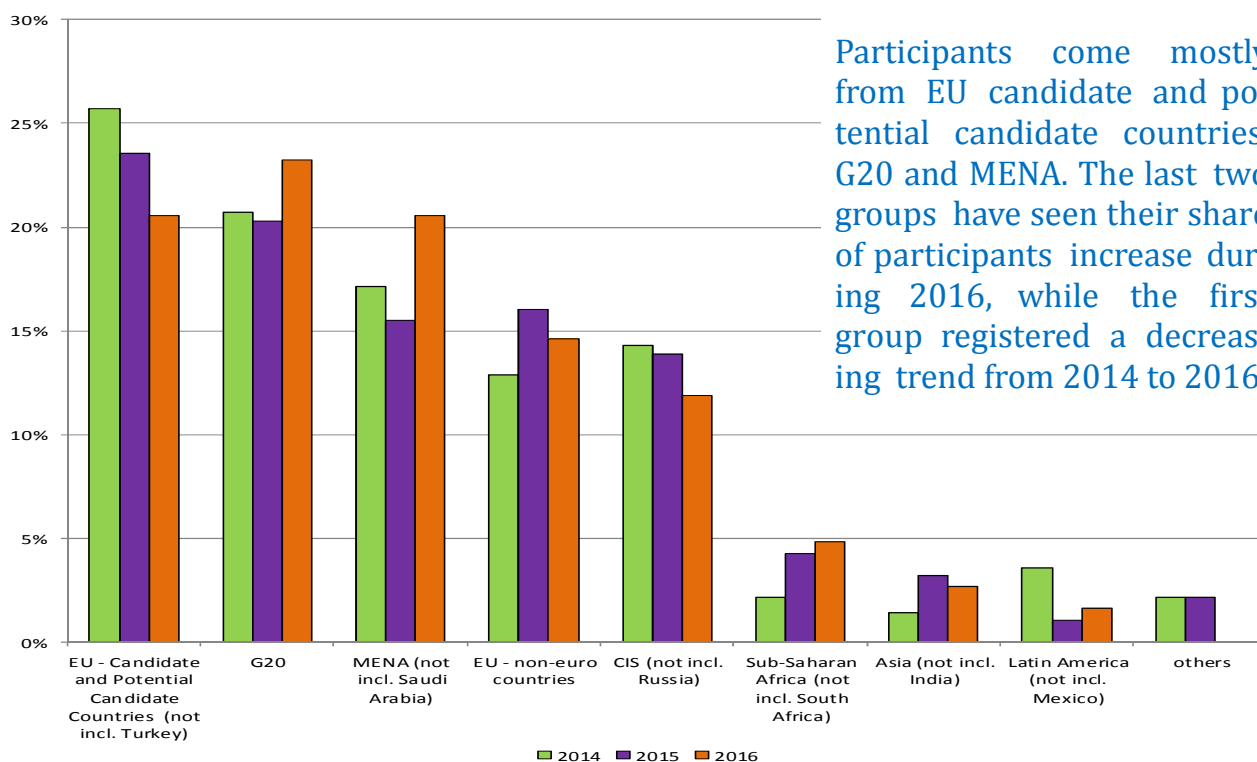
The overall objective of the project is to assist the BoA in identifying the best solutions applicable to their framework, based on their skills and organization in the following areas: a) Banking Supervision, b) Payment Systems, c) Facility Management, d) Research, e) Cash Processing, f) Legal Issues, and g) Human Resources.

The project consists of a series of initiatives (missions to Tirana, study visits to Rome, remote meetings) and relies on intense coordination activities and a smooth exchange of views and information: great importance is given to dialogue as a means for effective cooperation. Remote interaction, via email or teleconferences, is frequent.

Activities for the two areas of Human Resources and Cash Processing have been completed. The whole project will be completed by the end of 2017.

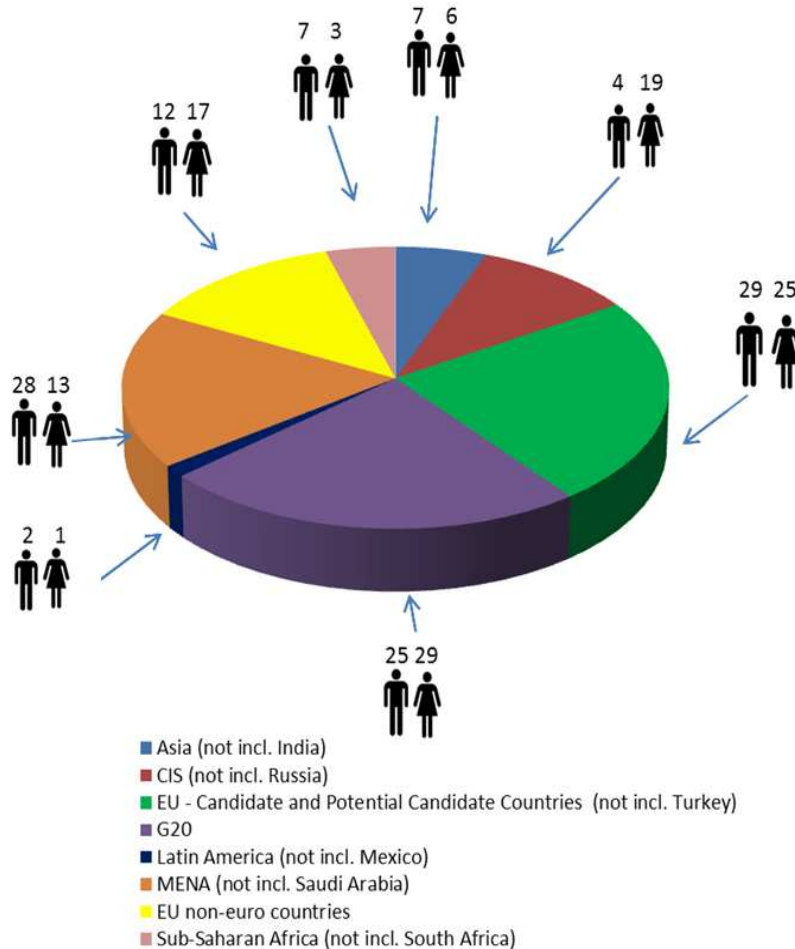
## 2016 Activities – Snippets of Information ...

**BoI International Technical Cooperation Activities**  
*Distribution by participants' geographical area of origin*  
2014 - 2015 - 2016



# ... 2016 Activities – Snippets of Information ...

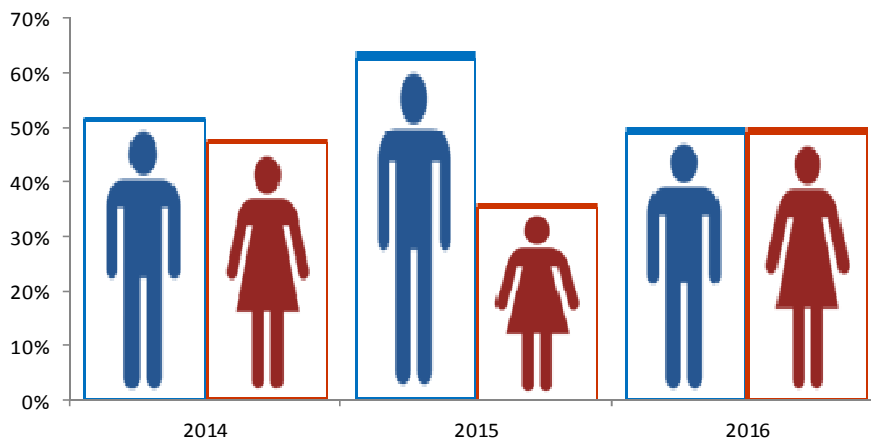
**Bol International Technical Cooperation Activities**  
*Number of participants by gender in 2016*



In 2016 female participants from the G20, CIS and EU non-euro countries outnumbered their male colleagues.

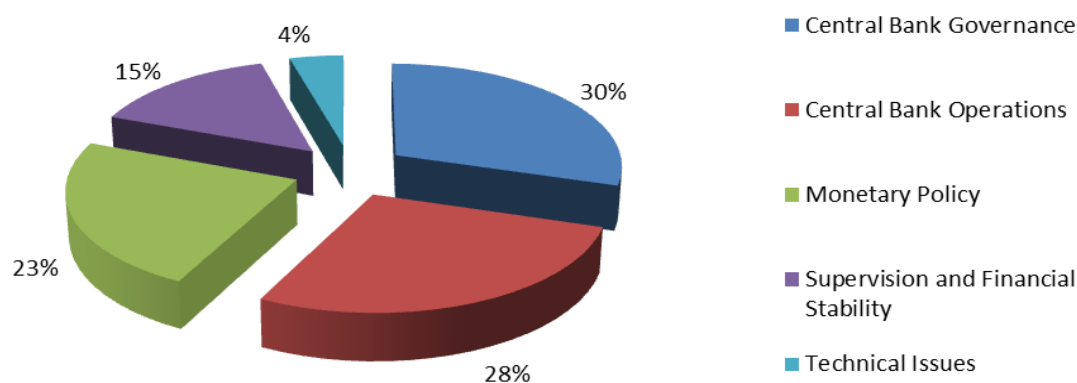
This year's participation was well-balanced in terms of gender, unlike in past years, especially 2015, when female participation was significantly lower.

**Bol International Technical Cooperation Activities**  
*Distribution by gender in 2016*



## ...2016 Activities – Snippets of Information

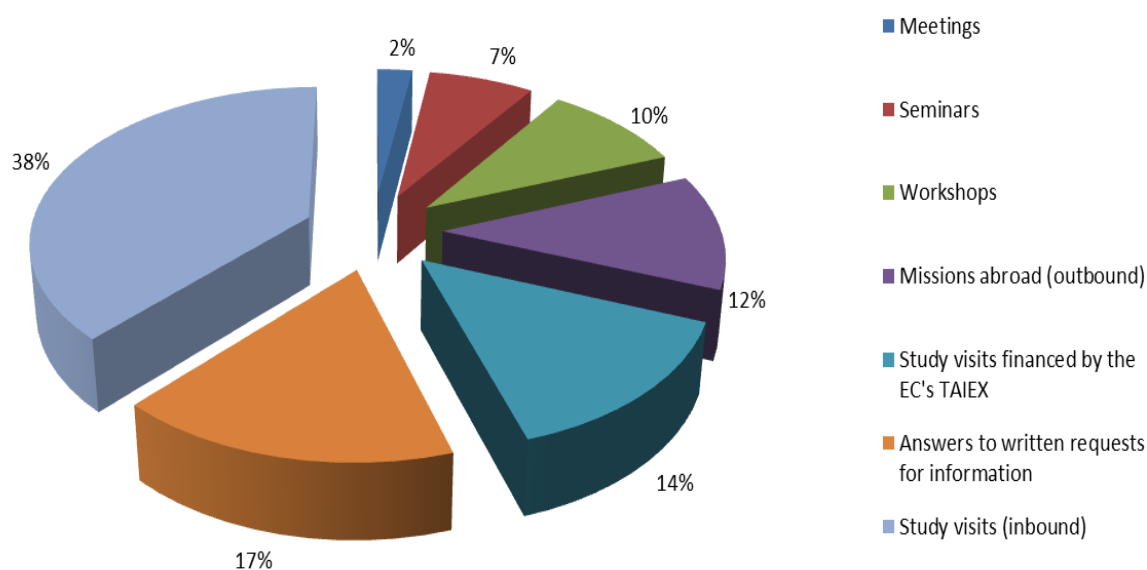
### Bol International Technical Cooperation Activities Topics for 2016



The activities focused mainly on 'central bank governance' (namely, organization, internal audit and human resource management), 'central bank operations' (namely, banknote production and circulation) and 'monetary policy'.

In terms of number of events, most of our activities are study visits in Rome, but seminars and workshops register the highest number of participants.

### Bol International Technical Cooperation Activities Breakdown of activities for 2016



2017

# Seminar Catalogue

## **Seminar on ‘The legal function in a Central Bank: the experience of the Bank of Italy’**

**(Rome, 22-24 March 2017)**

The seminar will highlight (a) the legal status of the lawyers at the Bank of Italy and the organization that supports them, and (b) the core activities performed by lawyers at the Bank of Italy. On the first point, the important issues are: the role and function of the Legal Services Directorate of the Bank of Italy in the management of legal risk; the dual status of lawyers at the Bank of Italy as both lawyers and civil servants; recruitment and retention policies and lawyers’ ongoing training. Among the support activities, the organizational set-up related to web-based court proceedings will be described. The development of the EU’s legal framework has deeply affected the way lawyers work in the Bank of Italy, especially as regards legal advice.

Legal advice on monetary policy, bank supervision and bank resolution are now based on daily contacts with Eurosystem colleagues. So far, litigation has been centred on national courts, although changes can reasonably be expected in this field as well.

## **Seminar on ‘Central bank communication in a dynamic environment’**

**(Rome, 5-7 June 2017)**

Central bank communication has become a strategic function that helps them to achieve their institutional goals and to be more accountable and transparent. In more dynamic environments, central banks need to effectively communicate their many objectives, strategies, and decisions to a large and diverse set of stakeholders. Innovations in IT and social media offer opportunities and challenges for external and internal communication. However, crafting effective communication is not easy, especially when the issues are complex or contentious.

Alignment with stakeholders is important to create support for the common good and to build a strong reputation to be better prepared in times of crisis. This seminar provides a forum for communication experts working in central banks and regulatory authorities to exchange views, share

experiences, and deepen their understanding of related topics, with a specific focus on:

- the development of a communication strategy and the variables to be taken into account;
- the relationship with the media and stakeholders, building up a network;
- digital communication;
- internal communication, tools and goals;
- the monitoring and use of social media, what and when for a central bank;
- Eurosystem communications and the Bank of Italy’s recent experience;
- crisis communication.

## **Seminar on ‘Balance of Payments data production according to BPM6: the experience of the Bank of Italy’**

**(Rome, 12-14 July 2017)**

The ECB recently revised the external statistics data requirements pursuant to the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). Against this background, the Bank of Italy has reengineered the process of balance of payments (BoP) data production according to the new international standards.

The seminar shows the methodology of data collection and production for the main BoP items adopted in Bank of Italy.

## **Seminar on ‘Monetary policy implementation and liquidity management’**

**(Rome, 22-24 November 2017)**

The turmoil in the money and financial markets has presented central banks around the world with unprecedented challenges. This seminar provides participants with an overview of the Eurosystem’s response with a special focus on the Bank of Italy’s experience.

Particular attention will be devoted to: the tools available to safeguard the effective conduct of monetary policy; the smooth provision of liquidity to market participants; the orderly functioning of financial markets; related financial stability issues; and the implications for central banks’ asset and liability management.

2017

# Workshop Catalogue

**Workshop on 'Internal control and risk management in a central bank'****(Rome, 6-7 April 2017)**

The objective of the workshop is to explore the trends and ways of implementing an internal control and risk management framework based on the 'Three Lines of Defence Model'. The aim is to look at the pros and cons of implementing an integrated framework, any related difficulties and possible benefits.

The workshop provides an opportunity to identify best practices and to create a benchmark for the national central bank community. Advanced topics such as the mapping and coordination of the different assurance functions ("combined assurance") will be discussed in workshop sessions with the active participation of attendees.

**Workshop on 'Financial reporting and operating and accounting systems: the case of the Bank of Italy'****(Rome, 28-29 September 2017)**

Financial reporting for central banks is becoming more and more important. In recent years the financial crisis has increased the complexity of operations, their risks and the need for transparency, creating challenges for the accounting function. Well-structured operating and accounting systems help central banks achieve their objectives in a timely and efficient manner, allowing the smooth collection and processing of data for financial reporting purposes.

Focusing on the Bank of Italy's experience, the workshop will discuss the main objectives, duties and responsibilities of the accounting function. The manner in which the Eurosystem accounting rules have been implemented will also be discussed, together with the approach followed to build an integrated system where the operating procedures (i.e. payments, settlements, monetary policy operations) are linked to the accounting procedures, ensuring the timeliness and the accuracy of financial reports.

**Workshop on 'Macroprudential analyses and supervision'****(Rome, 19-20 October 2017)**

The global financial crisis has shown the need to develop and improve macroprudential analysis methodologies and tools in order to promote financial stability. The workshop will focus on some aspects of the methodology and application of the Italian and EU framework for macroprudential analysis and supervision.

The programme includes: an overview of the Italian and EU framework for macroprudential supervision; macroprudential analysis tools; macroprudential policy tools; the countercyclical capital buffer and the buffer for systemically important institutions (SIIs); and system-wide (macroprudential) stress tests.

**Workshop on 'Customer protection in the banking sector – the role of the Bank of Italy'****(Rome, 4-5 December 2017)**

After a general overview of the Italian customer protection regulation and the role of the competent authorities, the workshop will focus on the role of the Bank of Italy: mission, duties and responsibilities (transparency and correctness controls, financial education, administrative support to the alternative dispute resolution mechanism, complaints handling); the organization of the Directorate General for Financial Supervision and Regulation and the emphasis on customer protection; key activities and the development of the control function (approach and tools).

Special sessions will be dedicated to the contribution of on-site inspections, the role of thematic inspections, enforcement tools, financial education, and the ADR mechanism.

Some participants from other central banks will be asked to share their experiences in dedicated sessions.

## 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, for a total of up to 25 participants in the seminars and 15 participants in the workshops.

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](mailto:bdi.cooperation@bancaditalia.it)



*The Bank of Italy's new conference centre*



## Seminars & Workshops (...continued)

(Seminar on 'Regulatory and Supervisory Issues of Small Banking and Financial Entities, with Special Focus on SME and Household Financing', continued from page 2) The seminar first investigated the effects of financial regulation on bank lending to SMEs and households. Speakers from the Bank of Italy described in detail the Basel framework on bank capital requirements for credit risk coverage, elaborating on points such as the treatment of exposures to retail, corporate and residential real estate mortgages, the standardized approach, the Internal Risk Based methodology and the prudential buffers introduced by Basel III. Participants showed a strong interest in the EU regulatory options, including the SME Supporting Factor, which allows a capital reduction factor for loans to SMEs to counterbalance the rise in capital requirements resulting from the Capital Conservation Buffer.

In Italy SMEs are the backbone of the economy and are highly reliant on banks to finance their business. The debate drew from the experience gained by the Bank of Italy as supervisory authority. The close relationship between banks and SMEs, combined with the harshness of the recession, have increased the credit risk component of banking. The Bank of Italy is addressing these issues within the integrated supervision framework established in the euro area (the Single

Supervisory Mechanism), which is putting pressure on banks' cost-revenue balance equilibria and, to some extent, on their ability to support SMEs. The participants were particularly interested in the projects aimed at overcoming the problems relating to the increasing share of non-performing loans in banks' balance sheets.

Against this background the seminar proposed to explore whether other intermediaries, especially investment funds, may offer SMEs a source of funding alternative to banks. The discussion focused on loan-financing funds (LFFs). These funds can directly grant loans to companies, with the potential to also finance small firms that, although having an adequate credit standing, cannot access capital markets. The Bank of Italy experience has shown that LFFs add diversity and enrich the financial landscape in favour of SMEs; however, it is unlikely that they will represent a cheap source of funding due to management costs and institutional investors' return expectations.

The crisis has also triggered structural reforms that, in Italy, affected mutual banks and non-bank credit intermediaries. In the past, Italian mutual banks represented a benchmark for other countries because of their extensive network and capacity to support local business. However, some statutory governance and operational features were at odds with aspects such as prompt recapitalization, robust corporate governance and profitability, which the reform addresses.

The description of the mutual bank reform, as well as the presentation on the new framework for non-bank credit intermediaries, reminded the audience of the importance for policy makers of overcoming structural weaknesses and bringing small intermediaries into the perimeter of supervision, so as to ensure that small financial institutions can be key



*Seminar on Regulatory and Supervisory Issues of Small Banking and Financial Entities - group photo*

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

partners for small business and other economic actors with small financial needs.

Financial inclusion is conceptually linked to the relationship between the financial system and the lower segment of population requesting basic services. Participants from China, Egypt and India gave detailed presentations on the policy measures implemented in their countries to improve access to financial services, especially for the rural population. In Italy and in other developed countries the financial crisis has increased poverty and, potentially, financial exclusion; more broadly, it has become difficult for a larger part of the population to finance the start-up of a small business or the purchase of consumer goods. The Italian response to potential financial exclusion relies in particular on the extensive action undertaken by the Bank of Italy to enhance financial literacy and to support the development of technologies – especially in respect to the payment systems – which have the potential to reduce the cost of access to services. Last but not least, the seminar delivered a key policy message relating to the importance of maintaining good and fair relationships between financial intermediaries and their customers. The Italian framework on transparency protects individuals in their dealings with financial intermediaries; it therefore tends to help especially households and small undertakings in making informed decisions on both the asset and the liability side of their balance sheets.

**(Workshop on 'Financial Statistics in Central Banks', continued from page 2)** The main focus of this workshop was on Financial Accounts (FA), which cover all the financial transactions and financial balance sheet positions of households, non-financial corporations, financial corporations and government, as well as their relations with the rest of the world. This permits an integrated analysis of non-financial economic activity (e.g., gross fixed capital formation) and financial transactions (e.g., the issuance of debt), as well as an analysis of portfolio shifts. Financial accounts make it possible to cross-check the consistency of the high-frequency data coming from money and financial statistics, balance of payments data and capital market and government finance statistics. For these reasons financial accounts are often seen as the capstone of euro-area statistics, presenting a comprehensive overview of economic and

financial developments in the euro area and a consistent breakdown by institutional sector. Participants in the workshop paid special attention to the issues of reconciliation and statistical discrepancies, raising a number of questions, stimulating constructive dialogue and encouraging a comparison between alternative methodologies.

In addition to the sources, methodologies and uses of financial accounts, the presentation covered the process that supports statistical data collection/processing and the role played by registers of entities and securities. The last part of the workshop was entirely devoted to the uses of financial accounts for economic analysis and financial stability studies. Specific attention was paid to the analysis and information content of the interrelation between financial accounts and other statistics, including balance of payments data. The workshop was an occasion to establish a network of competences as well as an opportunity to engage in a frank and fruitful debate and to learn from each other's different experiences. In this spirit, presentations were provided by statistical experts from Bank of Italy and from other Eurosystem central banks, namely Banco de España and



*Workshop on Financial Statistics - a snapshot*

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Österreichische Nationalbank. Participants from the Bulgarian National Bank, the Central Bank of Tunisia and Banco de México also presented their countries' experiences, in order to foster the exchange of views on various national perspectives.

**(Workshop on 'Anti-Money Laundering: the Italian Experience', continued from page 2)**

Following a general presentation of the Italian AML/CTF regime, Panel 1 was dedicated to the Italian legislation, also in the light of the forthcoming transposition of the Fourth AML Directive, describing the competencies of the different authorities involved. In this framework a key role is assigned to the Bank of Italy, which issues secondary regulation, is responsible for AML/CTF supervision on banks and other financial intermediaries and has the power to impose sanctions.

Panel 2 focused on the Bank of Italy's supervisory activities:

the presentations described the new risk-based supervisory AML/CTF model, developed in collaboration with the Italian Financial Intelligence Unit (FIU). The model assigns a final score to each bank, using a combined quantitative-qualitative approach: the quantitative part is based on indicators identified by the UIF, while the qualitative part – handled by the Bank of Italy – evaluates the adequacy of the intermediary's AML/CTF safeguards. Following a risk-based approach, the final score triggers proportionate supervisory actions. The Panel also had a specific focus on the AML/CTF controls on payment and elec-

tronic money institutions. Case studies were presented explaining how the risk-based approach to supervision is effectively conducted on all supervised entities. The Panel benefited from presentations by representatives of the Bank of Russia and the Bank of Korea, who described their respective AML/CTF framework and promoted the exchange of views among participants and speakers, strengthening the effectiveness of the workshop.

Panel 3 was dedicated to the UIF's activities. The presentations focused initially on the oversight activities aimed at both fostering compliance by obliged entities on STRs reporting, also in coordination with the Bank of Italy and other supervisors, and gathering information for analytical purposes.

The ensuing presentations and discussion then focused on the procedures for reporting STRs by obliged entities through standardized and structured IT tools, on the methods and procedures applied by the UIF to carry out its analy-



*Workshop on Anti-Money Laundering - in the conference room*

sis, and on guidance and indicators issued to support the identification of well-founded suspicions. Other issues that were brought up and discussed were the way data management systems and the related data warehouse are developed and an overview of their main features, the development of sophisticated analytical tools and techniques capable of dealing effectively with large amounts of data and the identification of the interconnections between them. Additionally, attention was given to the UIF's cooperation with other authorities, both at domestic and international level, in accordance with the Financial Action Task Force

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(FATF) and Egmont Group requirements;<sup>1</sup> the major hindrances to effective international cooperation were discussed, focusing on the initiatives recently undertaken to address these shortcomings. The Panel also hosted a presentation by a representative of the Lebanese FIU (the Special Investigation Commission), embedded within the Lebanese Central Bank, which focused on its organization and the functions performed. Finally, a representative from Italy's Finance Police (Guardia di Finanza) described its competences and activities in dealing with economic crime, especially when following up on the information analysed and disseminated by the UIF.

Panel 4 dealt with the role of the Bank of Italy's oversight function with reference to the AML/CTF rules regarding, in particular, retail payment instruments and services. The analysis focused on the main challenges posed to regulators, such as the potential trade-off between increasing financial innovation and ensuring the integrity of the financial system; the importance of the international rules issued by the Financial Action Task Force and the need for cooperation were also highlighted. At the end, an overview of the innovative payment means was provided, dwelling on the case of instant payments: such payments are subject to the same AML/CFT requirements as traditional payment means but their characteristics may increase the difficulty of performing AML/CFT controls. An adaptation of the current framework and additional capabilities may be required in the future.

[<sup>1</sup>] The Egmont Group is an informal network of FIUs for the stimulation of international co-operation.

**(Seminar on 'Payment and Securities Clearing and Market Infrastructures in the EU; Policy, Operation, Oversight: the Bank of Italy's Experience', continued from page 2)** The first day of the seminar focused on the Eurosystem large-value payments and securities infrastructures (TARGET2 and TARGET2-Securities, or T2S), as well as on an overview of the experience of the Italian marketplace in using T2S services and the role played by the Bank of Italy

as National Service Desk for TARGET2 and T2S. The analysis then turned to retail payments, with a specific focus on the integration of the euro-area retail payment systems two years after the launch of the Single European Payments Area initiative, commonly referred to as 'SEPA'. In this domain, the Bank of Italy plays a major role as the operator of the domestic platform for retail payments and the national clearing procedure, which are SEPA-compliant. In a similar perspective, the Saudi Arabian Monetary Authority (SAMA) presented the structure of its domestic infrastructures for large-value and retail payments and illustrated the leading role it played in engineering their evolution. The panel ended with an overview on the role of the Bank of Italy in the field of Euro Reserve Management Services (ERMS), which are provided to international central banks and monetary authorities; in this field, the Bank of Italy offers the whole range of services, namely custody and settlement, investment and payment services.

The second day was dedicated to the development and management of the TARGET2-T2S Single Shared Platform (the Eurosystem's financial markets infrastructure), focusing on the role of the Bank of Italy as service provider. Insights were also provided on the day-to-day



*Seminar on Payment and Securities Clearing and Market Infrastructures - a snapshot*

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activities carried out in order to ensure the smooth running of the platform according to the Service Level Agreement. A second topic was the development of infrastructural projects, including those stemming from the work of the Eurosystem Vision 2020, with a special focus on the TARGET2 Instant Payments Settlement (TIPS) service. A third topic was the operational management and business continuity issues related to the operation of a regional, large-value payment infrastructure, taking into account the current security landscape and the evolving cyber-security and cyber-resilience needs. The seminar also featured presentations by experts from Thailand and Georgia on the main developments in the payment systems of their respective countries. Participants also visited the TARGET2-T2S Operations Room, where they had the opportunity to see the actual activities taking place on the European financial marketplace in a normal business day.

The third day focused on the objectives, the methodologies and the main activities of the Bank of Italy as overseer. The Italian oversight function is shared with the Eurosystem for common payment infrastructures, primarily for all systemically important payment systems (SIPS), both private and public, and is complemented by domestic requirements and activities for improving the safety and efficiency of the Italian payment infrastructures and services. The

presentations touched upon the legal foundation of SIPS oversight, the applicable requirements and standards at the Eurosystem level, as well as SIPS assess-

ments, with reference to

the whole oversight process, from information gathering to the possible corrective measures and the tools for SIPS quantitative oversight. A further topic of interest was the oversight framework for T2S, which implies both the oversight requirements for the platform and the T2S Cooperative Arrangement among all the authorities interested in the prudent design, operation and management of its core services. In a framework of technological innovation and increasing complexity of the payment industry, a presentation was given on the Italian operational risk management framework for the financial sector and its recent evolution following the new cyber threats. As for the assessment of retail payment systems, the national oversight standards for the Italian retail payment systems – complementary to the Eurosystem oversight framework – were also described. Additionally, attention was given to the role performed by the Bank of Italy as catalyst and facilitator of the dialogue between all the stakeholders involved in the payment industry to promote an integrated, innovative and competitive market for euro retail payments. The Panel shared and discussed the main reasons for the institutionalization of the oversight function among those the law assigns to a central bank. In this context, representatives from Hungary, Morocco, Russia, and Ukraine presented their countries' experience and all participants

were invited to exchange views on the payment system oversight function in their respective central banks.



*Seminar on Payment and Securities Clearing and Market Infrastructures in the EU - some participants*

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**BANCA D'ITALIA**  
EUROSISTEMA

Directorate General for Economics, Statistics and Research

Via Nazionale, 91  
00184 Roma—Italia  
Tel. +390647921

[www.bancaditalia.it](http://www.bancaditalia.it)

 [Youtube.com/bancaditalia](https://www.youtube.com/bancaditalia)

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 [@UfficioStampaBI](https://twitter.com/UfficioStampaBI)

**This issue was prepared by:**

Diego Bartolozzi, Angela Caporrini, Paolo Costanzo, Miriam Di Battista, Fulvia Focker, Maria Alessandra Freni, Caterina Giustozzi, Federica Lelli, Cristina Mastropasqua, Flavia Perone, Dario Portioli, Claudio Romani and Gabriele Semeraro.

Graphs are by Isabella Sola.