



**BANCA D'ITALIA**  
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INTERNATIONAL TECHNICAL COOPERATION

# NEWSLETTER



**2020 (2<sup>nd</sup> Semester)**

## Highlights

Due to the emergency arising from the COVID-19 pandemic, we transformed seminars and other activities scheduled to be held on site into webinars with Q&A sessions and other online events.

This was possible thanks to the valuable collaboration of all the colleagues involved, including the IT staff.

During the second half of 2020, Banca d'Italia carried out 71 technical cooperation activities in the form of webinars (5), videoconferences (54), written consultations (9) and steering committees (3). The Italian Resident Adviser continued to play a key role in the Twinning project with the Bank of Albania.

Some 470 representatives from 56 central banks and other organizations took part in these events.

An overview of the activities held in 2020, including a comparison with those held in previous years, is available inside.

The Twinning project, funded by the European Union (EU), entitled 'Enhancing Bank of Albania's alignment with EU Acquis', ended on 19 January 2021. The Twinning was led by Banca d'Italia, with Deutsche Bundesbank as junior partner and the contribution of the National Bank of Romania and the Banque de France. The closing event was held on 18 January, with the participation of Mr Gent Sejko, Governor of the Bank of Albania, Mr Daniele Franco, Senior Deputy Governor of Banca d'Italia, H.E. Mr Luigi Soreca, Ambassador and Head of the EU Delegation to Albania, H.E. Mr Fabrizio Bucci, Ambassador of Italy in Tirana and H.E. Mr Peter Zingraf, Ambassador of Germany in Tirana.

*More information on the Twinning is available in the [special edition](#) of our Newsletter*

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*This newsletter is a twice-yearly publication informing on international technical cooperation at Banca d'Italia.*

*You can find previous editions of the Newsletter [here](#).*

*For further details on our international technical cooperation activities, please visit our [webpage](#).*

## Webinars 2020

### **Public procurement in the EU and in Italy. Banca d'Italia's Tenders Directorate experience**

(28-29 September )

*65 participants*

This online event was a first for all involved. It was organized to share Banca d'Italia's experience in public procurement and to facilitate the exchange of ideas in a field of strategic importance for the public sector, which is becoming the object of increasing focus at international level. Global actors such as the World Bank, the United Nations, and the OECD (to mention just a few and without looking specifically at the European context) are now systematically involved in the procurement sector and its consequences for public expenses and private business.

The webinar focused on our organizational model of procurement and on how we have transcribed European and national legislation in our system. Together with the participants from various parts of the world, we held two morning sessions, which were repeated during the afternoon on both days, to accommodate different time zones.

*[Read more on page 9]*

### **The experience of Banca d'Italia in managing operational risks**

(26-27 October)

*55 participants*

Not for the first time, last October Banca d'Italia held a seminar on managing operational risks. But this was the first time the seminar was held in the middle of an operational nightmare, a global pandemic.

As dictated by COVID-19, the seminar became...a webinar. A challenge – no doubt – but with the silver lining of allowing much broader participation than usual. This was especially positive given the aim of the seminar: sharing practical experiences with other central banks.

In fact, the starting point was not some abstract principle but a down-to-earth question, the one that we often hear whenever a crisis breaks out: why didn't we see it coming? What about our well-established Operational Risk Management (ORM) frameworks? After all, a pandemic is a standard threat, mentioned in any ORM taxonomy. Still, it looks as though we were caught off guard.

*[Read more on page 10]*





## Webinars 2020

### Monetary Policy Implementation: standard and non-standard measures

(11-13 November)

70 participants

In the last decade, amid the waves of the global economic and financial crisis, most central banks were obliged to quit their preferred, well-known habitat of standard conventional operations, and to venture into the uncharted territories of unconventional monetary policy. This year, the pandemic called for responses that were even more extraordinary in size and scope and speed.

The seminar provided participants with an overview and many insights into the evolution of the Eurosystem's monetary policy framework, the operations carried out by national

central banks (including Banca d'Italia), the transmission of monetary policy to the real economy, and its contribution to financial stability.

*[Read more on page 11]*

### Central Banking in the world of FinTech: the rise of digital, financial and monetary services

(11-13 November)

75 participants

The Seminar involved 16 speakers from several Banca d'Italia Departments, with the contribution of one lecturer from the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) and one from the South African Reserve Bank.

During the first day, the speakers outlined the regulatory, institutional and economic perimeter of FinTech, starting from its definition. While its origins can be traced back to the early 1990s, the Financial Stability Board recently defined FinTech as a technologically enabled innovation in financial services that could result in new business models, applications, pro-

cesses or products. Today, FinTech has entered a phase of rapid development marked by the proliferation of start-ups and other new entrants in the financial market. In addition, the recent COVID-19 emergency has accelerated the digitization of financial services, changing the habits and needs of people in their interaction with banks.

*[Read more on page 12]*

### Banknote circulation, the cash cycle and Banca d'Italia's monitoring of professional cash handlers

(17-18 December)

58 participants

The main objective of the webinar was to illustrate the most recent developments in the Italian cash cycle and to provide updates on the regulation and monitoring of cash handlers by the Bank. The powers the Bank has been recently entrusted with as supervisory authority on cash-in-transit companies and in the field of anti-

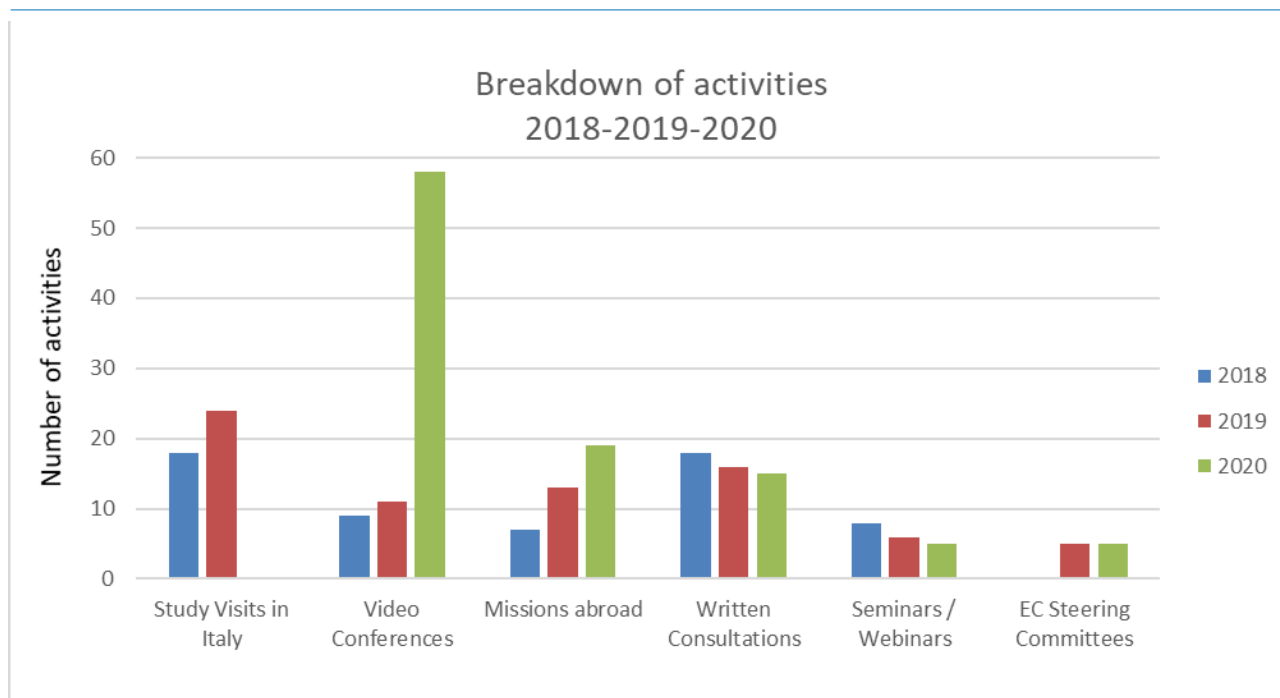
money laundering, as well as the latest trends in banknote circulation and the handling of counterfeits by the National Analysis Centre established herein were also among the topics dealt with during two intense work sessions.

In light of the current situation, a specific section was devoted to the impact of COVID-19 on banknote circulation and business continuity, highlighting the actions taken by Banca d'Italia to mitigate any adverse effects, also through enhanced cooperation with the different authorities and bodies involved (The Ministry of the Interior, the Italian Bankers' Association, the Financial Intelligence Unit and Police forces).

*[Read more on page 13]*



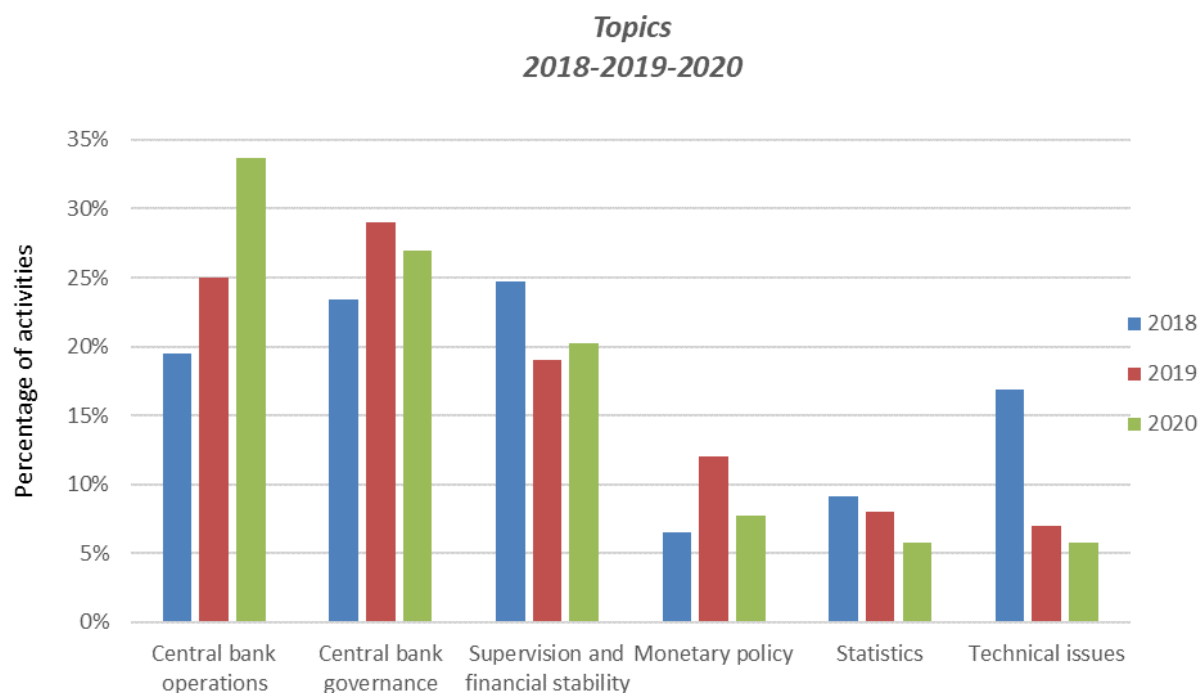
## 2020 (Activities) – Snippets of Information ...



*In 2020, the number of activities increased dramatically compared with 2019 (from 74 to 102), despite the emergency situation. A large number of activities were performed in the framework of the Twinning project with the Bank of Albania.*

*The high number of videoconferences was due to the impossibility of arranging on-site activities.*

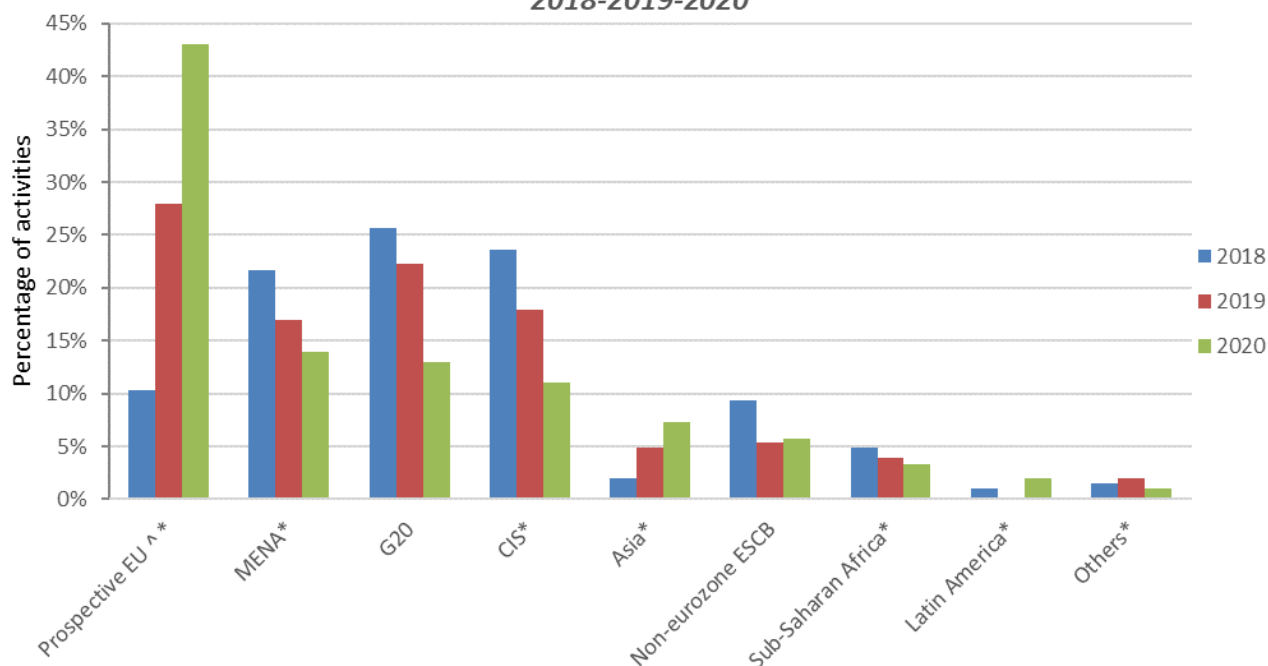
*In 2020, the seminars were transformed into webinars; therefore, the green column in the graph refers exclusively to webinars.*



*In 2020, activities relating to central bank operations increased compared with the previous two years, the ones on supervision and financial stability slightly increased compared with 2019, while those devoted to central bank governance, monetary policy and to technical issues decreased.*

## ... 2020 (Activities) – Snippets of Information ...

*Activities by geographical area  
2018-2019-2020*



^ EU candidate and potential candidate countries

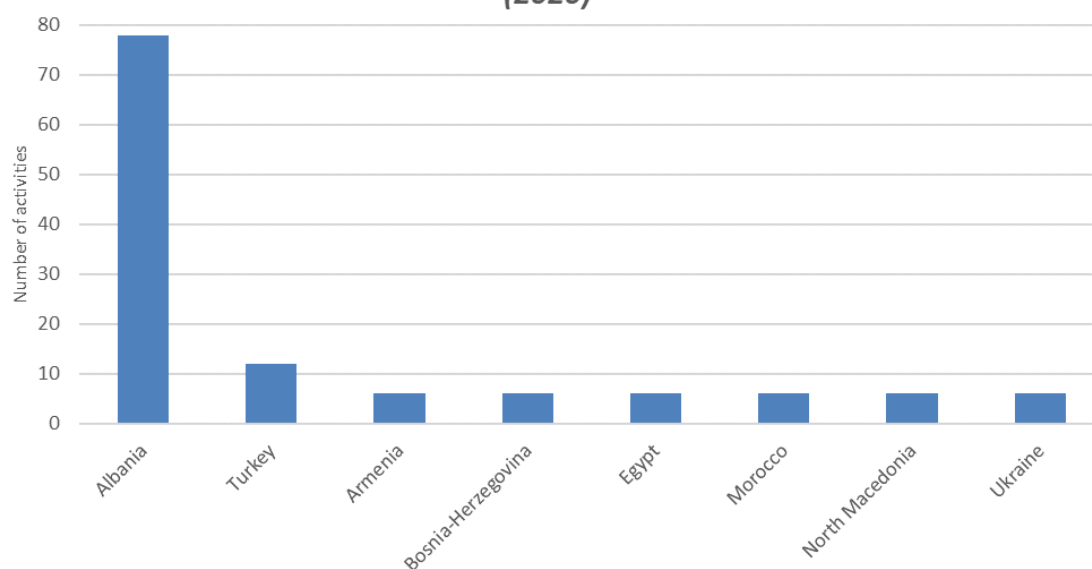
\* Not including G20 countries

*In 2020, the share of activities per geographical area reflects the large number of activities carried out with Albania in the framework of the Twinning programme.*

*Therefore, the participation of the prospective EU countries (which include Albania) increased dramatically.*

*The higher number of participants from Asia and Latin America was likely facilitated by the transformation of events to be held on site into online activities.*

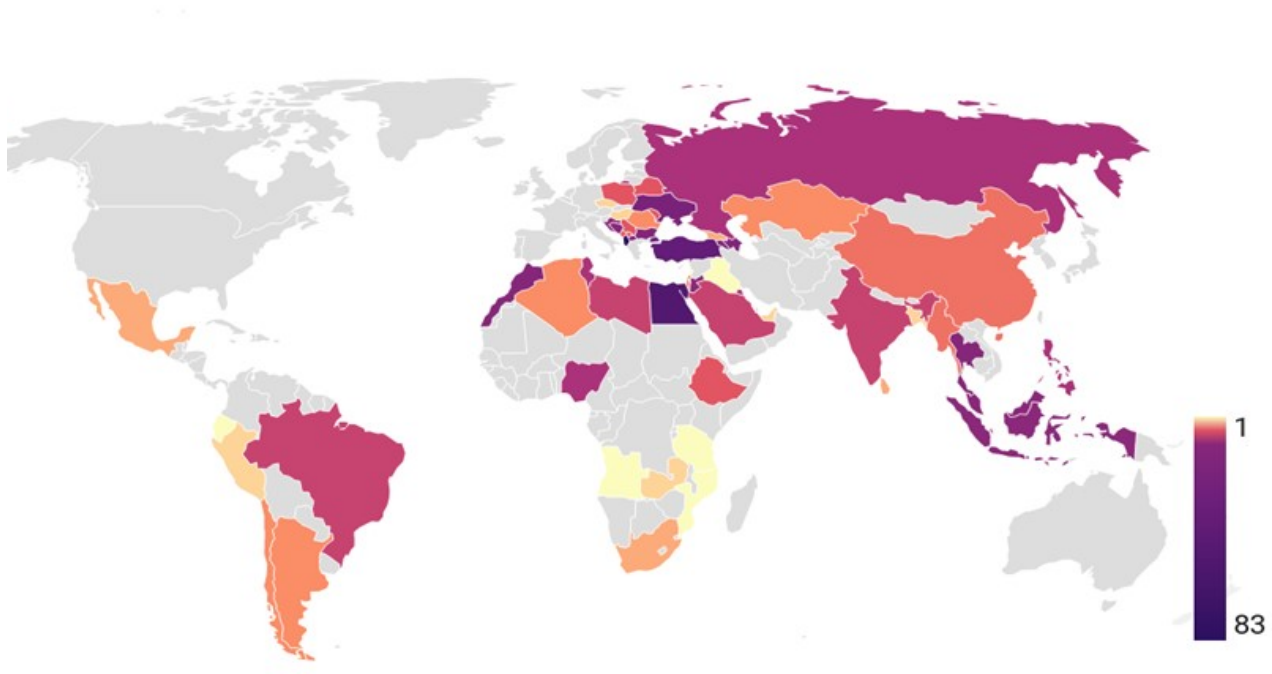
*Activities by country  
(2020)*



*In 2020, Albania accounted for most of the activities carried out by Banca d'Italia, followed by Turkey and other countries included in the European Neighbourhood Policy.*

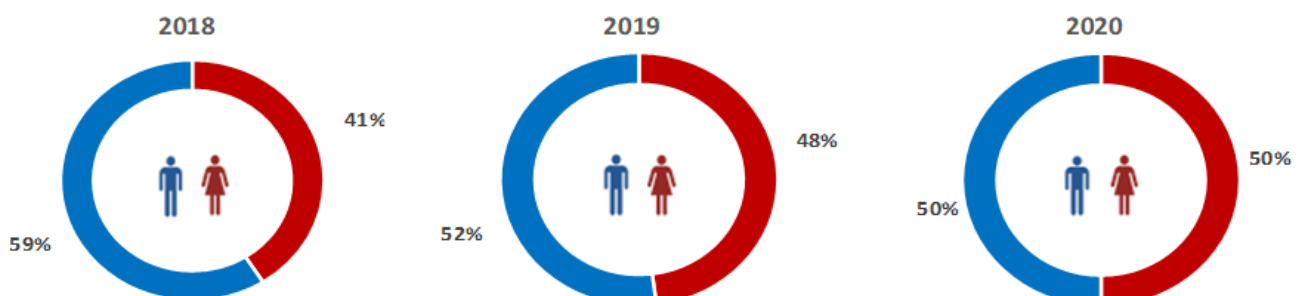
## ... 2020 (Activities) – Snippets of Information

### Participants by country (2020)



*In 2020, some 500 participants took part in the activities. Most of them came from Albania and Egypt, followed by participants from Turkey, Ukraine, Azerbaijan and Bulgaria.*

### Participants by gender 2018-2019-2020



*The gender gap decreased year on year until it disappeared in 2020. The possibility of participating in online events could represent a factor in promoting gender equality.*

# 2021/22

## Seminars Catalogue

### IMPORTANT NOTICE

*Due to the global health emergency our forthcoming face-to-face events will be held as webinars. We will revert to face-to-face events as soon as it is safe to do so.*

*Please keep checking the [catalogue](#) for further updates.*

### 2021

- **Balance of payments data production according to BPM6: the experience of Banca d'Italia**, 21-22 January — [abstract](#)
- **Big Data and Machine Learning Modelling for Economic Applications**, 25-26 February — [abstract](#)
- **Anti-Money Laundering: the Italian Experience**, 25-26 March— [abstract](#)
- **The COVID-19 pandemic shock: resilience, lessons learnt and way forward**, April—[abstract](#)
- **Art collection and property management in Banca d'Italia**, May—[abstract](#)
- **Central Banking and green finance**, June—[abstract](#)
- **TIPS (TARGET Instant Payment Settlement) - the new market Eurosystem infrastructure service: Banca d'Italia as service provider and manager of the business relationships with the financial community**, July—[abstract](#)
- **Audit activities in a central bank**, September—[abstract](#)
- **Cybersecurity challenges in the evolving global risk landscape**, October—[abstract](#)
- **Targeted communication: financial education, inclusion, innovation**, December—[abstract](#)

### 2022 tbd

- **Payment systems and market infrastructures in the EU: policy, operation, new instruments, oversight -the role and experience of Banca d'Italia**, 1st quarter—[abstract](#)
- **Managing a central bank: challenges and tools**, 1st semester—[abstract](#)
- **Economic indicators for monetary policy**, November—[abstract](#)



## General Information on the events

Banca d'Italia's international technical cooperation activities are organized by the



*International Technical Cooperation and EU Neighbouring Economies Division  
International Relations and Economics Directorate  
Directorate General for Economics, Statistics and Research*

Participation in the seminars and webinars is by invitation. Requests from institutions other than from the regular beneficiaries are considered on a case-by-case basis.

We usually accept only one representative from each institution at the seminars; two for the webinars. We try to accommodate more participants when we can.

The events usually last from two to three days.

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

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

## Contacts

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## Webinars (...continued)

**(Webinar on 'Public procurement', continued from page 2)**

During the first session, after a brief excursus on European and Italian legislation, we concentrated on the principles underpinning public procurement, such as economy, efficiency, impartiality and correctness of administrative action, equal treatment, non-discrimination and proportionality. In pursuing these principles, procurement law aims at ensuring, in all the phases of the procedure, the effective defence of the internal market and of competition. We also underlined how with the 2014 EU Directives other important topics have become relevant, such as environmental and

social aspects, the simplification of bureaucracy, support for SMEs, the fight against corruption and conflicts of interest.

We went on to describe the procure-

ment process at Banca d'Italia, pointing out how, from an organizational standpoint, we went from where the activity of expenditure was substantially overseen by the various Directorates/Branches and five specialist Centres of Investment, to three Investment Centres and a General Buyer in 2011, and to the creation of a Global Buyer in 2014. This is the centralized body in charge of acquiring goods, services and works valued at €40,000 or more, on behalf of the various Directorates and Branches of the Bank (our User Structures).

During this first day, we also illustrated the roles and responsibilities of the actors involved in every phase of the buying process.

In the second session, the characteristics and

functions of the different selection procedures on which the Bank normally relies were illustrated (open procedures, restricted procedures, competitive procedures with negotiation, competitive dialogue, negotiated procedures without prior publication), highlighting the pros and cons of every choice. There was a special focus on the strategic importance of procurement in pursuing the objective of expenditure efficiency, in particular as regards procedures open to the market.

Finally, the importance of planning in Banca d'Italia was heavily emphasized and the entire acquisition process was described: from the needs analysis, a phase in which the User Structures indicate

what must be purchased for the following two years, to the development of the Procurement Plan, the document in which the timing of each procedure is set out and approved by the Head of the Property and Tenders General Directorate. The quality

of this activity can be understood by the Key Performance Indicators, the indicators of production, timing, and of the quality and economic results achieved, all of which are calculated annually and published on the Intranet and Internet of the Bank.

At the end of each session (morning and afternoon) of the two days, a Q&A slot was held and in all four cases there was a very high degree of participation; many questions were asked, mainly centred on the organizational model of procurement in Banca d'Italia.



## (Webinar on 'Operational Risks Management', *continued from page 2*)

Searching for an explanation, the webinar featured a series of presentations: first, it provided a few insights into the concept of operational risk and how a central bank should manage it, then it described how Banca d'Italia's ORM framework works (the full cycle: from mapping, to identifying and assessing risks, to reporting). Completing the picture, a description was also given of Banca d'Italia's Business Continuity Management (BCM) and crisis management policy.

Participants were then asked about their own frameworks and it transpired that – as might have been expected – when it comes to managing operational risk in central banks there is no 'one-size-fits-all' solution: most of them said they followed neither a centralized or distributed approach, but in a number of cases even a decentralized approach was applied. A few participants said that they follow different approaches for different business lines.

As for business continuity, which may either be managed in a dedicated framework or within the same framework in place for operational risk, most participants said that they have a specific framework for it or a specific business unit to manage it. Some follow different approaches for different business lines.

Clearly, the key is not about the choice of organizational set-up, but rather how well the frameworks function for each central bank's own risk profile. COVID-19 had an impact on these profiles, both on inherent risk (e.g. because it changed the frequency of some processes) and on residual risk, because it affected the ability of some controls to keep root causes in check: just think of the massive shift to teleworking that all central banks

faced.

COVID-19 also raised questions about the methodology behind the framework. A few issues were mentioned in the webinar: both ORM and BCM frameworks tend to focus on what is inside the frame and may overlook 'game changer' events (a global pandemic is one of them).

The methodology can, of course, be improved in light of the lessons learned from COVID-19 but – most of all – it should be acknowledged that risk management is simply not enough. Central banks should explicitly think in terms of resilience: they should move from looking at 'what may happen, how to prevent it from happening and/or minimize its unfavourable impact' to 'how to overcome anything that may happen'. Resilience is a much broader concept: subjective rather than objective and more forward-looking than risk management.

It came out during the webinar that while everybody is talking about resilience nowadays, the concept is not yet sufficiently clear. Some central banks embrace the narrower meaning of operational resilience, others the broader meaning of organizational resilience. A few participants said they are developing a

concept of their own.

Some central banks are currently setting up a formal resilience framework: it might not be the right choice for everyone. Again, there is no one-size-fits-all solution when it comes to managing something so inherently unruly as operational risks.

One thing is sure, however: the wrong choice for a central bank would be to do nothing and to keep managing operational risk without learning from the current crisis.



**(Webinar on 'Monetary policy implementation', continued from page 3)**

Experts from market operations, risk management and economic research at Banca d'Italia contributed to the three-session seminar.

In the first session, an overview was provided of the main features of the Eurosystem monetary policy strategy and the transmission mechanism in the euro area, with an emphasis on the challenges that non-standard measures had to deal with. The effectiveness and flexibility of the operational framework allowed for the transition from a corridor to a floor system in an (often unpredictable) evolving external environment and helped reinforce the monetary policy stance. Most important of all, smooth, fast and synergetic implementation was key in the recent COVID-19 crisis, to maintain accommodative funding and credit conditions across the euro area.

In the second session, monetary policy tools were covered more extensively. The evolution of asset purchases programmes since 2014 was presented. Over the years, their composition and size was tailored to the credit requirements and quantitative easing needs of monetary policy. Targeted longer-term operations (TLTROs) were also reviewed in detail, to clarify their role in supporting the supply of credit to the real economy, enhancing the functioning of the monetary policy mechanism and reinforcing forward guidance in the

negative interest rate environment. The broad structure of the collateral framework was also presented, which was modified over the years to support increased financing needs due to the COVID-19 crisis. Finally, the two-tiered reserve remuneration system was explained, to highlight its role in preserving the contribution of negative rates to monetary policy while mitigating their impact on the treasury management of banks.

The third session focused on the financial risk aspects of the Eurosystem's monetary policy. The rationale behind, and implementation of, the role of lender of last resort role were discussed, together with early warning models on liquidity crises. On a closely related topic, the financial and reputational risks of monetary operations, and changes to their mitigation tools, were also discussed. Finally, many insights were shared into the Eurosystem's approach to portfolio investments and asset and liability management (ALM) issues.

During the seminar, the questions received helped participants gain a better understanding of specific topics and to focus the discussion on the response to the recent COVID-19 crisis, which is a truly common challenge across countries.





## (Webinar on 'Central Banking in the world of FinTech', continued from page 3)

Technological innovation supports the pioneering financial initiatives and is paramount to meeting customers' expectations and fostering economic and financial development; at the same time, it alters the universe of financial services affecting its degree of concentration and contestability. Indeed, FinTech is not only transforming the financial industry: it is also changing the way poor and financially excluded individuals as well as smaller enterprises access and use financial services. According to World Bank data, FinTech is increasing financial inclusion, which is a key enabler in reducing poverty and boosting prosperity globally.

The audience was most interested in exploring the risks and challenges for regulatory institutions and authorities. To that end, the speakers explained that the financial authorities have already begun to assess and rethink their ability to measure the FinTech phenomenon and to check the adequacy of the existing regulatory framework, in order to

manage the potential risks for financial stability and to update the tools and strategies at their disposal for the supervision activities. Particular attention was dedicated to outlining the features and goals of the recent Digital Finance Strategy released by the European Commission.

As digital innovation expands beyond regulatory perimeters and national borders, policymakers need institutional mechanisms to help them work together. From this perspective, Mr Prenio, Senior Advisor in the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS), illustrated the key activities of an informal group of SupTech (Supervisory Technology)<sup>1</sup> specialists that aims to assist central banks and supervisors in improving and strengthening their financial systems. The work of the BIS in-

novation hub, whose mission is to foster international collaboration on innovative financial technology within the central banking community, was also illustrated.

The second day was dedicated to sharing knowledge on the institutional initiatives that see Banca d'Italia play an active role within the FinTech sector. The main objective was to point out how all the initiatives are interconnected in order to strengthen both the oversight and regulation of FinTech.

Firstly, the introduction illustrated the internal organizational reform that, in mid-2020, created a dedicated FinTech division within the Retail Payment Instruments and Services Directorate. The overview of the main findings from the second survey on the adoption of FinTech in the Italian financial system then highlighted the con-

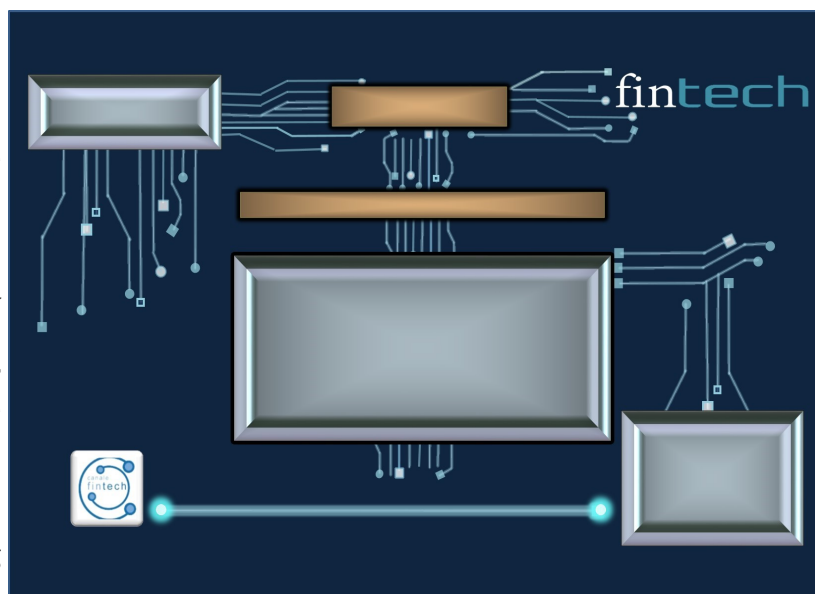
tinuous investment of Banca d'Italia in understanding market trends.

A second presentation highlighted the efforts being undertaken to make a broad range of innovation facilitators available to the market (the FinTech Channel, Milano Hub and the proposal for the establishment

of a Regulatory Sandbox). This confirms the central bank's strategy of favouring the quality and safety of innovation in the FinTech area, enhancing dialogue with market operators and ensuring cooperation with other authorities, both national and international.

In this respect, the interest of participants focused on the differences between the FinTech Channel and Milano Hub. The first one is an innovation hub through which Banca d'Italia is available to satisfy requests for information and regulatory clarifications made by market operators.

<sup>1</sup> The BIS defines SupTech as the use of innovative technology by supervisory agencies to support supervision (BIS, 2018).





**(Webinar on 'Central Banking in the world of FinTech', continued from page 12)**

Milano Hub will instead be the venue to both support the private sector on FinTech-related projects and to encourage opportunities for dialogue and analyses to be carried out together with the academy and the market for the development of the digital financial economy in Italy. Moreover, the speakers illustrated that several Directorates (such as IT, Research, Market and Payment Systems, Customer Protection and Banking and Financial Supervision) have been increasing their commitment on RegTech (Regulatory Technology) & SupTech (Supervisory Technology), working on Big Data Analytics, Machine Learning and Artificial Intel-



ligence (AI). Specific examples of the application of technology to the central bank's activities were presented during the webinar, from the development of 'Machine Readable and Executable Regulation' to the use of AI to predict corporate defaults based on credit behavioural indicators.

The presentation of the South African Reserve Bank, by Mr. Van Deventer, provided a very interesting touchstone for FinTech operational solutions, innovation acceleration initiatives, as well as for the work in progress for the regulation of crypto-assets, with a specific focus on monitoring cross-border financial flows.

The cross-sectoral and cross-border nature of FinTech and the significant changes due to the widespread use of new technologies in the financial markets make international cooperation even more important. Banca d'Italia will keep promoting further occasions to share knowledge and to establish relationships to strengthen reciprocal ties.

**(Webinar on 'Banknote circulation', continued from page 3)**

This has ensured the smooth distribution of banknotes to the economy and the resilience of the cash cycle, and has helped to prevent illicit activities related to cash.

Overall, the message conveyed during the webinar was that cash still plays a significant role as a means of payment and store of value, and that the issue function has been adapting to ongoing changes that call for new skills and a wider range of activities on the part of central banks. In this context, Banca d'Italia's action within the Eurosystem is committed to guaranteeing easy and prompt access to cash, with the objective of allowing the consumer to take a final decision on which payment instrument to select for the settlement of transactions.

The chair recalled the latest Eurosystem data to underline the significant role of cash as a payment instrument, notwithstanding the growing use of innovative payment instruments and solutions. The objectives underlying currency circulation management were also stressed: ensuring the smooth and regular supply of cash, an adequate quality of circulation, and an efficient and resilient cash cycle. The reorganization process undertaken by Banca d'Italia at different stages was also illustrated. The objective was to adapt its action to the evolving external scenario and to steer



**(Webinar on 'Banknote circulation', continued** from page 13)

market developments where needed. In particular, reference was made to the setting-up, in March 2020, of a new Directorate General that merged 3 Directorates dealing with payment instruments and functions: the banknote printing works, currency circulation management, and oversight and interventions on retail payments services and instruments, with the aim of ensuring an overview of all the different aspects involving retail payment instruments. Banca d'Italia, as a member of the European System of Central Banks, also takes part in the decision-making process at Eurosystem level, as well as in the implementation of coordinated policies to balance national interests with national diversities.

The presentations on the different topics were complemented with instant polls – to make the webinar more interactive and to allow feedback and the sharing of national experiences from participants – and with dedicated Q&A sessions. The picture emerging from the polls suggested a certain degree of convergence among national cash cycles and central banks' actions in the different countries. Participants highlighted a significant role in banknote recirculation by market players, recurring regulatory interventions in the cash cycle by central banks, the rise of innovative payment solutions (cashback and independent deployer ATMs) and the use of similar monitoring tools (on-site and off-site monitoring tools, controls on anti-money laundering).

The Q&A sessions covered a rich set of topics, ranging from the processes for banknote handling, to the methodologies to estimate bank-



note requirements, to risk assessment in the cash cycle. Additional information was provided on the latest banknote circulation developments during the pandemic, on the monitoring of local branches' activities, and, finally, on the most recent types of fake notes withdrawn from circulation and on improvements in the handling of counterfeits.



## Italy's G20 Presidency

On 1 December 2020 Italy took on the Presidency of the G20, the main forum for global economic and financial cooperation.

The pandemic crisis highlighted the complexity of the common global challenges that require increasingly closer cooperation between countries.

In 2021 the international community will need to show courage and ambition in order to overcome the great challenges of today: from recovering from the pandemic to addressing climate change, from supporting innovation to overcoming poverty and inequality.

The 2021 G20, under Italian Presidency, will focus on three broad, interconnected pillars of action: People, Planet, Prosperity - the basis for a more resilient, sustainable and greener growth.

Source and more information: [Banca d'Italia website](#) and [G20 official website](#)



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*The views expressed in this Newsletter are those of the authors and do not necessarily reflect the position of Banca d'Italia.*