



BANCA D'ITALIA
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INTERNATIONAL TECHNICAL COOPERATION NEWSLETTER



2021 (1st Semester)

Highlights

*'Given the collective nature of the challenges we face,
international cooperation is more urgent and essential than ever'*

Christine Lagarde

Due to the ongoing emergency arising from the COVID-19 pandemic, we continued to organize our international technical cooperation activities online.

During the first half of 2021, we carried out 38 technical cooperation activities in the form of webinars (6), videoconferences (19), written consultations (10) and steering committees (3).

Some 620 representatives from 59 central banks, supervisory authorities and other organizations took part in these events.

The Twinning project 'Enhancing Bank of Albania's alignment with EU Acquis' ended on 19 January (for more details, see the [Newsletter - Special Edition of February 2021](#)).

The EU-funded programme 'Strengthening the central banks capacity in the Western Balkans' was further implemented by Banca d'Italia with a bilateral project on monetary and foreign exchange operations carried out with the National Bank of Serbia.

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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 2021

Balance of payments data production according to BPM6: the experience of Banca d'Italia

(21-22 January)

55 participants

The webinar provided participants with an overview of the sources and methodologies used by Banca d'Italia for the compilation of external statistics.

The first day started with a broad illustration of data collection and the compilation of external statistics in Italy. Special attention was given to the 'direct reporting' sample surveys on non-financial firms, from both a statistical perspective (sample design, sampling techniques) and an information technology perspective (internet-based tools for reporters, data acquisition and control). The speakers also covered several items related to the current account, in particular the merchandise transport survey, travel survey, other services survey and remittances. The discussion mainly centered on the impact of the COVID-19 pandemic on the availability and quality of survey data, in relation to the forced suspension of the survey on international tourism and to the decrease in firms' response rates.

[Read more on page 8]

Big data and machine learning modelling for economic applications

(25-26 February)

106 participants

The webinar illustrated recent advances in economic modelling, the harnessing of big data, and machine learning approaches.

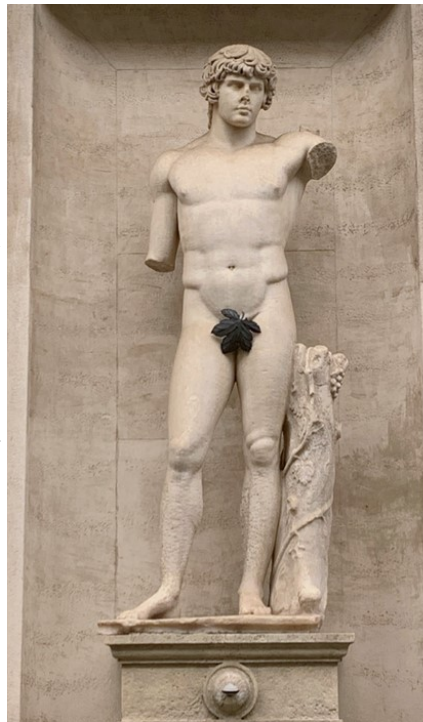
During the first day, the speakers outlined Banca d'Italia's strategy for developing new economic and financial applications using big data, non-traditional data, machine learning (ML) algorithms and artificial intelligence (AI), focusing on text mining (TM) and natural language pro-

cessing (NLP) or deep learning (DL).

To highlight the importance of big data and ML in a central bank, the speakers focused on the three main areas of research for Banca d'Italia.

1) TM and NLP applied to social media (e.g. Twitter) or newspaper articles, to nowcast/forecast macroeconomic variables (such as GDP, unemployment or industrial production). 2) ML or artificial neural network (ANN) applications to predict macro variables; and 3) web and transactional data to build real-time indicators and obtain a timely gauge of economic activity, especially during periods of stress such as the COVID-19 pandemic.

[Read more on page 8]



Anti-money laundering: the Italian experience

(25-26 March)

77 participants

The fight against money laundering and terrorism financing is taking up increasing space in international agendas. In line with previous editions, the webinar provided an overview of the main fields in which central banks and other authorities are active in the complex activity of anti-money laundering (AML) and countering terrorism financing (CTF).

The first part of the webinar was dedicated to illustrating the Italian AML institutional

architecture within the present regulatory framework, giving a complete picture of the authorities involved in the process, as well as their roles and responsibilities in combating money laundering and terrorism financing phenomena, and in regulating obliged entities. The supervisory activities of Banca d'Italia were discussed in a specific session dedicated to the illustration of its internal models for AML supervision of banks and financial intermediaries, with an in-depth presentation on drivers, rationales, results and supervisory action.

[Read more on page 9]

Webinars 2021

The COVID-19 pandemic shock: resilience, lessons learnt and way forward

(19-21 April)

97 participants

Since last year COVID-19 has been – and unfortunately still is – the subject of intense debate. Banca d'Italia's webinar provided an occasion to share specific central bank experiences.

Italy was the first country in the western world to be hit very hard by the pandemic. When it happened, nobody knew exactly what to do: even sophisticated organizations such as central banks were unprepared to face a pandemic.

In a period marked by emergency and uncertainty, the Bank had to take unprecedented decisions. The data needed for a comprehensive assessment of the situation were not available. It was not even possible to rely on the experience of others.

Fortunately, however, a crisis management framework was already in place and – thanks to previous investments in process digitalization and the ability to work remotely – the Bank successfully switched to emergency mode in a matter of days.

[Read more on page 9]

Art collection and property management in Banca d'Italia

(26-27 May)

25 participants

The aim of the webinar was to describe the management of Banca d'Italia's art collection and the real estate portfolio, from their acquisition to current strategies from a 'social responsibility' point of view. The event was an opportunity to show the wealth and breadth of this heritage. Even though this may not represent a traditional topic for a central bank, it was a pleasure to see that these subjects aroused the interest of the participants.

The first day was devoted to the management and showcasing of the Bank's artistic heritage, focusing on the origin of the art collection, the legal framework and the principles guiding the

artworks' acquisition. The stronger emphasis on promotion in the last few years was also highlighted in relation to the most significant initiatives, such as the exhibition titled 'Other rooms – the 50s and 60s' and the new Oriental Art Hall in Palazzo Koch in Rome, the historical headquarters of the Bank. Speakers gave an overview of the Bank's artistic heritage preservation and restoration policies and of purchases made according to the cultural heritage legal framework and the general principles on tenders. Participants were introduced to the online museum, where visitors can admire the most important artworks in a virtual setting. In order to describe the many activities and projects carried out, and to allow the audience to appreciate them fully, a number of videos were shown on

the protection and enhancement of the Bank's artistic heritage, highlighting synergies with the Bank's other structures, particularly the Property Directorate.

[Read more on page 10]



Central banking and green finance

(8-9 June)

64 participants

Greater involvement by central banks in countering climate change and sustainability issues in general are the subject of ongoing debate. The effects of climate change

constitute a clear threat to economic activity and to the stability of the financial system. Climate risks can influence the soundness of individual banks and the stability of the financial system. They can also interfere with monetary policy transmission channels and price stability. Central bank action to counter these risks is complicated by the specific characteristics of such risks; analyzing them requires that new elements be added to the tools normally used, such as stress tests that assess the stability of financial systems or the models used to conduct monetary policy.

[Read more on page 10]

EU-funded programme with Western Balkans: bilateral project with the National Bank of Serbia

After the activities carried out within the framework of Component 1 of the Programme for 'Strengthening the Central Bank Capacities in the Western Balkans with a view to the integration to the European system of Central Banks', Banca d'Italia started the bilateral activities to be held within Component 2 (see the [Newsletter - Special Edition of May 2019](#)).

Within this framework, Banca d'Italia and the National Bank of Serbia took part in the bilateral project 'Monetary and FX Operations: Financial benchmark transformation – Use and effects of the EU Benchmark Regulation', as a follow-up to the seminar on 'Conventional and unconventional monetary policies: strategic and implementation issues', hosted by Banca d'Italia on 20-22 November 2019 as part of Component 1 (see [Newsletter No.13 of January 2020](#)).

The main purpose of this bilateral project is to investigate the implications of the relevant EU legislative framework for the setting and use of financial benchmarks in the European Union and in Serbia, also in the light of the ongoing

market initiatives related to the transition from legacy benchmarks to new reference rates and the identification of fall-back solutions. After a hiatus due to the pandemic, the project started in March 2021 and is expected to be completed by year end; the main activities were carried out by means of teleconferences. The remote setting did not raise any particular issues in terms of interaction between the participants; on the contrary, it permitted broad-based participation of delegates from both institutions, in accordance with the scope of the project which comprises monetary policy, financial market integrity and customer protection. Accordingly, several Banca d'Italia experts from different business areas, i.e. monetary policy, market oversight and financial education, were involved. There was also considerable and diverse participation by representatives of the National Bank of Serbia, with delegates from several Departments: Monetary and FX Operations, Bank Supervision, Financial Consumer, and Legal; thus allowing for a very broad and stimulating sharing of experiences and views within a single project.



A preview of the 2022 catalogue – 'Managing a central bank: challenges and tools'

Do you want to learn more about the challenges and tools for managing a central bank?

Come join our webinar scheduled to take place in the first semester of 2022 ([link](#))

For a preview of the webinar, please find below a double interview and an introduction to flexible benefits, one of the topics which will be presented in the course of the webinar.

[Watch the double interview](#)

Flexible benefits: a new, fiscally advantageous, way to improve employee engagement

Banca d'Italia has always fostered its employees' and retirees' well-being, offering them benefits such as life insurance, health insurance, and nursery and primary schools for their children. Now this commitment is even more evident: on 1 January 2021, Banca d'Italia introduced 'Welfare per te' ('Welfare for you'), a new scheme of flexible benefits for employees and retirees.

Previously, we had a fixed benefit system, in which people could only choose if and when to use a benefit; the new system offers greater flexibility in the form of a large number of services with fiscal advantages.

Our aim was to create a customized scheme in which employees can choose the benefits they value most, also by considering inclusivity, to satisfy the special needs of people who suffer from serious disabilities.

The plan is equitable because it considers the natural evolution of people's needs over time and flexible because it responds to the requirements of both individuals and families.

Italian fiscal legislation allows a number of specific services to be exempt from tax if they are offered by employers to their workers. For example, employees may request a reimbursement of school expenses, public transport passes, and the cost of therapy. They can also pur-

chase recreational activities, such as travel, gym memberships, and museum tours.

Now Banca d'Italia has made it possible for employees to enjoy these services thanks to the introduction of flexible benefits. In May 2019, Banca d'Italia signed an agreement with unions to introduce and define a well-built benefit system. We negotiated how much money to give each employee, also considering their family composition. We also discussed which kinds of services employees would be able to purchase with their credits. Technically, flexible benefits are virtual credits which can be used to buy various services on a website provided by a domestic company which won the public competition for the contract.

In particular, each employee receives a credit that can be used for any service on the website and additional credit that varies according to the age and conditions of their children: an amount of free credit is provided for each child and additional credit is limited to the request of reimbursement of school expenses. Moreover, Banca d'Italia makes supplementary sums available to workers who suffer from serious disabilities or have disabled children. Last but not least, pensioners receive a restricted credit which can be used to purchase recreational activities for themselves and for their spouses/companions.

ities or have disabled children. Last but not least, pensioners receive a restricted credit which can be used to purchase recreational activities for themselves and for their spouses/companions.



WELFARE
per te

Flexible benefits are a new, inexpensive tool to give employees the possibility of choosing the services that they need in each moment of their lives. They are also a way for the employer to show appreciation for employees. In the future, flexible benefits could become something more. In fact, they could be used to reward workers for the specific tasks they carry out, as a low-cost system to value employee performance. There really is a very wide range of possibilities, so we hope Italian legislation will increase the services that can be purchased without fiscal impositions and will remove the current limits placed on flexible benefits.

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, 19-21 April—[abstract](#)**
- **Art collection and property management in Banca d'Italia, 26-27 May—[abstract](#)**
- **Central Banking and green finance, 8-9 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, 12-13 July—[abstract](#)**
- **Audit activities in a central bank, 20-21 September—[abstract](#)**
- **Cybersecurity challenges in the evolving global risk landscape, 26-28 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.

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Banca d'Italia's conference centre 'Carlo Azeglio Ciampi'

Webinars (...continued)

(Webinar on 'Balance of payments', continued from page 2)

The second day focused on the financial side of external statistics. The increased complexity of the corporate structures of multinational enterprises (MNEs) is among the key challenges. A representative of the OECD, who participated as a guest speaker, presented an overview of the process for updating international statistical standards on direct investments, which aims to reflect developments in MNEs' organizational and financial structures more accurately and to improve consistency across different statistical domains. Portfolio investments also pose significant challenges to external statistics. A mixed model such as the one adopted at Banca d'Italia, where security-by-security data collection from resident custodians and final investors is integrated with securi-

ties databases, can address these challenges. In this context, administrative data on households' external assets available in tax reports might also be valuable. Finally, it was emphasized that building real-time estimates of cross-border financial flows, by applying nowcasting techniques to financial markets data and central bank bal-

ance sheet data, might prove useful.

A Q&A session was held at the end of each presentation and there was a very high degree of participation.

(Webinar on 'Big data', continued from page 2)

Two commonly used TM tools (topic analysis with Latent Dirichlet Allocation – LDA - and sentiment analysis) were presented, showing how to extract information from a corpus of Italian news about banks. The main concepts of ANN and DL for mac-

roeconomic forecasting were also discussed, illustrating the benefits and limitations of the various architectures and some applications to predict GDP growth or industrial production. The representative of the Bank of Israel described the models used by the bank to nowcast GDP growth, in particular a dynamic factor model with soft and hard indicators.

During the second day, IT infrastructure was presented and, in particular, the Data Lake and the suite of programs used to work with big data and ML. The speakers illustrated the Spark platform used by the Economic, Statistics and Research General Directorate to work with big data and the open source infrastructure for the research, information and data-analysis environment (Osiride), used by economists and statisticians at Banca d'Italia.



The IT Department described how the Data Lake environment is organized, with a data science lab and an application environment, illustrating the steps taken for data acquisition and preparation, as well as for model building. A representative of the Central Bank of the U.A.E. talked about how the Bank uses digital

payments to estimate the short-term evolution of the economy, for example to assess retail sales in real time with daily standard reporting.

The numerous attendees raised many questions, especially about how to apply text mining techniques when using different languages and how to deal with typos and misspellings in social media. This testifies to the strong and widespread interest in these topics at central banks in emerging economies and to how these new data and algorithms can represent a powerful analysis tool.

(Webinar on 'AML', continued from page 2)

The AML self-assessment of supervised entities was the subject of another dedicated session. These sessions were also an occasion to swap views with the representatives of AML Authorities of other countries on different approaches to supervisory models and enforcement actions.

During the second day's session, the description of the Italian AML framework continued with the illustration of the role, governance and structure of the UIF, the Italian FIU. The webinar focused on the core areas of analysis and cooperation, particularly with domestic agencies and foreign counterparts; activities in the area of controls and sanctions were also touched upon.

Likewise, the activities conducted by Banca d'Italia in the area of payments system oversight were illustrated. Given that the rapid development and growing use of new payment products and services at global level have increased the risks for individuals and firms of money laundering and terrorist financing, special attention was paid to innovative means of payments, such as instant payments, virtual assets and stablecoins. The challenges they pose for regulators were also examined, such as the potential trade-off between increasing financial innovation and ensuring financial integrity.

(Webinar on 'Covid-19 management', continued from page 3)

On the first day of the webinar, it was shown how many different business functions were needed to ensure resilience. As the emergency continued, the focus shifted from facing a sudden shock to

taking care of business continuity over time. The latter is a very different task, as it cannot be simply carried out by a crisis unit, but must instead be supported by a strong Business Continuity Management function: it also requires specific support from other functions, such as IT, Health and Safety, HR and Communication. Each of these functions within the Bank presented their own point of view.

On the second day, the webinar focused on the quintessential central bank institutional functions: investment and monetary policy operations. Managers and professionals from the various areas of Banca d'Italia shared the many lessons they have learnt, not only in terms of specific business continuity arrangements, but also in relation to new approaches to typical front, middle and back office activities against the backdrop of pandemic-related financial market disruption.

However, more than one year after the outbreak of COVID-19, there are still lessons to be learnt: above all, central banks must identify how best to move forward. That was the focus of the third day of the webinar, during which Banca d'Italia presented its project to identify a new hybrid (on-site and on-line) work organization model, in the context of a broader cross-functional organizational transformation. The project, the analyses carried out, the vision for the future and the changes outlined are described in the document ['The organization of work in the new normal'](#).



(Webinar on 'Art collection and property management', continued from page 3)

The management of Banca d'Italia's real estate assets was the subject of the second day of the webinar, which started with an overview of the Property Directorate functions and of the technical skills involved in property management. The origin, value and composition of the real estate assets were subsequently described, with special emphasis on Palazzo Koch and the Donato Menichella Centre, an imposing modern complex in the outskirts of Rome, inaugurated in 1999. A central role is entrusted to the conservation and enhancement of the properties: indeed Banca d'Italia manages buildings with a view to accommodating all the different functions, it plans and executes works to ensure that its properties are safe, comfortable and beautiful, also promoting initiatives to ensure

visibility, including guided tours or art exhibitions. Regarding technical issues, some of the most striking palaces were described, with reference to their restoration, accessibility, sustainability and the digitalization of property maintenance.

The last session was devoted to the reorganization of the territorial branch network and to the divestment of Banca d'Italia's real estate assets. An overview of the sales strategy

adopted was provided, with a special focus on the regulatory procedures and results.

The attendees participated very actively throughout the webinar: the many questions they asked allowed them to learn more about Banca d'Italia's art and real estate assets, and led to the exploration of other topics, such as the new Museum of Money and Finance Project, which could be the focus of future initiatives.



(Webinar on 'Green finance', continued from page 3)

The growing attention being paid to these questions by central banks is testified to by the creation of the Network for Greening the Financial System (NGFS) at the end of 2017, a global network of central banks and supervisory authorities, of which Banca d'Italia is also a member. The NGFS promotes the sharing of experiences and best practices for managing environmental risks in the financial sector, focusing specifically on climate risks.

During a two-day online course on central banking and green finance, a team of Banca d'Italia professionals, who play an active role in the NGFS community and coordinate the works on Sustainable Finance in the Finance track of the G20, shared their experience on different sustainability

-related topics with central bank professionals from around the globe. On the first day, the course set the stage, analyzing climate change impacts on the economy, assessing sustainability risks and opportunities for the financial system with practical examples and case studies, and also exploring the challenges of integrating these issues in a monetary policy framework.

The second day examined sustainability issues for central banks as investors

and supervisors, focusing, for the former, on the experience of portfolio management at Banca d'Italia and, for the latter, on EU legislation and, in particular, on the SSM Guide on climate-related and environmental risks.

The Q&A sessions were particularly lively: many of the questions raised by the participants focused on the timing, modalities, costs and consequences of the transition to a low/zero carbon emission economy, which vary according to the different countries' level of economic and financial development.

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Pictures of artwork from Banca d'Italia's collection

P. 1 Palazzo Koch (Banca d'Italia Headquarters)

p. 2 Antinous (statue, 2nd century AD)

p. 3 The Abyss (sculpture by Pietro Canonica ,1907-09)

p. 8 Sunday Rifle-shot (painting by Giacomo Balla, 1918)

p. 9 Banca d'Italia's paintings at the exhibition 'The worlds of Riccardo Gualino', Royal Museums of Turin, 2019

p. 10 Venice branch

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