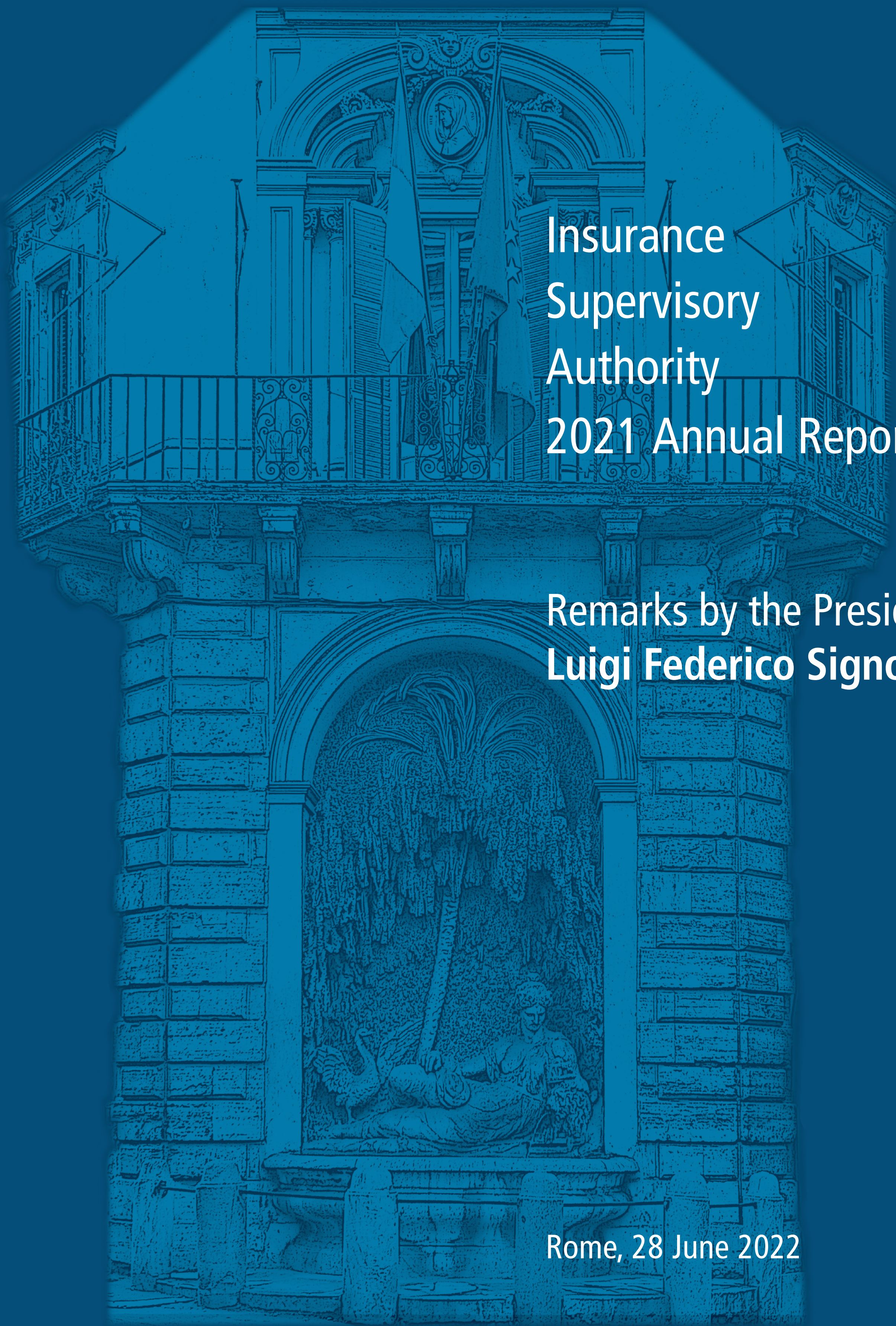
IVASS
ISTITUTO PER LA VIGILANZA
SULLE ASSICURAZIONI



Insurance Supervisory Authority
2021 Annual Report

Remarks by the President
Luigi Federico Signorini

Rome, 28 June 2022

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Authorities, Ladies and Gentlemen,

I read these remarks in the presence, albeit reduced, of an audience, in addition to those following us via streaming. This partial return to normality fills us with joy. Or better it would cheer us up, considering the new, serious concerns that are looming: first of all the offence the war has caused to the principles of peaceful coexistence and the civilian suffering and humanitarian crisis it has caused; but also owing to the uncertainty that again darkens the economic and financial horizon.

Last year's Ivass report gave an account of the economic and financial effects of the pandemic on the insurance world; this year we will comment on the system's exit (for now at least!) from the pandemic emergency, and the new risks that are emerging.

During the long health emergency, the Italian insurance system has, on the whole, proved to be in a robust position, even taking into account the episodes of volatility that have characterised the financial markets.

In 2020, as everyone remembers, the pandemic caused a sudden increase in Italian spreads which, in conjunction with the very low level of the risk-free rate curve, significantly, albeit temporarily, affected the solvency ratio of insurance companies; at the same time, for reasons I explained at this juncture last year and which I will not go over again, it had a positive effect on profits. At the end of the year, having overcome the severe fluctuations that had primarily characterised the first half of the year, the average solvency ratio was 243%. It rose to 257% at the end of March 2021, and then remained more or less stable until December. During 2021, no insurance company fell below the regulatory threshold of 100%; only in rare cases were indices below 130 observed.

The difficulties have intensified again in recent months. The analyses conducted by Ivass lead us to consider the effects of the crisis on the sector with all the necessary attention, but for the time being without alarm.

The conflict between Russia and Ukraine has made it necessary, first of all, to verify the exposures of Italian insurance companies to issuers in those countries, which were, however, negligible and not such as to cause instability for individual operators or for the market. Exposure to those sectors that, for reasons related to the conflict (in particular the sanctions imposed on Russia), or due to their greater dependence on traditional energy sources, could be most affected, is also limited.

I will not dwell here on the broader economic consequences of the current situation, for which I can only refer to the extensive examination contained in the Concluding Remarks of the Governor of the Bank of Italy. Insurance companies live immersed in the real economy, and are always affected, at least indirectly, by the risks therein. I focus on the issues of most direct relevance to insurance companies: the sharp rise in inflation, rising rates and spreads, and increased market volatility.

To sum up: the effect of market tensions on the solvency ratio has not been particularly significant thus far, partly because rising rates impact (albeit in different ways and with varying degrees of intensity) both sides of the insurance balance sheet. In any case, the healthy level of initial capitalisation acted as a buffer. On the other hand, the repercussions of the price increase on the companies' profit and loss account may be rather considerable. Some repercussions of market volatility are also starting to be felt on the liquidity profiles of the management of insurance-based investment products, although so far within largely manageable limits.

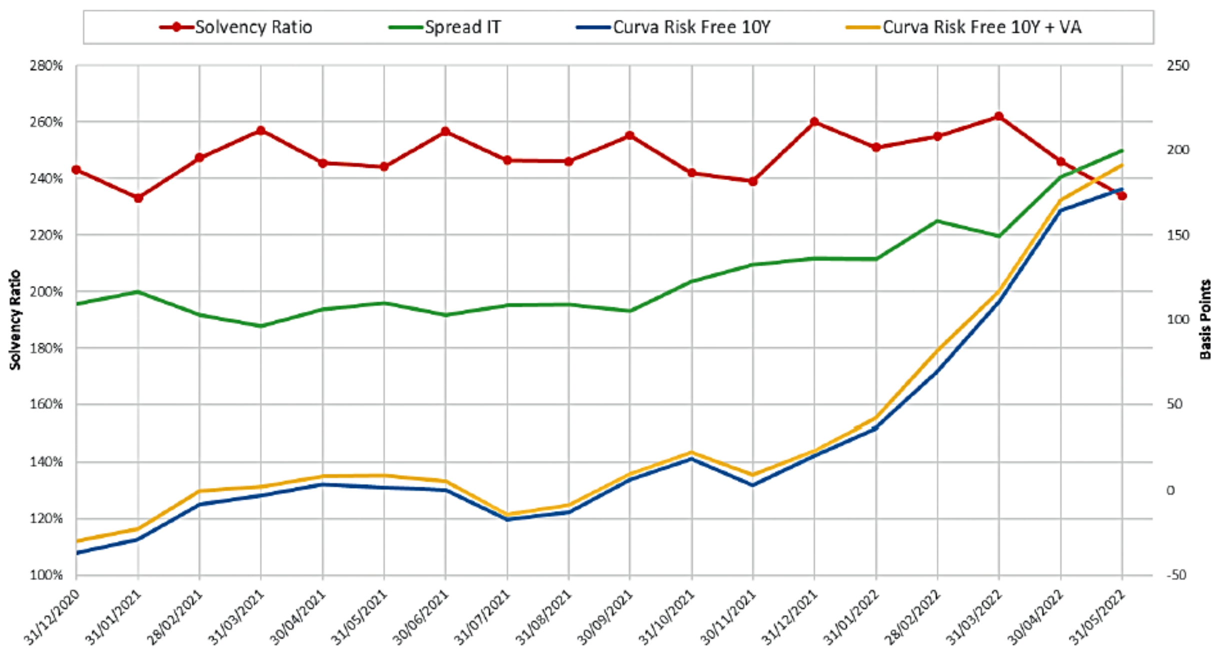
Let's start with the capital aspects. I say first of all that the conflict between Russia and Ukraine and its possible effects on the economic and financial system have made it necessary to keep in place the timely monitoring of solvency ratios established during the pandemic. We therefore asked the companies and groups to continue to provide us with monthly updates.

The factors that most influence the solvency ratios of Italian insurance companies are the level of risk-free rates and spreads referring to Italy. The first factor affects both assets (securities) and liabilities (present value of insurance liabilities). The second essentially the asset side: the increase in the yield spread of Italian government bonds (and, to a lesser extent, of private bonds) in fact has a direct impact on the Solvency II balance sheet, which provides for the valuation of assets at market prices. The capital ratio of Italian insurance companies is extremely sensitive to changes in Italy's sovereign spread, as the share of domestic government bonds on the balance sheet is relatively high compared to the European average. For those holding securities characterised by a positive and variable spread, the profitability of the portfolio is higher, but so is the exposure to value swings in the event of financial turbulence.

The increase in the spread was accompanied by a sharp upward shift in the risk-free interest rate curve as measured by EIOPA, which also affects the solvency ratio in a positive manner, due to the reduction in the present value of insurance liabilities (technical provisions).

Overall, the solvency indicators did not decline significantly; at the end of May, the average index stood at 234% and, again, no company had fallen below 100%. In recent days, the ECB's determination to oppose fragmentation risks has helped to reduce tensions and contain the spread. The exposure of Italian insurance companies to fluctuations in the country's sovereign bond market remains significant in any case.

Fig. 1 - Development of sovereign spread, risk-free curve and impact on solvency ratio



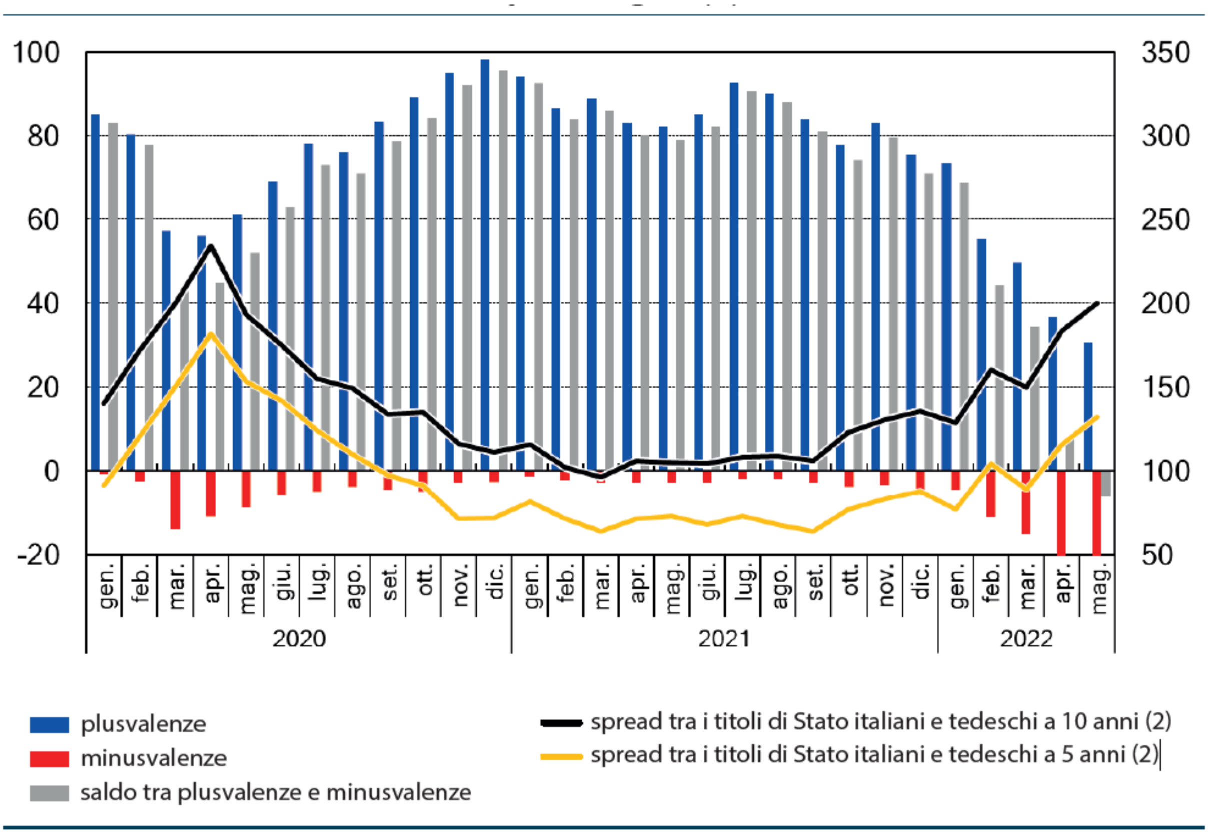
Source: Ivass and statistics based on Refinitiv data.

Let us now consider profitability. On the whole, 2021 yielded satisfactory results. Premium income grew by about 4 percentage points and returned to its pre-pandemic level. In the life segment, which grew by 4.5%, it was driven by unit-linked contracts (class III, where the investment risk is borne by policyholders, +34.5%), which more than offset the decline in traditional class I products (-5.1%). In non-life insurance, the increase was less marked (1.9%), and was mainly due to insurance other than motor third party liability (MTPL). The ROE, although down from 2020, remained at a notable value (around 9%); as was to be expected, the profitability of non-life insurance shrank. In 2020 - it was noted at the time – it had benefited from the exceptional reduction in motor claims, now back to pre-pandemic levels.

The first months of this year are less favourable. The marked increase in inflation is generating a sharp rise in non-life costs due to higher claims expenses. MTPL insurance suffers most, accounting for 34% of the non-life segment in terms of premiums.

In the statutory financial statements, which are prepared according to criteria that differ from those of the prudential regulations, the rise in interest rates does not have a positive effect on the value of insurance liabilities, while it does have an effect on the market value of the securities in the portfolio: first by absorbing any capital gains; and after those are depleted, potentially generating (unless ad hoc measures are taken) losses in the profit and loss account. At the aggregate level, the balance of unrealised capital gains and losses became negative in May (6 billion) for the first time in several years. At the end of 2021, the positive balance was still substantial (71 billion).

Fig. 2 - Sovereign spread trends, impact on the value of portfolio securities



Source: Ivass and statistics based on Refinitiv data.

(1) Hidden capital gains and losses represent the difference between the market value and the balance sheet value of the securities in the portfolio.

(2) right scale. Data at the end of the period.

In life insurance, the ratio of surrenders to premium income - an indicator of potential liquidity tensions - rose to 54% in May 2022, from 44% a year earlier. We decided to confirm the liquidity monitoring initiated at the outbreak of the pandemic; we expect companies to focus significant attention on this aspect.

Evolving economic and financial conditions and heightened risks call for a strengthening of insurance companies' risk management strategies. The European stress test exercise brought to light elements that corporate self-assessment exercises did not always sufficiently identify. Supervisory reviews have identified certain methodological shortcomings that require attention: the severity of the stresses applied by the companies was sometimes insufficient, not in line with the volatility observed during the reference period; the scenarios defined by the companies in certain cases did not appear fully adequate to pinpoint the peculiarities of the individual risk profile, including the degree of liquidity of liabilities.

I would therefore like to draw the attention of insurance companies and groups to the need for continuous improvement in designing stress scenarios, the need to strengthen the intervention thresholds defined in the Risk Appetite Framework, and the correct design of so-called 'management actions' in order to ensure an adequate solvency position even under extreme conditions.

The proper functioning of governance safeguards is crucial. Ivass worked with the Ministry of Economic Development to draw up regulations on the eligibility requirements for corporate officers and persons involved in the key functions of insurance companies. The regulatory framework will make it possible to fully implement the Solvency II provisions and guidelines at national level. It reinforces the requirements; enables a more detailed assessment of the suitability of top executives of companies; is coordinated with the corresponding regulations in force in the banking sector.

The episodes of instability that have repeatedly occurred in financial markets in recent years have made it necessary to reflect on the functioning of the so-called volatility adjustment: a corrective measure in the calculation of the solvency ratio which, according to the intentions of the European legislator, should have mitigated its excessive volatility. It is my frank opinion that there is a conceptual problem in the very structure of the Solvency II Directive. On the one hand, it fully and instantaneously applies the principle of market valuation of insurance balance sheet items, a principle that leads to potential, strong instability; on the other hand, it recognises that the nature of the insurance business, in particular the relatively low exposure to run risks, makes it necessary to correct for this variability so that it does not cause unjustified, unrealistic and procyclical effects. Since an overhaul of the system *ab imis fundamentis* cannot be imagined, the envisaged adjustment mechanisms must at least function in a reasonably timely, predictable and possibly transparent manner.

This is not the case with the current volatility adjustment, a mechanism that is complex and opaque, and at the same time ineffective, especially in its component to account for idiosyncratic country-specific shocks. For example, in the last few months, with Italy's sovereign spread rising from 150 to over 250 basis points in a few weeks, only to return to less than 200, the 'domestic' component has never been activated. The revision of the Solvency II Directive was the opportunity for a necessary rethink. At our initiative, an albeit partial reform of the adjustment mechanism took shape.

EIOPA provided its technical opinion on the package as a whole in December 2020; the European Commission adopted the legislative proposal last September; a few days ago, on 17 June, the Council reached a compromise that includes the change we proposed. Parliament now has the floor. We trust that the measure will reach the end of the legislative process intact. The solution is basically to make the activation of the national component (now called 'macroeconomic VA') more timely and more gradual; it is not ideal (nor simple, as it has to take into account the need for compromises at European level), but it does at least partly take into account the empirical evidence of the shortcomings that have emerged.

The Solvency review extends, as is well known, to numerous other aspects. There have been steps forward, although in our view not yet sufficient, regarding the supervision of cross-border operations. In the past, the 'free provision of services' by companies established in other EU countries, over which Ivass has no significant prudential powers, has given rise to no minor inconvenience. This is being solved by intensifying bilateral contacts and trying to increase the exchange of information and mutual trust; but the road is not always smooth. We would have preferred that EIOPA be given greater coordinating powers.

We also note that, compared to EIOPA's technical opinion, the Commission's legislative proposal, later adopted by the Council, results in an overall significant reduction in capital requirements, partly justified by the intention to promote greater involvement of insurance companies in the financing of the real economy, as well as in general policy goals such as the Capital Market Union and the ecological transition. As supervisors, we believe that these latter aims should be pursued through the typical instruments of economic policy and not by relaxing prudential safeguards. However, within the scope of our powers, we will not fail to draw attention to the need that investment policies, shareholder remuneration policies and, more generally, the allocation of company resources take due account of the ultimate goal of European legislation itself, namely the adequate protection of policyholders and those entitled to insurance benefits.

As of 1 January 2023, the international accounting standard IFRS 17, which lays down rules on the accounting of insurance contracts in IAS/IFRS financial statements and the information to be disclosed to the public, will come into force. The sensitivity of this standard is proven by the more than twenty years it took to define it internationally. After an intense and frank consultation phase, first and foremost with the companies, Ivass recently published the update to Regulation No 7 of 13 July 2007 on IAS/IFRS insurance financial statements required by the new standard. The Institute, which has regulatory responsibilities in this area that other insurance supervisory authorities do not have, considers effective financial statement reporting to be fundamental to the supervision it exercises on management and the information it conveys to investors. We recognise that, in a single market, it is good that the rules are the same: we will therefore promote, in every forum, the development of effective, shared practices at European level.

There is another issue that needs to be addressed in accounting, and this time at national level. Three financial statements have been drawn up in the insurance industry for years: one for statutory purposes, one for prudential purposes and one in compliance with international accounting standards, now completed with the application of IFRS 17 and the end of the transitional period of IFRS 9 on financial instruments. The principles underlying the different systems are in some respects incompatible with each other. As Salvatore Rossi said a few years ago on the same occasion, this results in 'great complexity, possible confusion, higher costs for companies'. Therefore, I believe that it is necessary to review, within a reasonable time-frame, the regulations on the statutory financial statements of insurance companies, which were defined 25 years ago and have remained virtually unchanged, making use of the experience gained in the implementation of the new accounting framework. In my view, it would be advisable to align it, to the extent useful and possible, with the IAS/IFRS standards.

The long period in which both interest rates and, consequently, the yields on the financial instruments underlying life insurance policies remained very low, led to a gradual shift in the Italian insurance offer towards products in which the purely insurance element, i.e. the transfer of financial or demographic risk from the individual to the insurance company, had little place. With the prospect of rising rates again, we will see how conditions change.

Last March, with the aim of modernising and simplifying the regulations falling within our competence and of enhancing the insurance components of the offer, Ivass launched a reform of the life insurance sector, submitting to the public a consultation document on changes to the regulation of unit-linked policies, as well as a discussion document aimed at stimulating dialogue on proposals to enrich the offer of traditional life insurance policies with guarantees.

The proposal on unit-linked policies updates the regulation in the light of developments in national and European primary legislation. We intend to provide greater transparency to policyholders of the costs associated with policies, relating them to the maintenance of the value of the insurance product over time, in keeping with trends that have emerged in Europe. We intend to promote a level playing field between Italian operators and those from other Member States which place similar products in Italy and to ensure that similar insurance or financial products are subject to essentially the same rules.

The discussion paper drew attention to the insurance components of life insurance products, in particular the amount of the death benefit, as a component also of class III insurance products. It stimulated discussion on new forms of product structuring and marketing, also in light of foreign experiences. The hypothesis of introducing more flexible methods for the use of the profit fund in the separately managed accounts, also with reference to current contracts, was also submitted to the market for evaluation: a complex issue, both due to the need for delicate balancing of interests at stake and because of the difficulty of enabling the policyholder to make a truly informed choice. The issue is less relevant at this point in time because of the re-absorption of existing capital gains. For new contracts, the legislation is already flexible enough.

The comment period has just ended. We received 286 comments from 26 parties on the draft regulatory reform; 81 comments from 20 parties on the discussion paper. We will study each proposal carefully and with interest; ready to examine, and if necessary accept, proposals for improvements. We will also consider the opportunity to offer the public, and in particular interested operators, other open opportunities for discussion and insight.

Viewed from the perspective of the insurance world, the critical events of the last few years should rekindle the debate, which has never reached a real conclusion, on how to enhance the role of insurance in the economic system: more specifically on how the sector can contribute to strengthening the resilience of the real economy through its own instruments. I observed last year that it was in some respects peculiar that the occurrence of a damaging event of such colossal proportions - the health emergency - had resulted in significant extra profits for the non-life insurance system. Peculiar but inevitable, until the demand for insurance protection which, in our country, is indeed growing, but remains less developed than elsewhere, is sufficiently consolidated.

I am thinking of protection against business interruption, the importance of which was highlighted by the multiple repercussions first of the pandemic, then the war. But I am also thinking of the cyber risk, which is increasingly more pressing today, although perhaps still underestimated; to the traditional insurance of the agricultural supply chain. As far as citizens rather than companies are concerned, I am thinking of supplementary pensions, health protection, and the risk of dependency. I have spoken on other occasions about the catastrophe risk, which affects both households and companies.

These are all issues where the public and private sectors have to come together to some extent. In terms of general interest, the right balance needs to be struck between the role of private insurance (widespread, contractually certain, often assisted by clauses that incentivise risk mitigation behaviour) and public intervention; and, within this, between *ex ante* incentive and (where appropriate) equalisation measures, which should still be strengthened, and *ex post* actions. These cannot be disregarded, especially in the case of large-scale disasters, natural or otherwise, and to ensure the protection of the most vulnerable in all cases; but in my opinion its role as a last resort, as a safety net to be activated where the market fails, should be emphasised.

I will return to some of these topics on another occasion. I would just like to mention here by way of example one fact, of which a special section of the Bank of Italy's customary survey of non-financial enterprises ('Invind') provides evidence: the gap between small and large companies in the propensity to take out insurance. Among small and medium-sized companies, only traditional fire and theft and third party and employee liability policies are widely used. Insurance coverage is more widespread among larger companies, especially for cyber risks (39% for companies with over 200 employees, 18% below 50), for credit and surety (55 versus 34) and for natural and climate-related risks (89 versus 73).

There is no theoretical reason why insurance should generally be more useful for a large company than for a small one. On what, then, does this situation depend? On demand, i.e. perhaps from an underestimation of risks by small entrepreneurs? Perhaps partly so. However, when questioned about the reasons for non-insurance, entrepreneurs highlight a perception of high premiums compared to the expected damage (56% of responses) and a lack of adequate information on contracts (38). These data suggest the existence of obstacles on both sides, demand (risk perception) and supply (information, clarity); provide clues as to why it is difficult to agree on a 'fair' price.

It is not a problem exclusive to Italy, but it is more prevalent here than elsewhere. There seems to be room on the one hand for a greater development of companies' offers, and on the other hand for broader satisfaction of latent insurance needs. Ivass has repeatedly emphasised the role of insurance education and taken initiatives in this regard. I would rather, if the name was not long-established, call it 'promotion of information and awareness': in fact, it is not a matter of preaching by promoting behaviour that is more or less rightly considered virtuous, but of offering households and businesses effective tools to make rational decisions based on their own conditions and preferences. Whatever we want to call the objective, we will maintain our commitment to pursue it, in cooperation with the Bank of Italy and within the framework of the Committee for the planning and coordination of financial education activities.

However, I think it is important to emphasise that, as regards clarity and transparency of information, insurance companies must play their part, also in their own interest. In relation to the wording of contracts, despite the efforts made in past years to make them simpler and clearer, there is still much room for improvement.

We cannot delude ourselves into thinking that legislation on the subject will work miracles, not least because of the ineradicable difficulty of conceptually combining simplicity on the one hand and completeness and legal certainty on the other. The insurers themselves must be convinced that recognised transparency and acquired trust are the best competitive weapons. The obligation to establish a good product oversight and governance is no bureaucratic harassment, but a key tool for healthy growth. Unfortunately, coming across offers that, straight from the product design stage, display characteristics that are incompatible with the needs of the target customer, is not an infrequent occurrence, especially in the life insurance sector (especially due to the excessive level of costs burdening unit-linked and hybrid products in particular); in non-life insurance, contractual exclusions that are only revealed when the claim is reported, at the 'moment of truth', are not always clearly stated in the contract or emphasised at the time of sale.

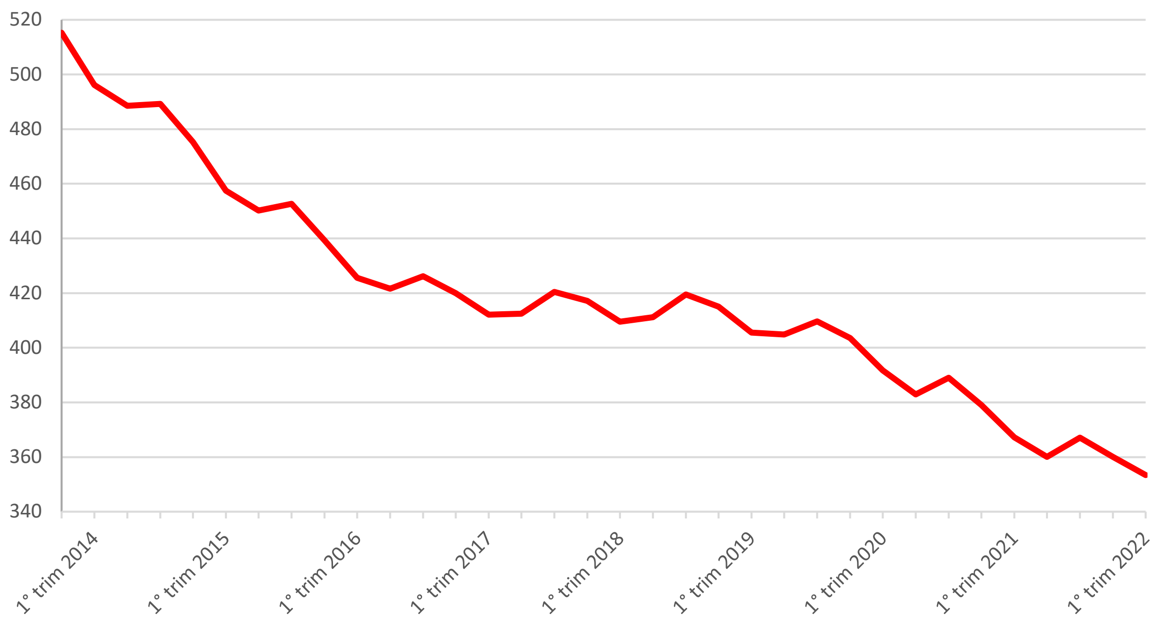
For our part, we will continue to exercise our responsibilities as regards market conduct and consumer protection. We also intend to equip ourselves with technological aids that will allow us to carry out comparative analyses that are as automated as possible, including artificial intelligence tools for reading contracts and assessing their complexity, as well as a service for collecting the characteristics and clauses of a large proportion of non-life contracts other than MTPL.

I would not want any misunderstandings to arise: we do not aim to build algorithmic sanctioning mechanisms. It would not be lawful or make sense. We want to use technology for what it can give us: help in identifying effective ways to pursue common goals. To refine the standards; to apply them as they should be applied, in the most scrupulous respect of procedures and guarantees, but also to work hand in hand with all stakeholders.

In the second half of 2021, we held a series of meetings with the main trade associations of insurance and banking intermediaries, companies and consumers, in order to gather their requests for regulatory simplification and to resolve interpretative doubts in the application of the rules implementing the European Insurance Distribution Directive. Following this series of meetings, we published a new set of questions and answers (FAQ) at the end of the year, which should help operators to find their way around. We will continue to reflect on further regulatory streamlining and simplification.

In the area of MTPL, both the average price (now Euro 353) and regional differences have continued to decrease. The premium paid in Italy remains higher than the average of the four largest European countries, but the progressive reduction of the difference is confirmed.

Fig. 3 - Evolution of the average MTPL premium



Source: Ivass, IPER survey.

The measures, including regulatory measures, taken over the last 10 years have resulted in a significant price reduction (38%) over time. Inflation, by significantly affecting the prices of repairs and spare parts, threatens to disrupt the process. It is therefore necessary to focus on reducing inefficiencies and to work on eliminating or mitigating certain observed distortions; I will return to it in a more technical forum. Here I would like to focus on two issues of more obvious general interest: the use of the so-called 'black box', and the availability of tools for comparing offers.

The deployment of the black box, now adopted by more than 20% of insured motorists, has contributed to lowering the price of MTPL insurance by encouraging the adoption of responsible driving behaviour: all other observable risk factors being equal, the black box is estimated to reduce claims by about 20%, thus making it possible to charge lower rates for those who adopt it. This is therefore a trend to be welcomed.

However, there is some concern about the apparent emergence of pricing strategies that leverage the '*lock-in*' elements inherent in the current application structure. Given the substantial impossibility to transfer data on driving habits from one company to another, for the policyholder who adopts the black box the likelihood of changing company at the contract expiry is reduced, all other things being equal, by around 60%, diminishing the competitive incentive. Our estimates based on a sample of about 4 million contracts seem to indicate that the higher retention rate of black box customers facilitates the adoption by companies of pricing strategies based on increasing the premium as the years of retention increase. Such a phenomenon (known as price walking) is attracting attention at European level (EIOPA) and in the UK.

If this fact was confirmed, it could not evade the attention of the regulators for long. We are reluctant to suggest regulatory interventions introducing direct rules or bans on pricing strategies, such as those being adopted or considered elsewhere: interventions that we generally consider costly and distorting. It would be much better to mitigate the problem by making available and transferable from one company to another the few key data that can be collected from the black boxes. If the industry was willing to consider autonomous, effective initiatives in this direction, nothing more might be needed.

On the subject of comparison of offers, the public quotation system that the legislator asked Ivass to set up for the basic third-party motor liability contract is about to become fully operational, after the experimental phase that began a year ago. We have just published the regulation making it mandatory for companies and intermediaries.

The gestation of this measure, we can't hide it, was longer than we had imagined. After the first public consultation last year, divergent expectations and demands emerged among stakeholders; there was a long and articulate debate with companies and intermediaries; a second public consultation was necessary. We are confident that we have found solutions that achieve the objective of the law in a balanced manner, and with respect for the legitimate needs of all, companies, policyholders and intermediaries: increase competition and efficiency in the MTPL market.

Now it is a question of making it work, as intended by the legislator. We expect active use by purchasers and scrupulous and faithful application by sellers (companies and intermediaries). We expect companies to fully integrate the tool into their commercial strategies, of which it can be an important and effective element, also considering that it offers a simple way to reach new customers at no cost. Improvements and updates, also on the recommendation of users, may be introduced at any time.

The two topics just mentioned, black box and the quotation tool, lie in some respects on the borderline between market conduct supervision and antitrust law. We are, it goes without saying, open to cooperation with the Antitrust Authority on all matters of common interest.

Finally, I return to the subject of the Insurance Arbitrator. As a result of intensive discussions, we have now defined the key points with the Ministry of Economic Development, arriving at a shared text that we consider satisfactory. We now await the completion of the enactment process, which is the responsibility of the Government.

Sirs / Madams,

We have difficult months and years behind us; serious challenges ahead.

In addition to the aspects I have mentioned, 2021 and the first half of 2022 saw the Institute engaged in the fulfilment of its ordinary supervisory duties. There was no shortage of delicate phases.

The support of my colleagues sitting on the Board of Directors and the Joint Directorate, to whom my gratitude goes, has been unwavering.

Numerous events in recent months, both in the drafting and maintenance of rules and in concrete supervisory action, have necessitated moments of close cooperation with the Bank of Italy and Consob: the former obviously facilitated by already being part of the same family; the latter no less effective, thanks to the constructive and professional cooperation established and consolidated both at top level and in day-to-day contact between offices. Collaboration between independent authorities, which is crucial to ensure coherent public action in sensitive areas, while scrupulously preserving the responsibilities assigned to each by law and the autonomy guaranteed by it, has made further progress. I am grateful to all the authorities and people involved.

In the midst of so many difficulties, I again had proof that I could count on first-class staff in terms of competence and dedication. Accumulating by law his/her responsibilities with those, not insignificant, of Director General of the Bank of Italy, the president of

Ivass could not effectively exercise his/her functions without having not only a solid, but also an active, proactive and generous structure. Thank you all. I am delighted that, at my suggestion, the Joint Directorate decided to confirm at the head of the structure a Secretary General who has been its professional and organisational soul over the years, and who has strengthened its reputation.

Coming out of the emergency, we introduced, in agreement with the Bank of Italy, systematic forms of hybrid work, which are proving successful. In order to further improve the effectiveness of the action, we are reflecting on possible organisational evolutions, also with a view to placing analytical activity, an essential key to understanding the mechanisms of the sector and grasping its evolution in time, on a broader basis.

Since 2013, Ivass has been closely linked to the Bank of Italy not only in its management structure, but also, by explicit legislative provision, in the coordination of activities. We have made the most of this provision, both to rationalise operations (administration, resource management, technology) and achieve greater efficiency, and - more importantly - to develop a shared supervisory culture, drawing the best from the experience of both institutions. Finally, we brought the communication functions under coordinated management.

Everything that could be done with the current set-up has been done. The results appear remarkable to me: but I leave it to others to judge, especially with regard to the effectiveness of the action.

The time has now come, I believe, to take another step forward in institutional terms. After careful consideration and in agreement with the Bank of Italy, we have proposed to the Government an articulated project that sees the Institute transformed into an instrumental body of the Bank, with an even greater rationalisation of operations, a full sharing of support functions, and a gradual integration of personnel, also following the example of the existing set-up in other European countries. We found, it seems to us, attentive ears; we now await the political considerations, as well as, if it is to proceed, the necessary opinion of the European Central Bank.

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