Minutes of the meeting of 5th July 2024

On 5 July 2024, the first meeting of the Committee for Macroprudential Policies ("Committee") was held at the headquarters of the Bank of Italy in Rome. The meeting was attended by the Governor of the Bank of Italy Fabio Panetta, as Chair of the Committee, the President of the Italian Companies and Stock Exchange Commission (Consob) Paolo Savona, the President of the Institute for the Supervision of Insurance (IVASS) Luigi Federico Signorini, the Acting President of the Italian Pension Fund Supervisory Authority (Covip) Francesca Balzani and the Director General of the Treasury Riccardo Barbieri Hermitte.

The items on the agenda were:

1) approval of the Committee's internal rules;
2) discussion of possible risks to the stability of the Italian financial system in the current economic and market environment;
3) illustration by the participating authorities of measures or initiatives having macroprudential relevance that were recently adopted or are in the process of being adopted.

1. The internal rules of the Committee

The Committee discussed the draft internal rules, prepared with the cooperation of all the participating authorities in implementation of Article 1 of Legislative Decree 207/2023, establishing the Committee, which stipulates that the Committee should have its own rules of operation.

Committee members noted that the text prepared is in line with the Committee's requirements for independence and transparency. They also emphasized the importance of having rules of operation that enable the Committee to work effectively, fostering the exchange of information and assessments as well as the concurrence of opinions. It was emphasized that the rule on a deliberative quorum commits the Chair and all other members to pursuing full cooperation among the different authorities in order to seek broad consensus in the work and decisions of the Committee.

Regarding the participation of the Director General of the Treasury in the meetings, it was suggested that the text of the internal rules be aligned with the legislative decree establishing the Committee.

The discussion concluded with unanimous agreement to submit for approval, through written procedure, a new version of the internal rules that takes into account the above suggestion.

2. The risks to the stability of the Italian financial system

The Committee began discussion by reviewing the main risks to the Italian financial system.

Committee members stressed that Italy's main vulnerabilities can be traced to the possible escalation of geopolitical tensions, lower-than-expected growth of the economy and structural factors, such as low labour productivity. In addition, they stressed the need to implement responsible fiscal policies to reduce Italy's vulnerability to possible contagion episodes associated with tensions from abroad.

It was noted that loan guarantees provided by the state during the pandemic still account for a high, albeit declining, share of gross domestic product. Incentives provided to the construction sector supported growth but placed a significant burden on the public finances.

Profits in the banking sector are high, but are likely to decline in the near future as a result of declining credit volumes and interest rates, as well as possible deterioration in credit quality.

The capitalization, profitability and liquidity in the insurance sector have benefited from the relaxation of financial markets in 2023; however, the ratio of redemptions to premiums for life insurance policies continues to be high. Climate change and the increase in the intensity and frequency of catastrophic events pose challenges for the non-life insurance business.

The pension fund sector, which is nevertheless small in size, has structural characteristics that favour its underlying stability, with subscriptions and contribution flows trending upward and the management of investments oriented toward international diversification and prudence.

Vulnerabilities in the Italian housing market are limited, but accumulated imbalances in this sector in other countries could give rise to episodes of contagion.

Investment in certificates by Italian households, while representing a low share of their net financial wealth, has reached significant volumes in absolute terms.

Following the discussion, Committee members agreed that the risks to financial stability in Italy are currently limited.

3. Measures and initiatives with macroprudential relevance.

The assessments behind the Bank of Italy's most recent decisions on macroprudential buffers for banks were presented, particularly with reference to the systemic risk buffer (SyRB) activated in April.

Committee members remarked on the usefulness of building up macroprudential reserves releasable at times of stress whenever possible. Thus, broad appreciation was expressed for the Bank of Italy's decision to activate the capital buffer against systemic risk. It was also stressed that in order to ensure the stability of the financial sector, it is necessary to analyze both bank and non-bank credit.

It was noted that macroprudential supervision of the insurance industry internationally is based on a holistic approach, which does not include the identification of systemically important institutions. Some macroprudential tools have recently been introduced in Europe, and companies are expected to have liquidity management plans.

In the pension fund sector, for which there are no specifically macroprudential instruments provided by regulation, supervisory action is focused on microprudential aspects.

4. Any other business

The Committee finalized the text of the press release to be published after the meeting. The Secretary of the Committee reported that the next meeting is scheduled for 13 December 2024.