



How Has the Italian Banking Association Contributed to Financial System Development?

CONCLUSIONS

Presentation to the RBA CONFERENCE

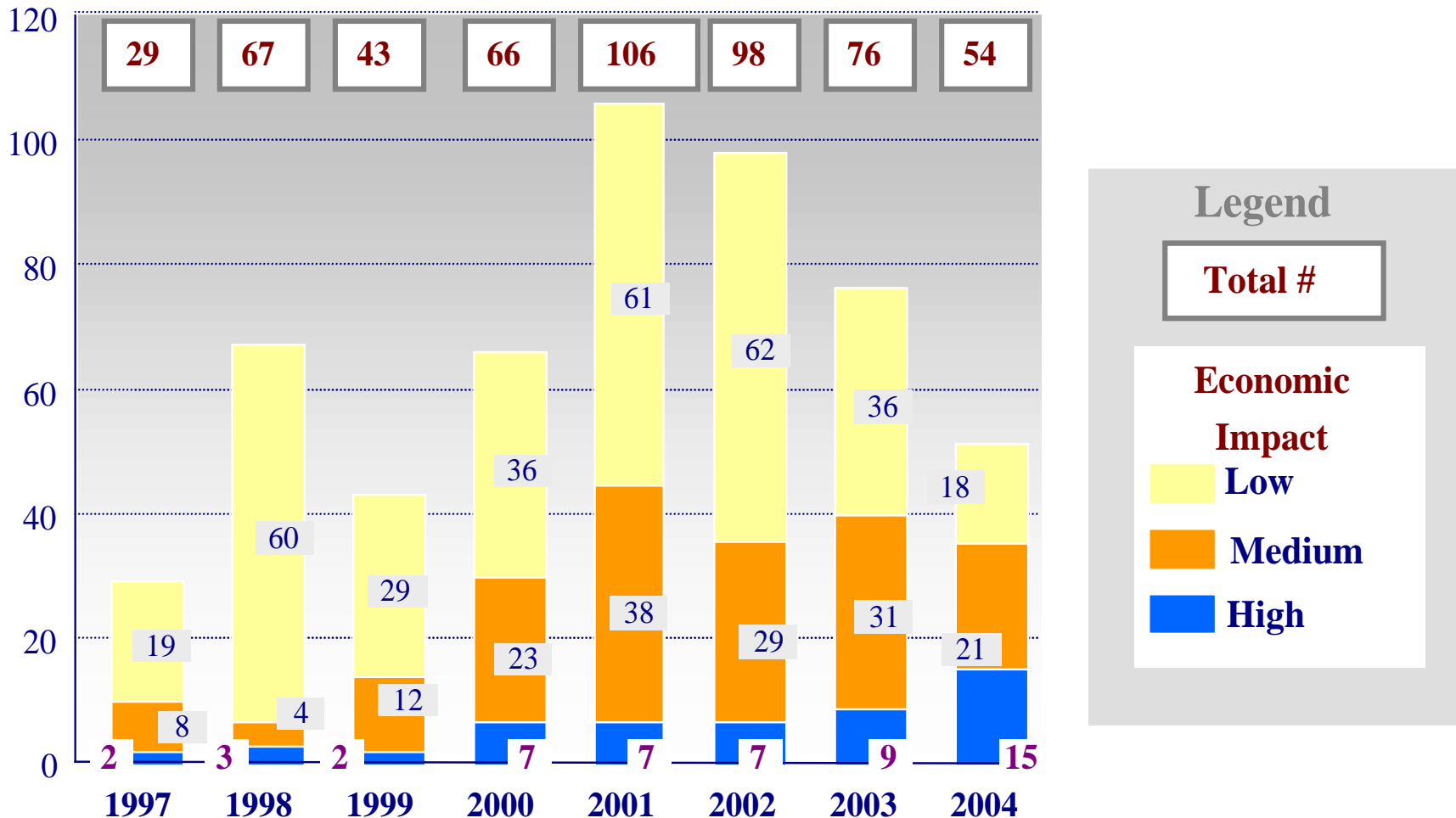
Bucharest - February 21, 2006

In sophisticated and competitive markets, authorities recognize BAs as full partners.

Jean-Claude Trichet:

“We at the ECB see the fostering of collective action on the part of the private sector to overcome possible coordination problems as a very important contribution by public authorities”.

Strong Value Generation Focus



ABI Model

- Modern management control methods established to quantify, on *ex ante* and *ex-post* basis, the net benefits accruing to A.B.I. members – RIA

RIA importance:

- Systematically examines selected potential impacts on the banking industry and the economic system
- Communicates the appropriate information to decision-makers in A.B.I. (as an instrument to assign priorities/resources to each project and as a documented discussion for decision-making).

Driving Resource Allocation

**Riccardo's 1997-2000-2004 P/L table
by activity**

A Wide Net Needs to Be Cast...

<i>Commissions</i>	<i>Number of Working Groups</i>
Taxation	18
Legal	27
Financial system legislation	7
Lending activities	9
Finance	23
Payment systems	20
Research and statistical analysis	21
Technology and Security	23
Trade union relationships	1
Labor legislation	3
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	152 (1)

... Looking at many business areas

Finance Commission

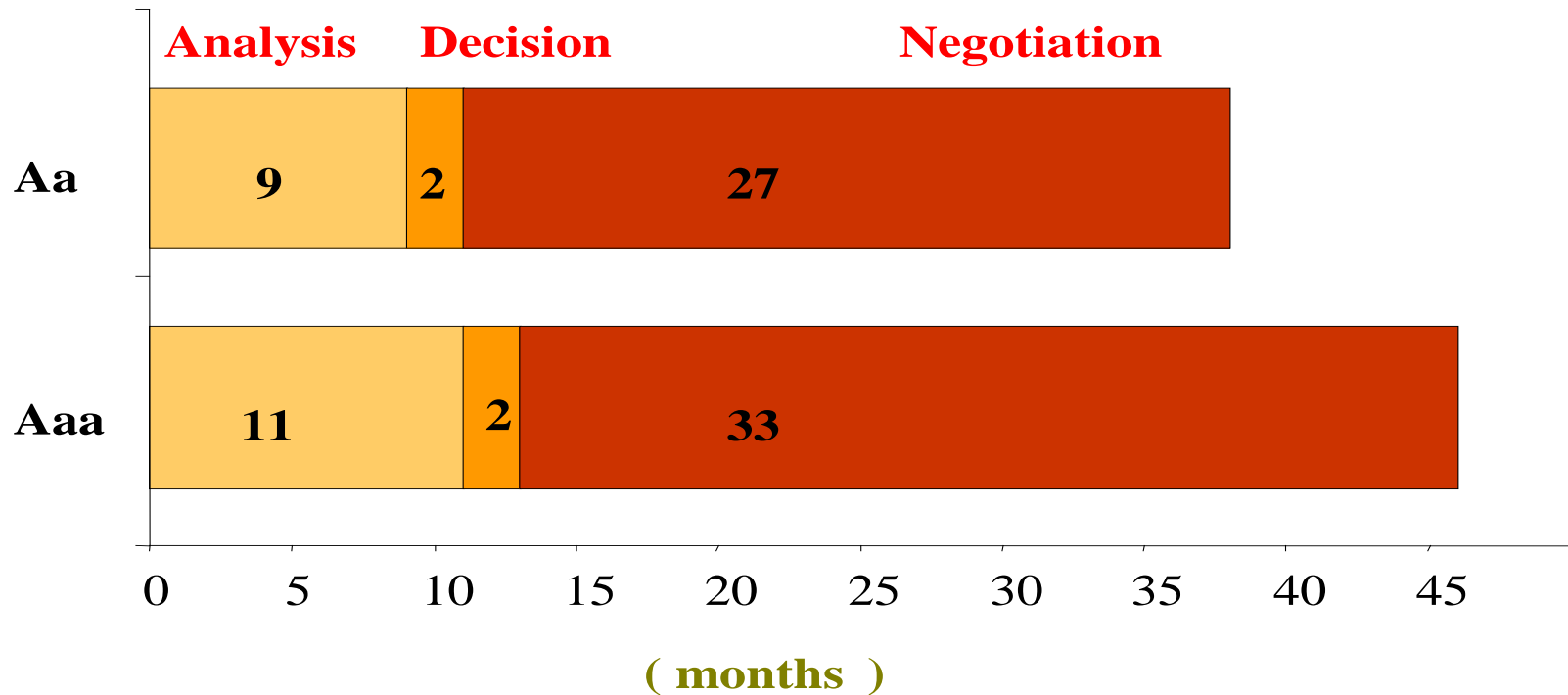
- 1) Compliance Officers
- 2) Documentation
- 3) Financial promoters and selling activities outside bank premises
- 4) Equity origination and syndication
- 5) Trading
- 6) Post-trading
- 7) Pension funds
- 8) Depository bank
- 9) Asset management
- 10) Closed-end real estate funds
- 11) Project finance
- 12) Merchant banking
- 13) Depository bank for real estate funds
- 14) Protected/guaranteed asset management schemes
- 15) Research and statistics
- 16) Market risk
- 17) Swift securities
- 18) Debt origination and syndication
- 19) Corporate information
- 20) Placement of investment funds
- 21) Management companies for real estate funds
- 22) Private banking

ABI Model *(cont.)*

- ABI's policy decisions are outcome of a long, multi-disciplinary, analytical process by its professional staff assisting industry working groups.

It takes time and skills to deliver value

AVERAGE LENGTH OF THE MAIN STEPS TO CARRY OUT POLICY CHANGES BY “BUSINESS LINE”



Source: ABI, Planning and Control Unit

Embedded in the Policy Community

Rank	Counterparty	Contacts	General Manager	Area Managers	Entities sharing common interest
1	Department of the Economy	45	21	24	
2	Bank of Italy	29	5	19	5
3	Department of Labor	17	8	9	
4	Department of Productive Activities	17	9	8	
5	Chamber of Deputies	16	6	10	
6	European Commission	16	5	11	
7	ANIA - Association of Insurance Companies	13	2	2	9
8	Confindustria - Federation of Italian Industry	10			10
9	Federation Bancaire Européenne	10	2		8
10	Labor unions	10	1	6	3
11	CONSOB - Securities Markets Authority	9	1	8	
12	Senate of the Republic	8	1	7	
13	Confcommercio - Federation of Trade companies	7		3	4
14	Central Tax Authority	6		6	
15	Government	6	3	3	
	Sub-Total	219	64	116	39

ABI Model

Majority of ABI interventions are of direct relevance to its members in these forms:

- Submitting industry opinions/position on specific issues to various *ad hoc* consultative committees at the government, legislative and regulatory level.
- Close cooperation with regulatory authorities to help them in the *ex ante* definition of rules and on an *ex post* basis;

A Fair Budget Contribution Is Key

- *Members' annual budget contributions according to bank size*

Very large banks	100
Large banks	70
Mid-size banks	23
Small banks	6
Very small banks	3

How to Transform BAs

Steps banks can pursue to become a credible dialogue partner:

- 1. Make sure governance arrangements are adequate to act as the legitimate representative of all members**

Key issues:

- articulated voice and representation of both large and small banks**
 - fair apportionment of the budget**
- 2. Identify issues that “bite”, make sound technical analysis, backed by a lot of data, and start dialogue with authorities**
 - Establish ambitious target: 2 major issues the first year, 5 the following, 10 the third year...**

How to Transform BAs (cont.)

Authorities steps to promote the conduct of BAs collaborative initiatives:

- a. create a friendly policy environment to:
 - facilitate BAs development and activities
 - encourage open and constructive dialogue between them
- b. improve the mutual coordination between authorities and associations;
- c. increase support to BAs to deliver their various functions (through statistical information and exchange of information with CBs, etc.)

The Convergence Contribution

- We can make a Special Projects Manager available to you to study “biting” issues
 - Supported by our Operations Unit
 - With access to international experts
 - Including ABI
 - Reporting to RBA-NBR-Convergence panel
 - RBA Contribution: access to member banks and local experts
 - Duration: 18 months