MINUTES OF THE MEETING OF 13 JUNE 2025

The first meeting of the year of the Committee for Macroprudential Policies (‘Committee’) was held on 13 June 2025. It was attended by the Governor of Banca d’Italia Fabio Panetta, who chaired it, the President of the Companies and Stock Exchange Commission (Commissione nazionale per le società e la borsa, CONSOB) Paolo Savona, the President of the Pension Fund Supervisory Authority (Commissione di vigilanza sui fondi pensione, COVIP) Mario Pepe, the President of the Institute for the Supervision of Insurance (Istituto per la vigilanza sulle assicurazioni, IVASS) Luigi Federico Signorini and the Director General of the Regulation and Supervision of the Financial System Directorate of the Department of the Treasury Stefano Cappiello. The meeting was held at Banca d’Italia’s headquarters in Rome.

The items on the agenda were:
1) discussion of the risks to the stability of the Italian financial system;
2) the initiatives under way to simplify financial regulation in Europe; and
3) the Committee’s work on benchmarks.

1. Discussion of the risks to the stability of the Italian financial system

The discussion opened with an assessment of the Italian macrofinancial framework: conditions are favourable overall, but global uncertainty remains high owing to geopolitical and trade tensions. The turmoil at the beginning of April, following the announcement of new tariffs by the US, temporarily affected Italian financial markets. The domestic macroeconomic environment benefits from high employment, low inflation, and a strong positive net international investment position; these factors recently led some credit rating agencies to upgrade Italy's ratings. Nevertheless, Italy's high public debt continues to be a source of risk, exposing it to the effects of global tensions.

The banking sector's capital position is sound, the liquidity indicators are well above regulatory requirements and profitability remains high, supported by higher fee income. Asset quality has shown moderate signs of deterioration. It was noted that the systemic risk buffer (SyRB), set at 1 per cent by Banca d'Italia, would become fully operational as of the end of June.[1]

Insurance companies benefit from a strong capital position and high profitability. Premium income in the life sector continued to rise, a trend already noted in 2024, and liquidity improved.

[1] For more details, see Banca d'Italia's website, ‘Macroprudential policy decisions of Banca d'Italia’.

The risks stemming from pension funds, which are built around a defined contribution system, remain low, primarily owing to continuing flows of contribution under collective bargaining agreements and predictable outflows, stable strategic portfolio allocation and diversified investments. The fragmented supervision of social security funds (*casse di previdenza*), which is split among several entities, was noted; at present, COVIP only monitors investments and asset allocation.

The Committee assessed that the systemic risks connected with the spread of crypto-assets are currently limited in Italy but could rise owing to these assets' increasing interconnectedness with the financial system. Crypto-assets whose value is pegged to fiat currencies or assets (i.e. stablecoins) pose less risk than the others, but any losses incurred by investors could affect the reputation of the issuers, including banks. The Committee welcomes the establishment by the Ministry of Economy and Finance of a dedicated task force to combat the illicit use of crypto-assets.

The financial condition of households remains solid, supported by low debt and growing financial wealth. The Committee continued to analyse the investment by households in certificates - complex instruments that expose investors to the risk of substantial losses - and noted that their growth came to a halt in the second half of 2024. They remain, however a significant form of investment for households.

The ability of firms to service their debt is buoyed by the drop in leverage, which fell to a 20-year low in 2024, and still good profitability, although it has declined compared with the previous year.

At the end of the discussion, the Committee concluded that the risks to financial stability in Italy remain moderate overall. The domestic financial system has so far absorbed the recent tensions in the markets, but any further turmoil could be amplified by the high public debt. Uncertainty remains high also owing to the recent deterioration in the political situation in the Middle East. The Committee will continue to monitor developments in the economy and in financial and commodity markets.

2. The initiatives under way to simplify financial regulation in Europe

The Committee welcomed initiatives to simplify financial regulation in Europe with the goal of improving its quality while continuing to safeguard against risks to financial system stability, protect investors and guarantee the integrity of the markets. Regulatory simplification could also contribute to the development of a European capital market, which is instrumental in stimulating investment and innovation, although the issuing of a common safe asset would nonetheless be crucial.

The Committee believes that a comprehensive regulatory review should be done to eliminate stratification and duplication and identify those areas where the current arrangement entails costs for market participants that are not proportionate to the benefits to system stability. Furthermore, the initiatives undertaken should include careful analysis of situations in which regulatory complexity may affect the development of certain markets, such as venture capital and securitization markets.

The Committee considers that the simplification process could also provide an opportunity to strike a new balance between the degree of detail of the regulation and the discretionary powers granted to the supervisory authorities, as well as to encourage a better application of the principle of proportionality, without reducing the safeguards for small operators. The need for continuing close coordination between all authorities involved in the process, both at European and national level, was also stressed.

3. The Committee's work on benchmarks

The Committee has started preparatory work on an analytical framework for carrying out the tasks entrusted to it under the legislation on the indices used as benchmarks in financial contracts.

The Consolidated Law on Finance (*Testo unico della finanza*) designates the Committee as the competent authority for assessing the adequacy of fallback provisions in index-linked contracts. A clause may be declared inadequate on the basis of two conditions which must exist in conjunction: (a) it provides a substitute for the benchmark that no longer reflects, or does so with significant differences, the market or economic reality that the original benchmark was intended to measure; (b) its application may pose a risk to financial stability. The Committee may be called upon to assess a fallback provision only if the original benchmark is suspended and at the request of a directly concerned party.

The members of the Committee agreed to establish a working group composed of experts from the authorities involved to define an analytical framework and operational structure to ensure the assessments are made.

4. Any other business

The meeting concluded with the approval of the press release. The next meeting of the Committee is scheduled for 4 December 2025.