



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

=Lessons for Albania=

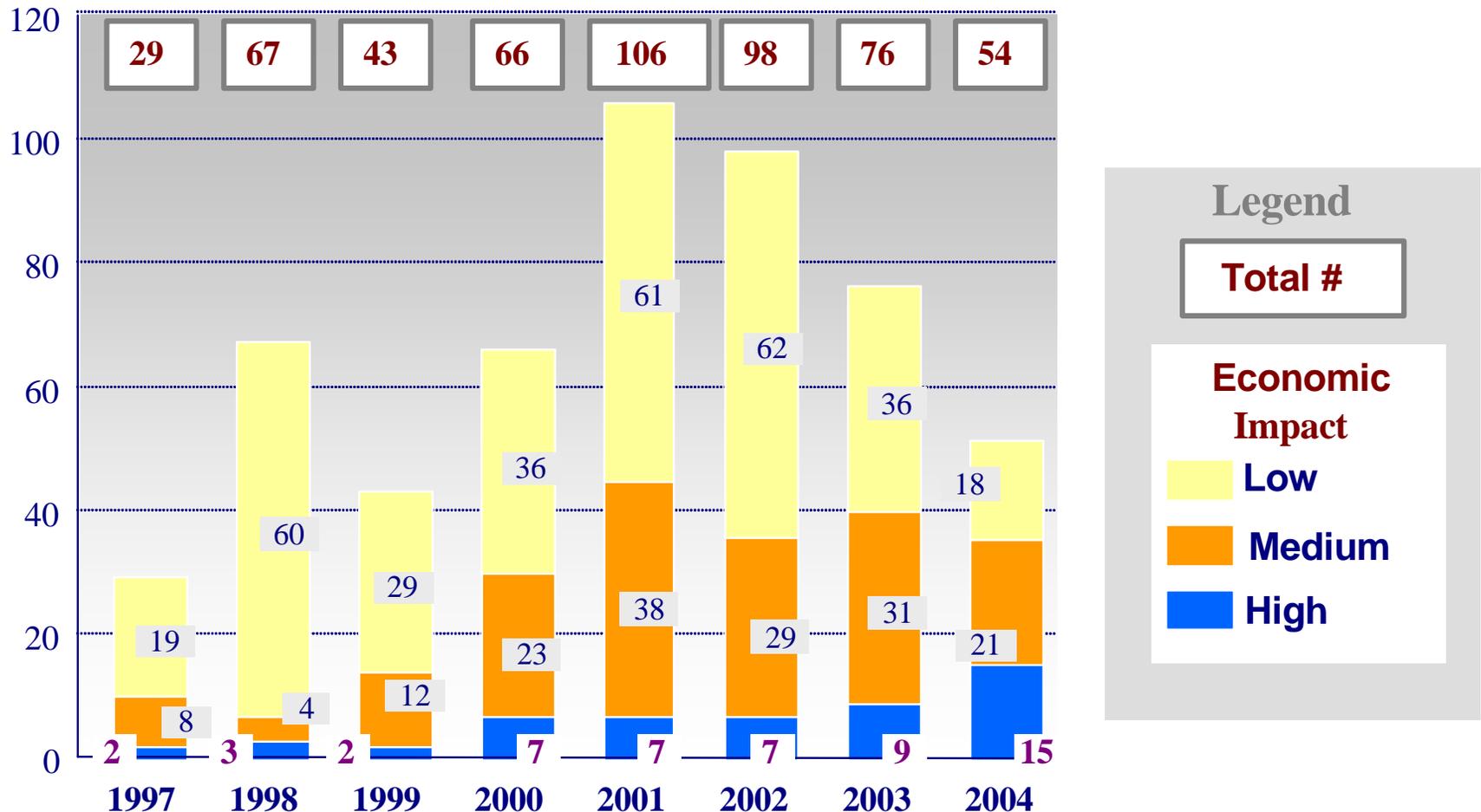
CONCLUSIONS

Presentation to the AAB Board Seminar

Tirana – April 3, 2006

Strong Value Generation Focus

Number of regulatory changes completed



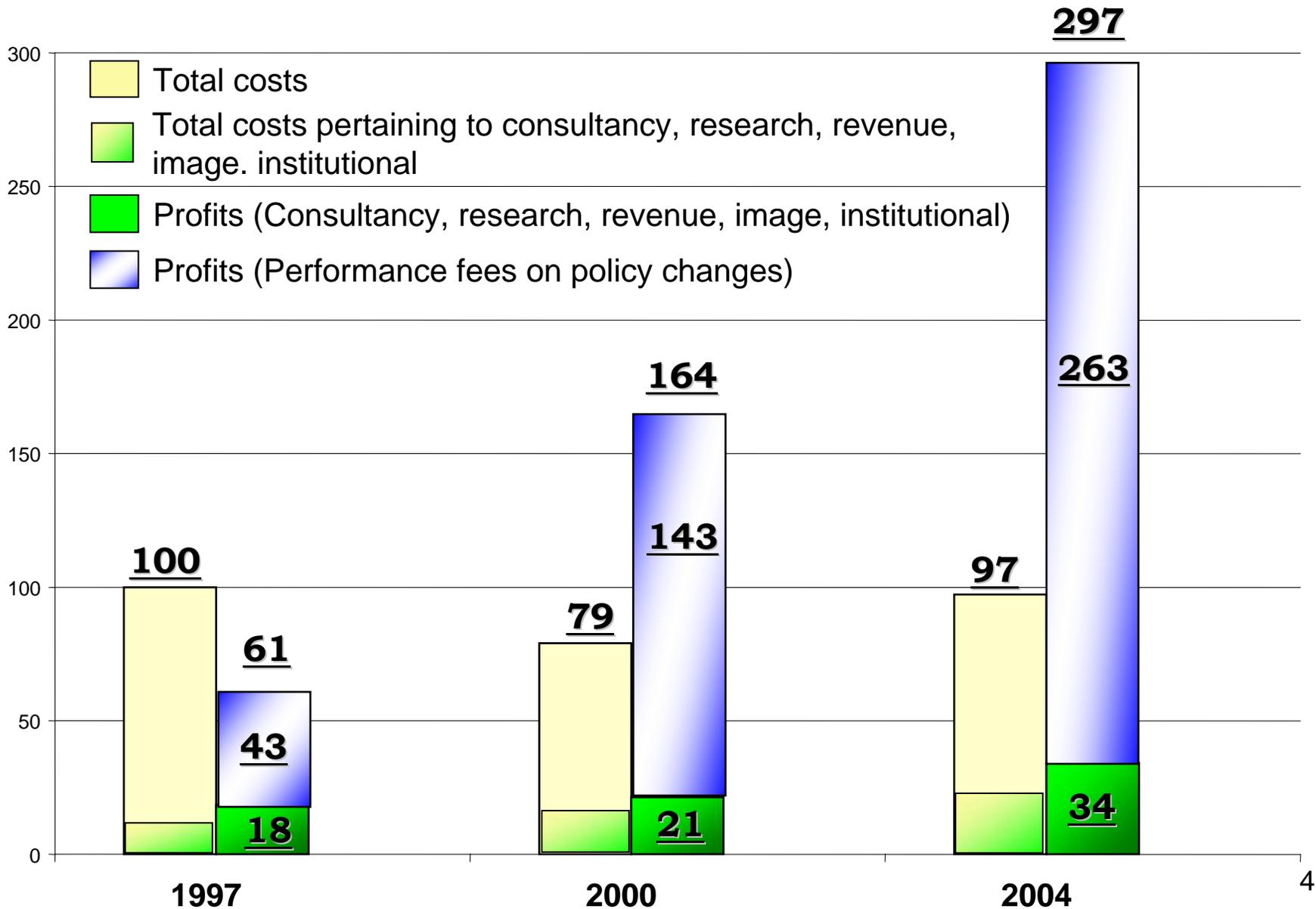
ABI Management Tool

- Modern management control methods established to quantify, on *ex ante* and *ex-post* basis, the net economic benefits accruing to A.B.I. members
 - **Regulatory Impact Assessment (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
 - as a documented discussion for decision-making.

Driving Resource Allocation



A Wide “Idea” 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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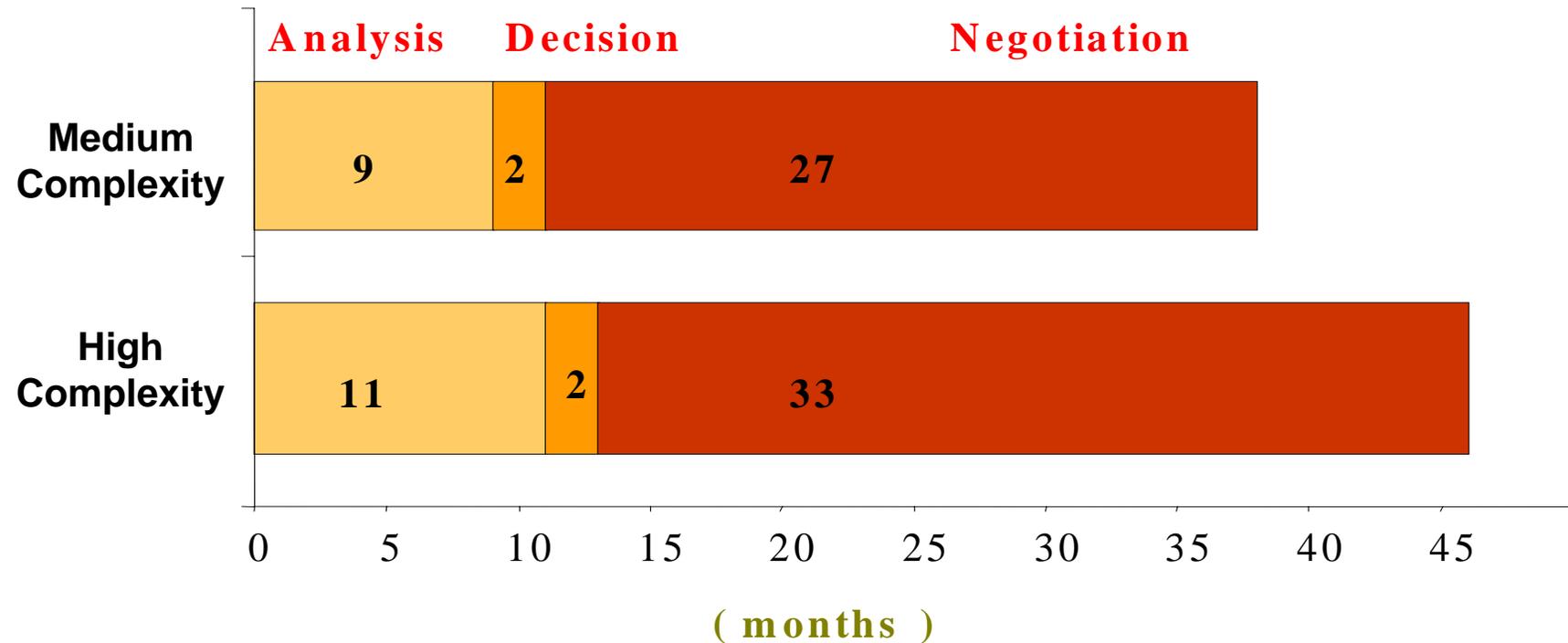
... Looking at many business areas

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

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

ABI Working Style

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

ABI Staff Are 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 Interaction With Policy-Makers

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...

The Convergence Contribution

- Special Projects Manager -

- 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 BOA-MOF-AAB-Convergence panel
 - AAB Contribution: access to member banks and local experts
 - Duration: 12 months

The Convergence Contribution

- Governance Assessment -

- We can start an assessment of the current governance framework of the AAB to detect a more efficient set-up

Some topics:

- a) Voting rights & Decision-making process
- b) Budget allocation
- c) Working groups & Technical commissions.

The Convergence Contribution

- Operational Assessment -

- We can also do an assessment of the current positioning of the AAB to detect its strong assets and features which can be improved

Business lines

Policy changes

Consultancy

Research

Revenue

Image

Institutional

- a) Review the AAB activity over 2005;
- b) Classify it by using the taxonomy “per business line”;
- c) Due diligence and shared suggestions for a more efficient AAB positioning.

The Convergence Contribution

- Consumers Association -

- We can provide you with assistance and support of European consumer associations active in the banking field;

Typical topics tackled by consumer associations :

- a) Foster alternative dispute resolutions;
- b) Promote awareness and education of basic financial information within the public;
- c) Support and cooperate with several initiatives by bankers' associations and some individual bank;

“Convergence”

“Convergence”^{1/} is a financial sector development program for South-East Europe focused on:

- Undertaking, as an “honest broker”, analytical tasks of micro-institutional issues as a basis for identifying solutions tailored to country circumstances
- Taking EU integration as a strategic perspective
- Building awareness of market participants, involving them in the search of market-building solutions, and fostering their dialogue with authorities
- Using the experience of regional former policy makers and local experts whenever possible
- Working in partnership with other institutions