

**Italy: Financial Sector Assessment Program—
Detailed Assessment of Observance of the IMF Code of Good Practices on
Transparency in Monetary and Financial Policies—Payment Systems Oversight**

This Detailed Assessment of Observance of the IMF Code of Good Practices on Transparency in Monetary and Financial Policies for Payment Systems Oversight for **Italy** was prepared by a staff team of the International Monetary Fund as background documentation to the Financial Sector Assessment Program with the member country. It is based on the information available at the time it was completed in February 2006. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Italy or the Executive Board of the IMF.

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FINANCIAL SECTOR ASSESSMENT PROGRAM

DETAILED ASSESSMENT OF OBSERVANCE OF THE CODE OF GOOD PRACTICES ON TRANSPARENCY IN MONETARY AND FINANCIAL POLICIES FOR PAYMENT SYSTEMS OVERSIGHT

ITALY

FEBRUARY 2006

INTERNATIONAL MONETARY FUND
MONETARY AND FINANCIAL SYSTEMS DEPARTMENT

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TRANSPARENCY OF PAYMENT SYSTEMS OVERSIGHT

General

1. This assessment examines the observance by the Banca d'Italia (BI) of the IMF Code of Good Practices on Transparency in Monetary and Financial Policies (MFP Transparency Code) for payment systems oversight. It was conducted as part of the IMF Financial Sector Assessment Program (FSAP). The assessment was based on a pre-mission work; a review of relevant laws, regulations, and policies; documentation provided on the BI and ECB websites and in a variety of official publications of the two institutions; as well as on discussions with the BI¹. The assessment was based on the MFP Transparency Code, and has taken into account the implementation issues mentioned in the *Supporting Document* to the MFP Transparency Code.
2. The Italian authorities cooperated fully with the assessment and provided the necessary information and documentation requested by the mission.

Institutional and market structure overview

3. The BI's oversight of payment systems is characterized by high levels of transparency, benefiting from clarity in the EU-wide institutional framework and actively contributing to its timely disclosure of policy developments and exchange of information. The statutory mandate of efficiency and reliability in payment systems established in the 1993 Banking Law was redefined by the BI in its 2004 Oversight Provisions, setting out the objectives of financial, market and systemic stability, competitive and fair markets, client asset protection and regulatory enforcement. An active communications policy, based on a comprehensive publications and reporting program, serves to explain the instruments with which the BI operates. In particular, a White Paper issued in 1997 explains the institutional framework and guiding principles while another, issued in 1999, provides a detailed analysis of methods of intervention and areas of interest.
4. The BI routinely discloses the progress toward achieving its policy objectives, and engages in two-way communication with the markets. In addition to the regular BI publications, strategic, operational and technical papers are the vehicle through which the oversight function informs and informally consults market operators (including financial intermediaries, service providers, and managers of infrastructures) on major reforms in payment clearing and settlement systems. Accountability of the payment systems oversight function is upheld through the regular reporting and internal governance arrangements (including the publication of audited financial statements and statutory provisions governing staff conduct) provide further assurances of integrity.

¹ The mission took place in July 2005; the assessment was carried out by Marie Thérèse Camilleri Gilson (IMF).

Practice-by-practice assessment

5. The assessment of observance with each practice of the MFP Transparency Code is made qualitatively, based on existing laws, regulations, and practices. A five-part assessment system is used: **observed**, implying full observance or with insignificant shortcomings; **broadly observed**, where weaknesses might exist but these are not seen as being of a significant nature so as to raise serious doubts about the BI’s ability to achieve the objective of that practice; **partly observed**, where shortcomings are sufficient to raise doubts about the BI’s ability to achieve observance and could affect policy effectiveness; **not observed**, where the practice is not being observed and no substantive progress has been recorded toward achieving the objectives of the practice; and **not applicable**, where, due to the institutional and legal framework, the transparency practice is not relevant.

Table 1. Practice-by-Practice Assessment of Observance of the IMF MFP Transparency Code—Payment System Oversight

V. CLARITY OF ROLES, RESPONSIBILITIES AND OBJECTIVES OF FINANCIAL AGENCIES RESPONSIBLE FOR FINANCIAL POLICIES	
5.1	The broad objective(s) and institutional framework of financial agencies should be clearly defined, preferably in relevant legislation or regulation.
Description	<p>The institutional framework for payment systems oversight is defined in EU and national legislation and supporting regulations. The relationship between the European System of Central Banks (ESCB) and the European Central Bank (ECB), and the role of the Banca d’Italia (BI) are established in a variety of legal texts.</p> <ul style="list-style-type: none"> • At the EU level, Article 105 (2) of the Treaty establishing the European Union provides the general legal basis for payment systems oversight. “The basic tasks to be carried out through the ESCB shall be [...] to promote the smooth operation of payment systems.” At the institutional level, Article 3 and 22 of the Statute of the ESCB and of the ECB (henceforth referred to as the Statute) further defines this legal basis. Article 3.1: “In accordance with Article 105(2) of this Treaty, the basic tasks to be carried out through the ESCB shall be ...to promote the smooth operation of payment systems ..”; Article 22, Clearing and payment systems: “The ECB and national central banks may provide facilities, and the ECB may make regulations, to ensure efficient and sound clearing and payment systems within the Community and with other countries.” • The relationship between the ECB, the ESCB and national central banks is established in the Statute. Art.12.1, third indent: To the extent deemed possible and appropriate and without prejudice to the provisions of this Article, the ECB shall have recourse to the national central banks to carry out operations, which form part of the tasks of the ESCB. • The authority of the BI over payment systems and the legal basis for its implementing legislation are established in the 1993 Italian Banking Law. Article 146: “Banca d’Italia shall promote the regular operation of payment systems. For this purpose, it may issue regulations to ensure the efficiency and reliability of clearing and payment systems.” <p>One of the key legal references is the 2004 set of payment systems oversight provisions (OP) issued by the Governor of the BI (the February 24th 2004 regulations pursuant to article 146 of legislative decree n.385 of 1st September 1993 and published in the official gazette n.75 of March 30th 2004). The objectives of oversight activity center on efficiency and reliability. These</p>

	<p>provisions also regulate the scope of application as being payment systems, payment infrastructure and the transfer or withdrawal of money with the use of payment instruments, and specify the powers which the BI can rely on to ensure the achievement of the stated goals.</p> <p>Article 7 of the OP also provides the BI with the authority to “issue general and specific rules implementing what is provided for in these provisions taking into account inter alia the degree of importance of the systems as evaluated according to Article 2.2 and their characteristics.”</p> <p>The broad objectives are also explained in more detail in extensive BI documentation on its function of payment systems oversight. In particular, a White Paper issued in 1997 explains the institutional framework and guiding principles while another, issued in 1999 provides a detailed analysis of methods of intervention and areas of interest.</p> <p>The Italian Banking Association (ABI), as the representative body for the banking system, is responsible for coordinating interbank agreements and fixing uniform operational and accounting methods in interbank relations. The ABI is responsible for the operational instructions of interbank procedures for the exchange and clearing of automated retail payments. Cogeban and the CBI association (both operating within ABI premises) manage, respectively, the debit card circuit (Pagobancomat) and the corporate banking activity (designed to facilitate the relationship between banks and the corporate customer), setting standards, monitoring the behavior of the participants and fixing operating rules.</p>
Assessment	Observed
Comments	
5.1.1	The broad objective(s) of financial agencies should be publicly disclosed and explained.
Description	<p>The statutory mandate of efficiency and reliability in payment systems established in the 1993 Banking Law was redefined by the BI in its 2004 Oversight Provisions, setting out the objectives of financial, market and systemic stability, competitive and fair markets, and regulatory enforcement. The broad objectives are explained further in BI documentation. In particular, a White Paper issued in 1997 explains the institutional framework and guiding principles while another, issued in 1999 provides a detailed analysis of methods of intervention and areas of interest.</p> <p>A comprehensive publications program serves to explain the instruments with which the BI operates. Information on the BI objectives, its mission statement and oversight activities are disclosed to the public through the economic bulletin, the Annual Report and other documents released via the media and posted on the Web site.</p> <p>Policy objectives are also publicly explained through BI officials appearances before the Legislature. The BI also engages in direct correspondence with financial intermediaries, issuing instructions and holding meetings with interested parties.</p>
Assessment	Observed
Comments	
5.1.2	The responsibilities of the financial agencies and the authority to conduct financial policies should be publicly disclosed.
Description	<p>The BI is responsible for promoting security and efficiency of the payment mechanism, ensuring the provision of payment services to all banks on a nondiscriminatory basis, so as to safeguard competition in the payment services market. The authority for the BI to conduct oversight activities and the specific duties it is required to perform are defined in the legal texts referred to above, supplemented by provisions of a memorandum of understanding (see 5.2 below).</p>

	<p>The role of the BI in specific areas of payment systems oversight is reinforced by two decrees, one from the President of the Republic (DPR) relating to bank and postal payments, and the other from the Ministry of Justice, relating to the electronic database of postal and banking checks and of payment cards. The Banking Law and a legislative decree specify the responsibilities of the BI in, respectively, the development of electronic payments and the use of electronic signatures.</p> <ul style="list-style-type: none"> • Article 10 of the DPR No. 144 of 14 March 2001: “Under Article 146 of the 1993 Banking Law, the Banca d’Italia adopts all measures necessary to ensure the integration of the Post Office in the payment system and the interoperability of bank and postal payment” (informal translation). • Article 16 of the Decree of the Ministry of Justice No. 458 of 7 November 2001, (Regulation on the operation of the electronic database of postal and banking checks and of payment cards): “The Banca d’Italia, in its responsibility as manager of the database, banking and financial supervisor and payment system overseer, shall verify compliance with the rules governing the database by banks, postal offices and payment cards issuers” (informal translation). • The Banking Law also establishes the role of the BI in the development of electronic money. Article 114 quarter, III paragraph, II indent of the 1993 Banking Law (Implementation of Directive 2000/46/CE on electronic money – Law No.39 of 1° March 2002): “The Banca d’Italia, pursuant to Article 146, shall issue provisions aimed at fostering the development of electronic money, ensuring its security and promoting the regular operation of the related circuit” (informal translation). • The use of electronic signatures is regulated in a decree which recalls the competence of the BI as regards oversight and establishes the institutional allocation of responsibilities between government bodies, Ministries and the BI regarding interoperability across systems. Article 8, paragraph IV of the legislative decree No.10 of 23 January 2002 (Implementation of Directive 1999/93/CE on electronic signature): “The electronic identity card and the national card of services can be used in order to perform payments among private entities and the public administration, according to indications provided by the Prime Minister Cabinet or, on his behalf, by the Ministry for technological innovation, in agreement with the Ministry of Economy and Finance, having asked the opinion of the Banca d’Italia.”
Assessment	Observed
Comments	
5.1.3	Where applicable, the broad modalities of accountability for financial agencies should be publicly disclosed.
Description	Accountability for payment systems oversight, as for all other BI operations, is upheld through regular reporting to Parliament (see also 8.1), the publication of the Annual Report and the presentation of the latter to the General Meeting of Shareholders. The BI is subject to the general principles provided for all public administrations by Article 97 of the Italian Constitution, regarding good functioning and impartiality, and by Law 241/1990 on Transparency and the public rights of access to administrative documents.
Assessment	Observed
Comments	
5.1.4	Where applicable, the procedures for appointment, terms of office, and any general criteria for removal of the heads and members of the governing bodies of financial agencies should be

publicly disclosed.	
Description	<p>The procedures for appointment, terms of office and the criteria for removal of the BI's governing bodies are laid down in its Statute, originally adopted in form of Royal Decree (R.D. 11 June 1936, n. 1067) and subsequently modified by Presidential Decrees, all of which published in the <i>Gazzetta Ufficiale della Repubblica Italiana</i>; an updated version of the statute is available on the BI's Web site.</p> <p>According to Article 5 of the latter "the powers of the Bank are vested in: <i>a</i>) the General Meeting of Shareholders; <i>b</i>) the Board of Directors and the Committee of the Board of Directors [hereinafter the Board Committee]; <i>c</i>) the Directorate, composed of the Governor, the Director General and two Deputy Directors General." The Governor is entrusted with policy formulation and implementation. The Board Committee has an advisory role, intervening on administrative matters upon a request by the Governor. Specific responsibilities may however be entrusted by the Governor to the other members of the Directorate (Articles 28 and 29). Oversight by auditors and examiners (Article 23) is limited to the control of administration with regard to statutory requirements.</p> <p>The procedures for appointment are set out in the BI Statute:</p> <ul style="list-style-type: none"> • According to Article 17, thirteen members of the Board of Directors are elected by the General Meetings of Shareholders at the main branches of the Bank, with one director elected for each main branch. They serve for a term of five years and may be re-elected. A meeting of the Board of Directors may be called by the senior Director (in terms of appointment and age) to appoint and dismiss the Governor (Article 19). • The Board also appoints four of the directors at its first meeting each year to form, together with the Governor, the Board Committee (Article 18). • The Governor may call a Board Meeting to appoint and dismiss members of the Directorate. • Article 19 of the BI Statute adds that "appointments and dismissals must be approved by a decree of the President of the Republic acting on a proposal from the President of the Council of Ministers in agreement with the Minister of the Treasury after consulting the Council of Ministers." <p>Qualification criteria for the head and members of the BI governing bodies are also established in the Statute.</p> <ul style="list-style-type: none"> • According to the general provisions of Article 59 and 60, the Governor, members of the Board and Directorate, may not hold political office, be members of any bank, engage in commerce, operate in the stock exchange, or hold positions of responsibility in any company, except where authorized by the Board, and then only in the recognized interests of the Bank. <p>The procedures for dismissing the Governor, the Director General and the two Deputy Directors General are set out in the BI Statute (Article 19) which entrusts the Board of Directors with this responsibility, subject to a resolution from two thirds of its members (under the chairmanship of the senior Director for the dismissal of the Governor).</p> <p>There is a lack of clarity as to the duration of the Governor's mandate and the criteria for his dismissal.</p> <ul style="list-style-type: none"> • The BI Statute gives the Governor of the BI a mandate for an unlimited period of time, although Article 14 of the ESCB Statute (Protocol on the Statute of the European System of Central Banks and of the European Central Bank) requires that "each Member State shall ensure [...] that its national legislation, including the statutes of its national central bank, is compatible with this Treaty and this Statute." It stipulates that "the statutes of the

	<p>national central banks shall, in particular, provide that the term of office of a Governor of a national central bank shall be no less than five years.” The assessment of compliance with the BCP noted that the ECB has taken the view that insofar as “indefinite” is interpreted as being “in excess of five years,” the Statute of the BI is in line with the requirements of national legislation set out in that of the ESCB.</p> <ul style="list-style-type: none"> • In addition, the BI Statute does not specify any criteria for removal of the Governor and members of the governing bodies. Article 14 of the ESCB Statute also stipulates that national legislation should provide that “a Governor may be relieved from office only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct.” • In the 1998 EMI Convergence Report, there is however a reference to the direct applicability of the Treaty insofar as the criteria for dismissing the Governor are concerned suggesting that Article 14.2 of the ECB Treaty applies in the absence of specific provisions in the national legislation. <p>There are no provisions in the BI Statute that relate to the criteria for dismissing the other members of the Directorate, namely the Director General and the two Deputy Directors General. The BI stated that safeguards against arbitrary dismissal are set out in case law. This establishes that members of governing bodies may only be removed on the grounds of non-fulfillment of the goals of such bodies. It can be inferred from the discussion of general principles contained in the 1998 EMI Convergence Report that provisions relating to the Governor’s dismissal may be extended to other members of the governing bodies.</p>
Assessment	Broadly observed
Comments	A publicly disclosed reference which would clearly explain (i) the ECB opinion of the conformity of the BI Statute with the requirements of Article 14.2 of the ESCB Statute, insofar as the Governor is concerned, and (ii) the general criteria for removal of the heads and members of the governing bodies would be required for this practice to be fully observed. The recently adopted Savings Law now explicitly mentions Article 14.2 of the ESCB Statute for the Governor’s dismissal procedures.
5.2 The relationship between financial agencies should be publicly disclosed.	
Description	<p>The relationship between financial agencies is publicly disclosed in the legal framework referred to above (See 5.1). In the area of payment systems, as for all the tasks of the Eurosystem, relationships between the NCBs and the ECB can be inferred from Article 12.1 and Article 14.3 of the ESCB/ECB Statute. These articles state, respectively, that “The Governing Council shall adopt the guidelines and take the decisions necessary to ensure the performance of the tasks entrusted to the ESCB under this Treaty and this Statute [...] To the extent deemed possible and appropriate [...], the ECB shall have recourse to the national central banks to carry out operations which form part of the tasks of the ESCB” and that “The national central banks are an integral part of the ESCB and shall take the necessary steps to ensure compliance with the Guidelines and instructions of the ECB and shall require that any necessary information be given to it.”</p> <p>The modalities for relationships and cooperation between the BI and its international counterparts are also established through MOUs. At the national level, the BI and the Treasury engage in ongoing cooperation in the area of payment system oversight.</p> <ul style="list-style-type: none"> • At the international level, the BI is a party to a Memorandum of Understanding underwritten bilaterally by each of the G10 central banks and the Central Bank of Belgium regarding Swift cooperative oversight. The MOU sets out the main principles underlying activities, the areas of cooperation, and explicitly provides for the exchange of information between competent authorities. Within the BIS framework, the oversight function of BI also cooperates with other central banks for the development of

	<p>international standards and codes of conduct.</p> <ul style="list-style-type: none"> • At the EU level, the institutional relationships in payment systems oversight are clarified by means of MOUs which were publicly disclosed through press releases. Cooperation with the Eurosystem is established in two MOUs, the first of which dates back to January 2001. It deals with co-operation and information sharing between payment systems overseers and banking supervisors in Stage 3 of economic and monetary union. The second, of March 2003, fixes high level principles of cooperation between the banking supervisors and central banks of the European Union in crisis management situations. • At a national level, the BI cooperates with the Ministry of Treasury on an ad-hoc basis in areas of common interest, through consultative working groups established to discuss issues such as the illicit use of payment cards and the irregular use of checks. The prevention of money laundering is discussed in collaboration between the BI and the Treasury within the Italian Financial Intelligence Unit.
Assessment	Observed
Comments	
5.3	The role of oversight agencies with regard to payment systems should be publicly disclosed.
Description	<p>Institutional roles for payment systems oversight are publicly disclosed through normative texts, decrees and statements referred to above, including the ECB Statement on the “Role of the Eurosystem in the field of payment systems oversight” (June 2000), available on the ECB web site (www.ecb.int); and the OP.</p> <p>The BI mission statement is widely disseminated, in addition to publication of the legal framework in the official bulletin, and information on policy activities released through the Annual Report and posted on the Web site, the BI also issued detailed reference documents on an ad hoc basis.</p> <ul style="list-style-type: none"> • Since the first major reform of the payment system in the mid-eighties, the BI has regularly disclosed the objectives pursued, the policies followed, and the instruments used for the transformation (and continual adaptation) of the Italian payment system in the direction of greater efficiency and security by publishing ad-hoc documents. (See Banca d’Italia, <i>White Paper on the Payment System in Italy</i>, Rome, 1988; Banca d’Italia, <i>Libro bianco sui pagamenti interbancari - Linee strategiche, motivazione e implicazioni della riforma dei sistemi di compensazione e di regolamento interbancari</i>, Roma, 1994; Banca d’Italia, <i>Institutional Issues, Interbank payments in Italy: lines of reform</i>, Rome, April 1995. • More recently, in two documents the BI has explained the approaches and instruments with which it acts in the payment system, defining the guiding principles, methods and areas of interest in the payment system. (Banca d’Italia, <i>White Paper on Payment System Oversight. Guiding principles for performance of the function</i>, Rome, May 1997; Banca d’Italia, <i>White Paper on Payment System Oversight. Objectives, Methods, Areas of Interest</i>, Rome, November 1999. The White Papers are also available on www.bancaditalia.it).
Assessment	Observed
Comments	
5.3.1	The agencies overseeing the payment system should promote the timely public disclosure of general policy principles (including risk management policies) that affect the robustness of systemically important payment systems.

Description	The general policy principles (including risk management policies) that relate to the stability of payment systems are established in the regulatory framework that is disclosed to the public through the release of the official gazette, the publication of the Annual Report, communication with the media and updates on the Web site. Ad-hoc meetings are also held with financial intermediaries, through their national associations.
Assessment	Observed
Comments	
5.4	Where financial agencies have oversight responsibilities for self-regulatory organizations (e.g., payment systems), the relationship between them should be publicly disclosed.
Description	The BI oversees self-regulatory organizations (SRO) active in payment systems, including private systems (quasi systems) and private payment circuits (e.g., domestic cards). There are phases for exchange of information in the settlement process of retail payments. The BI's relationship with self-regulatory organizations is established in the regulatory framework and disclosed through the publication channels referred to above. SROs are required to comply with the OP in providing data and information requested by the BI, with advance notice if new payments activities or modifications to the existing ones are envisaged. New codes of conduct and self regulatory codes concerning payments issues are also submitted to the BI.
Assessment	Observed
Comments	
5.5	Where self-regulatory organizations are authorized to perform part of the regulatory and supervisory process, they should be guided by the same good transparency practices specified for financial agencies.
Description	SROs are not authorized to perform part of the process related to oversight activity; they do not have a set of policies that would guide transparency practices.
Assessment	Not applicable
Comments	
VI. OPEN PROCESS FOR FORMULATING AND REPORTING OF FINANCIAL POLICIES	
6.1	The conduct of policies by financial agencies should be transparent, compatible with confidentiality considerations and the need to preserve the effectiveness of actions by regulatory and oversight agencies.
Description	See description of following practices. The conduct of payment system oversight by the BI is transparent, within a clearly defined regulatory framework and set of operating procedures, both at an EU level and within Italy. An active communication policy, based on a comprehensive publications and reporting program, serves to explain the instruments with which the BI operates. In particular, a White Paper issued in 1997 explains the institutional framework and guiding principles while another, issued in 1999 provides a detailed analysis of methods of intervention and areas of interest. The BI routinely discloses the progress toward achieving its policy objectives, and engages in two-way communication with the markets.
Assessment	Observed
Comments	

6.1.1	The regulatory framework and operating procedures governing the conduct of financial policies should be publicly disclosed and explained.
Description	<p>The regulatory framework governing the conduct of payment systems oversight and the relevant operating procedures are established in legislation (see 5.1 above) and publicly disclosed and explained through mission statements and published reports.</p> <p>The regulatory framework is disclosed and explained in (i) the 1997 BI White paper on payment system oversight; (ii) the 1999 BI White Paper on Payment Systems Oversight, Objectives, Methods, Areas of interest; (iii) the “General Eurosystem framework for oversight of payment systems ,” approved by the ECB Governing Council on October 7, 1999.</p> <p>Payment systems oversight is also explained in (i) the Public statement entitled “Role of the Eurosystem in the field of payment systems oversight,” June 2000, and the President of the ECB’s introductory statement to the press conference on February 1, 2000; (ii) the “Oversight standards for euro retail payment systems” approved by the ECB Governing Council in June 2003 and (iii) the EMSSO Report (2004) for electronic money instruments.</p>
Assessment	Observed
Comments	
6.1.2	The regulations for financial reporting by financial institutions to financial agencies should be publicly disclosed.
Description	Reporting requirements are set out in the 1993 Banking Law, whereby the BI collects information on the interbank functioning of payment systems and the use of the payment instruments. The BI also collects statistical data on a regular basis through specific surveys on, for instance, the quality of banking payment services. Data are published in an aggregate form in the Annual Report and in the Statistical Bulletin. The BI may also collect information from interested parties while carrying out surveys on specific issues (such as innovative instruments and remittance schemes). In this case the BI would approach the participants of the survey in writing, explaining the survey’s scope, application and the manner in which the requested information would be used.
Assessment	Observed
Comments	
6.1.3	The regulations for the operation of organized financial markets (including those for issuers of traded financial instruments) should be publicly disclosed.
Description	Not relevant for payment system oversight.
Assessment	Not applicable
Comments	
6.1.4	Where financial agencies charge fees to financial institutions, the structure of such fees should be publicly disclosed.
Description	The BI does not charge fees for its oversight activity.
Assessment	Not applicable
Comments	
6.1.5	Where applicable, formal procedures for information sharing and consultation between financial

agencies (including central banks), domestic and international should be publicly disclosed.	
Description	<p>At the international level, the principles of cooperation are established in the public statement entitled “Role of the Eurosystem in the field of payment systems oversight” issued in June 2000 by the Governing Council of the ECB. A press release was issued to coincide with the establishment of the two MOUs (see 5.2), publicly disclosing the procedures for information sharing and consultation. As mentioned above, the BI is also a signatory of an MOU written bilaterally by each of the G10 central banks and the Central Bank of Belgium on cooperative oversight of Swift. At a national level, the relationships between financial agencies are established in the 1999 BI White Paper on Payment Systems Oversight.</p> <p>In April 2004, BI departments (oversight, supervision and market surveillance) signed an internal memorandum that deals with the exchange of information in case of insolvency of intermediaries participating in securities and payments clearing and settlement systems. The existence of this memorandum was mentioned in the BI Annual Report.</p>
Assessment	Observed
Comments	
6.2 Significant changes in financial policies should be publicly announced and explained in a timely manner.	
Description	<p>Significant changes in payment systems oversight policies are publicly announced and explained in a timely manner. The main channels of disclosure are the economic bulletin and the Annual Report released to the public through the media and the BI Web site. An announcement and explanation of the change occurs immediately after the decision is taken. Since 1999, when the payment system oversight office has been established, the major changes in policies have been related to the issue of new legislation, these are published on the Official Gazette and available on the BI Web site. www.bancaditalia.it/sistema_pagamenti/sorveglianza/norm</p> <p>The main documents relating to the general policies of the ECB with regard to oversight are also available on BI Web site www.bancaditalia.it/sistema_pagamenti/sorveglianza/DocumBCE</p>
Assessment	Observed
Comments	
6.3 Financial agencies should issue periodic public reports on how their overall policy objectives are being pursued.	
Description	<p>The BI Annual Report explains how the overall policy objectives are being pursued. Moreover, on an ad hoc basis, the BI may report on payment systems oversight in its semi-annual Economic Bulletin. Examples of contributions to the Economic Bulletin (Italian version) by the Payment System Oversight Office can be found in: issue n.39, November 2002 “<i>La Centrale d’allarme interbancaria (CAI)</i>” p.1*; issue n.42, March 2004 “<i>La politica di sorveglianza dei sistemi e degli strumenti di pagamento al dettaglio in Europa</i>” p.1*; issue n.44, March 2005 “<i>I progressi nella realizzazione di un’area unica dei pagamenti in euro</i>” p.4*. These are publicly available at www.bancaditalia.it/pubblicazioni/bollec.</p> <p>The Annual Report describes cooperation between payment systems oversight and banking and financial supervision. The payment systems oversight function benefits from the support of other functional areas such as monetary policy, economic research, supervision of financial markets, and legal research. Pursuant to Art. 20, 2nd paragraph, of Law no. 287/90, the BI also performs the role of anti-trust authority for the banking sector. In this respect, the oversight function may be called upon to provide support for inquiries concerning anti-trust issues pertaining to payment instruments. This activity is increasing in recent years given the relevance of such issues in the financial system (e.g. Pagobancomat – debit cards). Finally, the BI is charged with market</p>

	supervision. In pursuing cooperation for this function the aim is to ensure the consistency of securities settlement systems (SSS) rules with those governing the payment systems. This is relevant, for instance, to the definition of the characteristics of the “point of entry” for orders to be settled in the systems, according to the settlement finality directive.
Assessment	Observed
Comments	
6.4	For proposed substantive technical changes to the structure of financial regulations, there should be a presumption in favor of public consultations, within an appropriate period.
Description	<p>There is a presumption in favor of public consultations for proposed substantive technical changes to the structure of financial regulations and the length of the consultation period is between one and three months. After the conclusion of the consultative process, new regulations take effect within three months.</p> <p>Strategic, operational and technical papers are usually published and used by the BI to inform and informally consult market operators (including financial intermediaries, service providers, and managers of infrastructures) on major reforms in payment clearing and settlement systems. Consultations on ad-hoc projects (such as guidelines for business continuity) and on issuing of oversight regulation (most notably the oversight provisions) are usually held with interested parties only. Consultations are also held in connection with European initiatives (EMSSO report, e-payments).</p> <p>The ECB website www.ecb.int/ecb/cons gives access to the public consultations launched by the Governing Council and performed by the NCBs (including the BI). The timing of the consultations is set by the ECB. In particular:</p> <ul style="list-style-type: none"> • consultation was carried out over a period of 3 months for “E-payments without frontiers” and for “Oversight standards for euro retail payment systems”; and over a period of 6 months for the Report on Electronic Money Security Standards. • the final versions of the documents have been published 3 months after the end of the public consultation for “E-payments without frontier”; 6 months for the Report on Electronic Money Security Standards and 9 months for “Oversight standards for euro retail payment systems.” <p>As for the “ad hoc” consultations on “oversight provisions” and “business continuity guidelines” - which involved the main banks, financial operators and network infrastructures - the length of the consultation period was between 1 and 2 months.</p> <p>An example of two-way communication with supervised intermediaries may be drawn from the communication on the scope of application of EC Regulation 2560/01 on Euro cross border payments. Intermediaries were also informed about the interpretative note issued by the European Commission on some aspects of practical implementation. The correspondence includes letters exchanged between the BI and the SIA on oversight of the infrastructure for Step 2 and letters sent to the Italian Bankers Association about cross border credit transfers. Operative instructions issued by the BI include the guidelines for the business continuity of significant infrastructure services, issued in November 2004. Such instructions are issued in cooperation with the supervisory department, as in the case of the “decalogo” to detect irregular operations within the framework of the monetary authorities’ actions to counter money laundering. Finally, among the ad hoc meetings held with interested parties is the series of meetings with intermediaries for launching e-money schemes. The discussions drew participants’ attention to the security of payment schemes, including the prevention of their use for illicit purposes and the combating of fraud, money laundering and terrorist financing.</p>

Assessment	Observed
Comments	
VII. PUBLIC AVAILABILITY OF INFORMATION ON FINANCIAL POLICIES	
7.1	Financial agencies should issue a periodic public report on the major developments of the sector(s) of the financial system for which they carry designated responsibility.
Description	<p>As mentioned above, payment systems oversight is covered in periodic public reports on major developments issued by the BI on an annual and semi-annual basis. This is publicly disclosed and explained through the channels referred to earlier.</p> <p>In addition to the information published in the BI Annual Report, the semi-annually Statistical Bulletin on Payment Systems allows a full disclosure of the development of the national payment systems and instruments. Ad hoc reports may also be issued through the semi-annual Economic Bulletin (see 6.3). The results of specific research conducted within the BI are disclosed to the public through speeches and conferences (see for example the publications on innovation in electronic payments issued in January 2004 and 7.4.2 below). The related documents are published on the BI Web site.</p>
Assessment	Observed
Comments	
7.2	Financial agencies should seek to ensure that, consistent with confidentiality requirements, there is public reporting of aggregate data related to their jurisdictional responsibilities on a timely and regular basis.
Description	<p>Aggregate data related to the BI's jurisdictional responsibilities in payment systems oversight are publicly reported annually and semi-annually, consistent with confidentiality requirements. The channels of disclosure include the economic bulletin and the Annual Report, released to the media and posted on the Web site.</p> <p>The data compiled by the BI and published in aggregate form in the Annual Report refer to: (i) the volume and value of payments processed by the national payment systems; and (ii) the volume and value of national payment instruments. In addition to this, the BI conducts surveys on specific topics in payment systems (such as payment execution time, fees for payment instruments, development of e-payments, and developments in remittance systems). The results of these surveys are also generally published in the BI Annual Report. Moreover, the BI contributes to the collection of data and information for the Italian component of TARGET. Such data are published by the ECB within the set of statistics on selected Euro large value payment systems. Data and information is also collected on payment instruments, published in the Red Book (BIS) and the Blue Book (ECB).</p>
Assessment	Observed
Comments	
7.3	Where applicable, financial agencies should publicly disclose their balance sheets on a pre-announced schedule and, after a predetermined interval, publicly disclose information on aggregate market transactions.
Description	<p>Financial statements are publicly disclosed on a preannounced schedule (annually) but they refer to the BI as a whole and do not distinguish the function of payment systems oversight. The BI also consolidates its financial statements with the Eurosystem, for which data are published on a weekly basis. The schedule of the release of the consolidated weekly financial statements is publicly</p>

	available on the ECB web site. No market transactions are made in relation to payment system oversight.
Assessment	Observed
Comments	
7.3.1	Consistent with confidentiality and privacy of information on individual firms, aggregate information on emergency financial support by financial agencies should be publicly disclosed through an appropriate statement when such disclosure will not be disruptive to financial stability.
Description	Not relevant for payment system oversight since the BI does not provide emergency financial support in connection with its oversight of the payment system.
Assessment	Not applicable
Comments	
7.4	Financial agencies should establish and maintain public information services.
Description	The BI maintains comprehensive public information services designed to disseminate information on policy decisions and policy announcements, the operating framework, targets and objectives related to the payment system. Its information system is structured in such a way to disseminate statistics and data, economic bulletins and papers, legal publications, payment system oversight rules, the Annual Report on its activities, regional economic reports, and the text of senior officials' speeches and testimony to Parliamentary committees. All information material is published on the Web site. Relevant texts are distributed to both public and private institutions, and the media. (See also 7.1 above.) The Communication and Press Relation Division of the Governor's Secretariat is in daily contact with all media representatives to assist them in the interpretation of institutional communications. Press conferences are organized at the end of international meetings.
Assessment	Observed
Comments	
7.4.1	Financial agencies should have a publications program, including a periodic public report on their principal activities issued at least annually.
Description	As mentioned earlier, the publications program of the BI includes the bulletin, ongoing research and statistical publications, speeches of officials, non-technical descriptions of the role and functions of the BI and information about relevant ECB initiatives and activities in the area of payment systems. The BI is legally required to publish its Annual Report, which also contains information on its payment systems oversight activity. This is issued five months after the end of the relevant reporting period. Access to these publications is free of charge.
Assessment	Observed
Comments	
7.4.2	Senior financial agency officials should be ready to explain their institution's objective(s) and performance to the public, and have a presumption in favor of releasing the text of their statements to the public.
Description	The BI publicly reports on questions within the scope of its authority in parliamentary hearings whenever the Parliament needs technical advice on subjects related to the functions of the BI and on other occasions. Testimonies before Parliament are generally held by the Governor, the Director

	<p>General and the Deputies of the Director General, occasionally, by other senior officials. Such testimonies before Parliament are disclosed to the public also by the Parliament itself, in printed form and through its Web site. BI senior officials regularly explain their institution's objectives and performance to the public by delivering speeches at public meetings and media interviews. There is a presumption in favor of releasing the text of their statements to the public, whether through the economic bulletin, through the media, or on the Web site.</p> <p>Examples of speeches by BI representatives are: "Banca d'Italia e i servizi su rete" by Antonio Finocchiaro (4 March 2003) www.bancaditalia.it/interventi_comunicati/intaltri; "Le innovazioni nel sistema dei pagamenti elettronici: luci e ombre nella diffusione delle tecnologie dell'informazione e della comunicazione" by Carlo Tresoldi (30 January 2004) www.bancaditalia.it/ricerca/statist/conv_svo/tecno/Tresoldi.pdf.</p> <p>Examples of speeches by ECB representatives available on the ECB's website www.ecb.int.press are: "Card payments and the European financial integration" by Gertrude Tumpell Gugerell (21 September 2004); "The need for regulatory involvement in the evolution of payment systems" by Gertrude Tumpell Gugerell (25 April 2005).</p>
Assessment	Observed
Comments	
7.5	Texts of regulations and any other generally applicable directives and guidelines issued by financial agencies should be readily available to the public.
Description	Texts of regulations, generally applicable directives and guidelines issued by the BI and other bodies responsible for payment systems oversight are readily available to the public, free of charge, disclosed in the official government gazette and posted on the BI Web site.
Assessment	Observed
Comments	
7.6	Where there are deposit insurance guarantees, policy-holder guarantees, and any other client asset protection schemes, information on the nature and form of such protections, on the operating procedures, on how the guarantee is financed, and on the performance of the arrangement, should be publicly disclosed.
Description	Not relevant for payment system oversight.
Assessment	Not applicable
Comments	
7.7	Where financial agencies oversee consumer protection arrangements (such as dispute settlement processes), information on such arrangements should be publicly disclosed.
Description	The BI does not oversee consumer protection arrangements or dispute settlement processes.
Assessment	Not applicable
Comments	Although consumer protection is not among the responsibilities assigned to the BI, it is indirectly pursued through the promotion of efficiency and transparency of the national payment systems and instruments.
VIII. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY BY FINANCIAL AGENCIES	

8.1	Officials of financial agencies should be available to appear before a designated public authority to report on the conduct of financial policies, explain the policy objective(s) of their institution, describe their performance in pursuing their objective(s), and, as appropriate, exchange views on the state of the financial system.
Description	The BI publicly reports on questions within the scope of its authority in parliamentary hearings (see 7.4.2). The purpose is to report on the conduct of financial policies, explain policy objectives, and exchange views on the state of the financial system. There is no pre-specified schedule for these appearances, they occur whenever the Parliament needs technical advice on subjects related to the functions of the BI. In fact, officials of the BI are not required by law to appear before a designated public authority, but, they stand available to do so. Testimonies before Parliament are generally held by the Governor, the Director General and the Deputies of the Director General, and, occasionally, by other senior officials.
Assessment	Observed
Comments	
8.2	Where applicable, financial agencies should publicly disclose audited financial statements of their operations on a pre-announced schedule.
Description	The BI publicly discloses its audited financial statement (balance sheet, income statement, the notes to the accounts) in the Annual Report, issued no later than five months following the end of its financial year (see also 7.3). The BI consolidates its financial statements with the Eurosystem, for which data are published on a weekly basis. The schedule of the release of the consolidated weekly financial statements is publicly available on the ECB web site.
Assessment	Observed
Comments	
8.2.1	Financial statements, if any, should be audited by an independent auditor. Information on accounting policies and any qualification to the statements should be an integral part of the publicly disclosed financial statements.
Description	According to Article 27 (1) of the ECSB Statute, the accounts of the BI are audited by independent external auditors recommended by the Governing Council of the ECB and approved by the European Council. The auditors are chosen from a restricted list of reliable and prominent companies, members of the association of auditors. The external auditor's mandate has a duration of three years, with the possibility to be renewed. Information on accounting policies and any qualification to the statements are an integral part of BI publicly disclosed financial statements. In drawing up its annual accounts, the BI is subject to special statutory provisions in the guidelines approved by the Governing Council of the ECB and applies the rules laid down in the Civil Code with, where appropriate, generally accepted accounting standards. (See also 7.3).
Assessment	Observed
Comments	
8.2.2	Internal governance procedures necessary to ensure the integrity of operations, including internal audit arrangements, should be publicly disclosed.

Description	The BI Statute provides rules concerning conflicts of interests of the BI's officials and governing bodies, and general rules on staff conduct. BI functions and organizational structure are also explained in a pamphlet, available on its Web site, disclosing the existence of an Internal Inspectorate. This department is responsible for drafting information on the auditing activity carried out during the course of the year and released in the Annual Report.
Assessment	Observed
Comments	
8.3	Where applicable, information on the operating expenses and revenues of financial agencies should be publicly disclosed annually.
Description	The BI financial statements, published in the Annual Report (see 7.3) include information on operating expenses and revenues. There is no breakdown for the payment systems oversight activities performed by the BI.
Assessment	Observed
Comments	
8.4	Standards for the conduct of personal financial affairs of officials and staff of financial agencies and rules to prevent exploitation of conflicts of interest, including any general fiduciary obligation, should be publicly disclosed.
Description	<p>There are standards for the conduct of personal financial affairs of officials and staff of the financial agency and rules to prevent exploitation of conflicts of interest but they are not publicly disclosed. Only the general rules of conduct for staff as provided for in the BI's Statute (see 8.2.2) are disclosed.</p> <p>Detailed rules are contained in an internal staff regulation (<i>Regolamento del Personale</i>) which is deposited with the CNEL (<i>Consiglio nazionale dell'economia e del lavoro</i>). Although the rules are not publicly disclosed, they are summarized in a text on organization and operations on the BI Web site, and are available upon request from CNEL.</p> <ul style="list-style-type: none"> • Title III, Part I of the internal staff regulation contains rules concerning the obligations, prohibitions, incompatibilities and responsibility of BI staff. According to Article 12 (4.d), employees are obliged to notify the BI of any interests – financial or non financial in nature – that they and their relatives may have with respect to matters falling within the remit of the office to which they are assigned and which can generate potential conflicts of interest. • By virtue of this regulation staff are prevented from taking advantage of knowledge on activities performed by the BI, from performing activities that run counter to the interests of the BI, taking on other employment, and engaging in securities transactions in stock exchanges. <p>The staff regulations also govern procedures relating to the application of disciplinary sanctions. A special body called "<i>Commissione di disciplina</i>" proposes the disciplinary sanctions to be applied in the case of irregularities committed by staff. The members of the <i>Commissione di disciplina</i> are designated by the Governor; they are one Deputy Director General who acts as chairman, the head of the Personnel Management Department and three other members chosen among senior staff. The following disciplinary sanctions may be imposed: (i) censure; (ii) reduction in salary; (iii) suspension (with suspension of salary payment) for a period of 6 months to 1 year; (iv) dismissal.</p>

Assessment	Observed
Comments	
8.4.1	Information about legal protections for officials and staff of financial agencies in the conduct of their official duties should be publicly disclosed.
Description	There is no specific provision offering legal protection to the BI and its employees, which in the performance of their supervisory functions are public officials, against the possibility of legal action stemming from measures adopted in the performance of their functions.
Assessment	Not applicable
Comments	

Recommended action plan and authorities' response to the assessment

Recommended action plan

6. The summary table contains recommended steps for improving observance of the MFP Transparency Code. Only the practices with respect to which specific recommendations are being made are listed.

Table 2. Recommended Action Plan to Improve Observance of the IMF MFP Transparency Code Practices—Payment Systems Oversight

Reference Practice	Recommended Action
V. Clarity of Roles, Responsibilities and Objectives of Financial Agencies Responsible for Financial Policies	
5.1.4 Where applicable, the procedures for appointment, terms of office, and any general criteria for removal of the heads and members of the governing bodies of financial agencies should be publicly disclosed.	Publicly disclose the applicability of Article 14.2 of the ESCB Statute as regards the dismissal of the Governor and the general criteria for removal of the heads and members of the governing bodies in the absence of such provisions in the BI Statute. The recently adopted Savings Law now explicitly mentions Article 14.2 of the ESCB Statute for the Governor's dismissal procedures.
VI. Open Process for Formulating and Reporting Financial Policies	
VII. Public Availability of Information of Financial Policies	
VIII. Accountability and Assurances of Integrity by Financial Agencies	

Authorities' response

7. BI considers that the assessment recognizes the high degree of transparency which characterizes the policy for payment system oversight.² The interaction with the IMF representatives has been very fruitful and the discussions highlighted a number of issues which will influence positively also the future behavior of the agency. With regard to the institutional framework (point 5.1), BI has recently approved a new legislation which will implement a number of changes in the management of BICOMP, the retail payment system managed by BI itself. The new legislation—together with an explanatory note—will be published not only on the *Gazzetta Ufficiale della Repubblica italiana* but also on the BI's Web site, in order to enhance the awareness of the public on oversight objectives and institutional decisions taken on this issue. The draft provisions together with the opinion released by the ECB is already available on the ECB Web site.

² As regards the dismissal of the Governor of BI see the authorities response to the BCP assessment.