Mr. Desario reports on growth prospects and implications for supervision of asset management Address by the Director General of the Bank of Italy, Dott. Vincenzo Desario, at the conference "Asset management: insurance companies versus banks" held in Rome on 9/4/98.

1. Introduction

The growth of asset management has been a common feature of the financial systems of all the leading industrial countries. In Italy, the growth has been especially rapid in the last two years, under the influence of both cyclical and structural factors.

The professional management of savings has always been a characteristic aspect of financial intermediation. Its scope was originally limited to the management of individual estates and the provision of financial advice.

The mandate to engage in financial investment conferred by savers (asset management) does not place intermediaries under an obligation to repay the nominal value of the principal invested, nor does it guarantee the achievement of a given yield. The scope of the activity has become much broader; it now involves a wide range of different financial intermediaries and instruments and a much larger pool of investors.

The sharp increase in financial flows has led intermediaries to operate in a variety of markets and expand the number of innovative products they offer. The ranks of those involved have grown: banks and insurance companies have been joined by investment houses and investment fund management companies, the savings of high-income customers by those of lower-income workers and pensioners, and individual investors by institutional investors.

The operational overlap between different categories of intermediary and the substitutability of different types of instrument have increased. Competition has become fiercer at both the domestic and the international level. The need to achieve a critical mass in order to operate in a market where the geographical boundaries and the supply of products are changing rapidly has prompted reorganizations, concentrations and the formation of conglomerates.

The expansion of asset management has been a major driving force in financial innovation and has contributed everywhere to the erosion of institutional segmentation and to the pressure to change the organization of controls.

I shall look first at the evolution of asset management at the international level, before analyzing its development in Italy and the role of banks and other intermediaries. In view of the opportunities and risks that this development entails, I shall also address supervisory issues, the new legal framework established recently with the consolidated law on financial markets and the need for closer and more effective cooperation between authorities, both in Italy and in international fora.

2. Asset management in the industrial countries

The rapidity of the growth of the international asset management industry is reflected in the share of the financial instruments it offers in households' portfolios and the importance of institutional investors.

Between 1982 and 1994 - a period for which comparable figures are available - there was a significant shift in the composition of households' portfolios in all the leading OECD countries: while the share of financial assets held as bank deposits declined, that of products offered by insurance companies, investment funds and pension funds grew steadily.

Significant differences between countries nonetheless persist within this common trend. At the end of the period considered, the proportion of households' financial portfolio consisting of managed assets was one-sixth in Italy and France, one-fourth in Germany and Japan, two-fifths in the United Kingdom and three-fifths in the United States.

During the same period, the assets of institutional investors (insurance companies, investment funds and pension funds) increased in relation to the total volume of financial intermediation and gross domestic product. Differences in the role of institutional investors in the various countries are captured by the latter indicator: the assets under their management were equal to 30 per cent of GDP in Italy and Germany but amounted to more than 200 per cent of GDP in the United Kingdom and Japan (Table 1).

The disparity in the size of the sector in the different countries does not prevent us from identifying a number of shared structural determinants of the growth in asset management.

The first and most important is the gradual aging of the population, which fuels demand for pension-related financial instruments. The difficulties faced by public pension systems reinforce this trend: asset management has grown the most in countries whose pension systems are primarily based on private pension schemes; where public systems play a major role, the sector has developed later and grown more slowly.

The tight limits on budget deficits imposed by the stability pact among the countries participating in the Economic and Monetary Union will accelerate recourse to private pension arrangements, giving additional impetus to the growth of institutional investors in Italy, France and Germany.

The liberalization of capital movements at the end of the 1980s was an equally important propulsive factor. New opportunities to diversify financial investments were opened up to savers in countries that had previously imposed foreign exchange restrictions. It became possible to construct portfolios with the desired combination of risk and return; at the same time, it became more difficult to manage portfolios, increasing the importance of the services offered by specialized intermediaries.

The decline in the rate of inflation in recent years, together with the restoration of macroeconomic stability, has been another factor contributing to the growth and has encouraged a shift in financial resources towards longer-term assets and, above all, the stock market.

The spread of asset management has not had the same features everywhere. In the United States, the process has been accompanied by a considerable reduction in the role of banks; in the countries of continental Europe the latter have retained a significant position and in many cases have been the main actors in promoting the growth of the sector.

In reality, the growth of asset management does not necessarily lead to banking disintermediation: the competition triggered by the changed preferences of savers, new technology and more refined financial instruments, and the evolution of the legal framework does not favour any one type of intermediary but rather modifies the characteristics of financial intermediation and financial products as we know them today.

Asset management, defined as the all-inclusive professional management of savings, is destined to produce lasting changes in the structure of the financial system we have inherited, in three main directions: greater concentration in the production of asset management services, an expansion of financial assets in relation to real wealth, and an increase in the importance of the securities market.

The search for optimal size in asset management activities, international diversification strategies and the need to create efficient integrated structures for the production and distribution of financial products have given rise to mergers between some of the world's leading intermediaries.

The growth in asset management has contributed to financial deepening in the leading industrial countries. Between 1982 and 1994 the ratio of gross financial assets to real wealth rose from 0.8 to 1.6 in the United States and from 1.5 to 2.5 in the United Kingdom.

Institutional investors are channelling an increasingly large volume of funds towards the financial markets. The arbitrage activities they engage in and their ability to trade in highly volatile financial assets give breadth and depth to the securities market, reinforcing its role in the allocation of savings and the redistribution of risk. It is worth noting the introduction of derivative credit instruments and the growing recourse to techniques for securitizing of bank loans.

The connection between the development of asset management and the growth of the stock market is shown by the fact that at the end of 1995 the shareholdings of UK pension funds were greater than the total capitalization of the Italian and German stock markets.

In certain circumstances the behaviour of institutional investors could accentuate tensions in securities markets. In markets of insufficient depth, price fluctuations are likely to be amplified by the use of dynamic hedging techniques or the imitative behaviour of managers seeking to reduce the risk of performing less well than their competitors.

3. The growth of asset management in Italy

In Italy, the spread of asset management products has increased appreciably in recent years, approaching the levels achieved in the other leading countries.

Between 1990 and 1997 the aggregate comprising investment funds, portfolio management services, pension funds and life insurance companies' technical reserves increased from 150 trillion lire to just under 1,000 trillion, rising from 8.5 to 33 per cent of total domestic financial assets (Table 2).

The increase was especially large in 1997. Net fund-raising by investment funds tripled by comparison with 1996 and amounted to 143 trillion lire. In the first nine months of 1997, the net inflow of resources to portfolio management services nearly doubled to 64 trillion lire, while premiums paid in respect of life insurance policies grew more moderately, increasing by 44 per cent.

The differences between the products offered by the various categories of intermediary have narrowed. About one-quarter of the funds raised by portfolio management services were reinvested in investment funds. In the insurance industry there has been strong growth in products with a more pronounced financial component, such as single premium policies, sales of which increased by 125 per cent in the first nine months of 1997.

The impressive increase in asset management in 1997 was boosted by the decline in interest rates that accompanied the fall in inflation. Small investors entrusted professional managers with savings that had previously been invested in government securities as they sought to increase their returns, *inter alia* through capital gains.

The shift from personal investment to asset management has led to a greater diversification of households' and firms' investment portfolios. Nonetheless, considering the total assets held directly or indirectly by savers shows that the redistribution of final investment instruments is taking place gradually. In the past two years the substantial reduction in households' demand for government securities has been largely offset by the increase in the subscriptions of investment funds. Only in part has it translated into purchases of listed shares and especially foreign securities.

The preference for asset management is likely to be reinforced by the recent changes in the tax treatment of financial assets. The new procedures for the taxation of financial income, based on an all-inclusive approach, relieves investors in managed asset instruments from having to send in returns and requires the intermediaries providing the service to settle the related tax liabilities. The new rules also standardize the procedures for individual and collective instruments; a simplification that should enhance operational efficiency.

The flow of funds to institutional investors and to the securities market requires an adequate response in terms of the supply of financial instruments. Greater recourse by firms to the market, through debt and equity issues, will enable the productive economy to benefit from Italy's substantial saving capacity and give intermediaries an opportunity to expand their investment banking services.

The supply policies of banks, especially the leading Italian banking groups, have played a key role. Capitalizing on professional asset management is now a central strategic objective; it is in line with customer preferences, helps offset the downward trend in interest income, increases productivity through a better utilization of labour, and consolidates the fiduciary relationship with savers.

In 1996 managed asset services contributed substantially to banking groups' profitability, producing gross revenue of more than 4 trillion lire or around one-third of pre-tax profit.

In the same year banks and their subsidiaries handled 70.4 per cent of all managed assets in Italy, up from 63 per cent in 1992. Considering investment funds and portfolio management services only, at the end of 1997 the volume of assets managed directly or indirectly by banks amounted to four-fifths of the total. Banking groups have strengthened their central role in asset management; overall, there has been no significant impact on the volume of funds intermediated by the credit system.

Over the past five years the fund-raising policies of the bank-controlled asset management companies have transformed the rankings in this sector; the number of bank-controlled companies in the top five has risen from two to four.

Marketing capabilities and the fiduciary relationship with customers have given banks a competitive edge over other financial intermediaries. The expansion of the distribution network in years past through the progressive diversification of channels (branches, financial salesmen, marketing agreements) has produced very extensive coverage of the territory.

A survey of the banking system conducted by the Bank of Italy found that at the end of 1995 portfolio management services were offered by more than 60 per cent of all banks, life insurance products by over 70 per cent, and investment fund units by 80 per cent.

Insurance products are increasingly simple and standardized, which has facilitated their marketing via bank networks and financial salesmen. In the first nine months of 1997 the share of life insurance products sold through bank networks was 33 per cent, compared with 25 per cent in the same period of 1996; the share marketed through agents dropped from 42 to 36 per cent.

4. Banks and other intermediaries: competition and integration

The Italian financial system was historically bank-oriented rather than market-oriented. It did not offer valid opportunities for portfolio diversification: the scope for investment was restricted to one instrument - bank deposits - offering modest yields and a nominal value that was stable over time.

In the last fifteen years Italians' high propensity to save, the increasing supply of government securities, the launch of investment funds and the liberalization of capital movements have enormously enlarged the role of the financial markets and the opportunities for diversification.

There nonetheless remain risks for the economy as a whole that the markets do not help to control and which financial theory defines as "non-diversifiable". Such risks are connected with the economic cycle or the alternation of periods of financial euphoria and panic, which tend to generate broad swings in asset prices and thus affect households' wealth. In such circumstances, an important role is played by intermediaries that perform the function of converting risk via their balance sheets through the supply of such non-negotiable instruments as bank deposits and defined-benefit life insurance products.

Financial innovation continuously redefines the interaction between markets and intermediaries. It is this process that determines the ability of the financial system to sustain the growth of the economy and offer instruments with adequate safeguards for households' and firms' savings.

The growing competition between instruments, types of intermediary, and intermediaries and markets thus does not eliminate some of the features that distinguish the operations of banks, insurance companies and securities intermediaries.

Banks necessarily have a large portion of their assets tied up in non-negotiable assets - loans. They retain a central role in the provision of payment services. They are the main channel for the transmission of monetary policy impulses, owing to the convertibility of deposits into legal tender.

Insurance companies are characterized by the production of non-negotiable instruments that offer customers a guaranteed return even for the long term.

Securities intermediaries are geared to efficient trading in securities. The liabilities they issue do not carry the obligation of redemption at face value and are not means of payment.

The intensification of competition is a force for the increasing integration of specialized intermediaries within group structures.

The reasons for integration are often to be found precisely in the field of asset management, where the overlapping between banking, insurance and securities business is most pronounced.

Competition spurs the drive for ever greater size, permitting adequate diversification and the exploitation of economies of scale in the supply of individual and collective asset management services. The recent wave of mergers among the leading global intermediaries confirms the link between the enlargement of the market, the increase in competition and the effort to achieve critical mass. For instance, the merger between Union Bank of Switzerland and Swiss Bank Corporation, already the third and fifth-largest European banking groups at the end of 1996, created an intermediary with some $680 billion of managed assets, nearly three times the total net assets of Italian investment funds.

Competition and concentration are bound to intensify with economic and monetary union, which will eliminate the residual segmentations based on the currency of denomination of financial products.

In the drive for efficiency, Italian intermediaries have also begun to centralize functions that were once performed by different operational units and not always integrated in operational or administrative terms. They are rationalizing the production and distribution of their different asset management services within group structures, but they have not yet attained the size needed in order to compete at the European level.

Italian intermediaries can defend their position in the domestic market effectively, capitalizing on their customer relations and distribution capabilities. With respect to certain groups of investors, however, such as firms, foundations and wealthy individuals, the distribution network is of minor importance, and foreign intermediaries are likely to be increasingly effective competitors. Over the longer run, the spread of electronic sales networks and other marketing innovations will intensify competition in standardized products for the retail market as well.

The acceleration of mergers and takeovers within the Italian banking industry and the growing recourse to forms of integration between credit and insurance institutions reflect the commitment to enhance the competitiveness of the financial system and to reposition the sector within the European market.

Alongside the major intermediaries there is still room for local operators, but their success requires highly specialized production strategies, aimed at particular instruments and markets. Alternatively, these banks could concentrate on strengthening their distribution capabilities, perhaps through agreements with large-scale asset management institutions that do business in a number of different financial market centres, in order to obtain more sophisticated products and offer their customers a broader range of services.

5. The new regulation of asset management

The erosion of the geographical and product barriers between markets, the creation of complex and internationally ramified groups, the increasing competition between different types of intermediaries and the growth of securities markets have enhanced the investment opportunities available to vast numbers of small investors; they have also called for a major effort to adapt the regulatory framework and the organization of supervision in order to protect the savings invested and the stability of intermediaries.

The revision of the regulations governing the various financial sectors, partly in response to the process of harmonization within the European Community, has eliminated the competitive inequalities between different intermediaries operating in the same markets, created instruments for exercising control in order to counter the risks arising from the new forms of organization of financial activity.

In Italy, the Consolidated Law on Financial Markets has responded to the problems posed by the new and diversified structure of supply by thoroughly overhauling the rules governing financial intermediaries and markets.

The statutory innovations will allow Italian intermediaries to diversify and broaden the range of services they provide, adopt more flexible organizational structures and compete on an equal footing with foreign firms.

The earlier legal framework restricted the scope for innovation, especially in the field of collective investment, where new types of investment funds could only be introduced by primary legislation.

The extensive recourse made to secondary instead of primary legislation has removed the constraints on the diversification of products and services. In particular, the Ministry of Treasury is charged with the task of defining the principal characteristics of the various types of investment funds, with special reference to eligible assets (listed securities, unlisted securities, real estate, etc.), whether the fund is open or closed-end, and the nature of potential customers (small savers or institutional investors).

The Bank of Italy is charged with regulating the management of investment funds' portfolios. In addition to the earlier tasks associated with the prudential supervision of undertakings for collective investment in transferable securities (UCITS), it is now responsible for establishing the procedures and prohibitions for investment activity and for the limitation and diversification of risk.

The most important innovation is the elimination of the separation between management on an individual basis and that on a collective basis with the creation of a single manager, the "asset management company".

Investment firms, banks and trust companies continue to be allowed to provide individual management services directly, while asset management companies are allowed to provide both individual and collective management services on an exclusive basis. The possibility of operating across the board will enable them to achieve higher levels of productive efficiency.

The right to provide the two services jointly, which is consistent with the proposed Community directive currently under discussion on the collective management of assets, meets the needs of intermediaries and puts them in a better position to satisfy the preferences of their customers. At the same time, the prohibition on the supply of other services is an important defence against conflicts of interest.

Major changes in the direction of greater flexibility have also been introduced at the organizational level. In particular: the management and promotion of funds may be separated and entrusted to different companies; managers may delegate investment activity within a set of criteria for the allocation of resources; and in the field of individual management services banks and investment firms may entrust the execution of management contracts to third parties, for part of the portfolio or even the entire portfolio, subject to written authorization by the customer. The granting of considerable autonomy in the organization of production reflects the belief that the supply of management services is a complex business with high fixed costs and large economies of scale.

The importance of group structures in the financial industry and the related need to strengthen prudential controls suggested extending the scope of the rules on consolidated supervision to financial groups having at least one investment firm or asset management company. Responsibility for issuing the regulations lies primarily with the Bank of Italy, which is required to define such groups for supervisory purposes and draw up the prudential rules to be applied on a consolidated basis.

The division of supervisory responsibilities according to purpose has been confirmed and further clarified for all intermediaries. Consob is entrusted with ensuring the transparency, correctness and regularity of trading, while the Bank of Italy is responsible for the controls aimed at protecting investors and ensuring the capital adequacy and stability of intermediaries.

Faced with the continuous and at times tumultuous development of financial markets, the debate on the optimal organization of supervisory controls sometimes appears to be conducted at an excessively abstract level. The experience of recent years shows that supervisory arrangements must be constantly adapted to the situations created by financial and technological innovation.

The transfer of vast sums to the care of professional managers by small savers belonging to a wide range of social groups raises special issues with regard to financial stability. Naturally, there is no derogation from the principle that the result of delegated investment depends on the performance of the management scheme, which may involve both lower-than-expected rates of return and capital losses. Managers nonetheless have a special responsibility to safeguard the value of such savings. It is indispensable that management choices should correspond to the risk profiles accepted by investors and, more generally, that the rules on risk diversification should be observed. The prudential limits on operations established and monitored by the authorities become of great importance.

The structural changes under way in the Italian financial system require the different supervisory regulators to intensify their coordination efforts. Effective cooperation among authorities enhances the effectiveness of controls, and the ability to forestall instability is the key to achieving the efficiency gains that the growth of financial markets makes possible.

The consolidated law imposes an obligation on the authorities to collaborate, *inter alia* by exchanging information; they cannot invoke official secrecy in their dealings with each other. The importance of coordination is thus confirmed, in recognition of the dangers that inefficient cooperation is likely to entail for the integrity and efficiency of the financial system. At the same time collaboration must be informed by the principle of minimizing the costs borne by those subject to supervision.

The globalization and increasing competition between financial centres that have accompanied the growth in asset management have also spurred a far-reaching reorganization of the securities markets. The consolidated law completes the innovations introduced by Legislative Decree 415/1996, which provided for the privatization of the stock exchange and the securities markets. The management of the markets is entrusted to limited companies that have private sector shareholders and self-regulatory powers in matters such as the admission of financial instruments and intermediaries to the market, as well as their exclusion and suspension.

Consob is charged with the supervision of the regulated markets; the Bank of Italy has been given a primary role for the markets that are important for monetary policy purposes: the screen-based government securities market (MTS) and the interbank deposit market (MID).

6. International coordination

The response to the growing integration of markets has been to complete the reform of financial regulations, with the creation of a system of controls that is basically neutral with respect to the nature of intermediaries and based on cooperation among supervisory authorities.

The internationalization of finance results in cooperation among the authorities of different countries becoming of fundamental importance. The increasing openness of financial markets makes the exchange of information indispensable, requires a flexible interpretation of cooperation agreements and calls for the coordination of corrective measures. The links between supervisory bodies must be permanent, not restricted to crisis situations, and must involve both the authorities responsible for controlling intermediaries and those with powers over markets.

The growth of asset management, where the activities typical of institutions engaged in banking, insurance and securities investment services intersect, has fostered the rise of financial conglomerates.

The presence of these complex organizations creates new channels for the spread of possible crises; their international ramification and the existence of different types of intermediaries increase the difficulty of coordinating the supervisory bodies involved.

Generally speaking, the emergence of a small group of very large global operators with substantial capital and highly diversified portfolios strengthens the financial system; the emergence of such a group nonetheless faces the international community with the problem of forestalling the possibility of an insolvency and defining instruments on an adequate scale for handling such an event.

The supervision of financial conglomerates is hindered by the existence of unregulated entities, but problems also arise where all the components are subject to prudential controls. In the case of capital adequacy, it is necessary to avoid double and multiple gearing, which can result in the group as a whole failing to have adequate capital even though the individual units all satisfy their respective capital requirements.

The ramification and strategies of groups can reduce the effectiveness of individual supervisory authorities' prudential controls and make it less easy to overcome company crises.

Risk control in the more complex financial conglomerates is often centralized in a single operating unit; the correspondence between company structures and lines of business ceases to exist; group activities are no longer covered by supervisory controls, which are divided by country, type of institution and product. Regulators are likely to encounter greater obstacles to the effective performance of their tasks because functions that are crucial to the sound and prudent management of the undertaking subject to supervision are carried on in a different jurisdiction.

Awareness of these difficulties has led to an intensification of cooperative efforts in international fora. At the beginning of 1996 the Basle Committee on Banking Supervision, the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS) set up the Joint Forum on financial conglomerates and charged it with the task of addressing the supervisory issues raised by these complex financial organizations.

In particular, the Joint Forum has studied the practical means of facilitating the exchange of information among supervisory authorities, at both the national and the international levels, and has examined arrangements for facilitating the coordination of control activities both in ordinary circumstances and in crises. It has also drawn up a list of principles aimed at permitting more effective supervision of regulated institutions within financial conglomerates.

The proposals put forward by the Joint Forum primarily concern the methods for evaluating the capital adequacy of conglomerates and verifying the integrity and experience requirements for corporate officers and significant shareholders. Common reporting formats have been prepared for use by authorities in order to improve their understanding and analysis of the structure and operations of conglomerates.

The possibility has been examined of identifying one authority to act as coordinator with the aim of facilitating the exchange of information, permitting an overall assessment to be made of the riskiness and capital adequacy of groups, and improving the consistency of prudential controls and the timeliness of corrective measures. This hypothesis nonetheless requires that consideration be given not only to the benefits just mentioned but also to the danger that supervisory action will be made more complex and the safety net seen as having been extended to all the components of conglomerates, including those that are unregulated.

As things stand today, coordination among supervisors has to rely on their practice of exchanging information, the knowledge each has of the others' operating procedures and objectives, and trust in the opinions they express.

Last February the documents prepared by the Joint Forum were distributed to supervisory authorities and market participants for them to put forward their observations and suggestions. It is important that financial industries, including Italy's, analyze the proposals very carefully, in order to contribute to enhancing their effectiveness and utility, to the benefit ultimately of all market participants.

7. Conclusions

The growth in asset management represents a major structural change and is common to all the leading industrial countries. In Italy, the growth of the industry has accelerated sharply in conjunction with the fall in interest rates over the last two years. The shifts in intermediaries' strategies, the recomposition of their assets and the links created between the different types of intermediary suggest that the growth will not peter out once Italian interest rates come into line with those prevailing in the other countries that will be part of the European Monetary Union.

The management of savings by institutional investors benefits from the development of the securities markets and, at the same time, contributes to their efficiency. It does not necessarily imply the disintermediation of banks. In Italy, the supply policies of the major banking groups have sustained the expansion of management services. The increasing competition, at the international as well as the domestic level, is stimulating the search for larger size through mergers and equity stakes that often give rise to financial conglomerates.

The changes under way modify the exposure to systemic risk, the channels for the propagation of crises and the latter's potential impact. The greater ramification of the financial market is likely to reduce the probability of a single intermediary's difficulties spreading to the rest of the system. Nonetheless, the number and size of today's financial markets and institutions mean that it may prove more difficult to limit the effects of a crisis where one does occur.

Despite the progress made in adjusting the regulatory framework to the new reality of financial markets, supervisory authorities are faced with new challenges; the most important concerns the coordination of their action, both domestically and internationally.

The crises that have occurred in the last few years show how fast tensions can be transmitted across countries, markets and intermediaries. Macroeconomic instability is likely to interact with elements of financial instability, spreading to the jurisdictions of several supervisory authorities, central banks and governments and involving international organizations. As globalization proceeds, the asymmetry between the integration of markets and the multiplicity of regulatory authorities increases the difficulty of carrying out supervision, calls for a parallel integration of supervisory action.

Coordination and the timely exchange of information can increase the ability to forestall crises and help overcome them when they do occur.

The reform of the securities market and the opening of finance to international competition have broadened and strengthened the structure of Italy's financial system and improved its allocative efficiency. Firms and households can turn to new intermediaries and new instruments.

Firms can tap a wider range of sources of external finance, raise long-term debt and, above all, make greater use of equity capital. In this way they can achieve a more solid financial structure that is better able to sustain investment. Households have greater scope to diversify their financial portfolios with products that in the long run permit higher real rates of return.

In today's new conditions of monetary stability, the possibility of earning high returns at low risk that was a feature of the last twenty-odd years will no longer exist. In order to take full advantage of the opportunities offered by the development of the securities markets, intermediaries will have to make their investment choices keeping a close eye on economic fundamentals and firms' capital solidity and earnings prospects.

It is not only intermediaries who must be fully aware of the growing complexity of financial intermediation and of the related risks, but also the investors who entrust them with their savings.

Table 1

Assets of institutional investors

	as a percentage of total financial intermediation				as a percentage of GDP			
	1982	**1986**	**1990**	**1994**	**1982**	**1986**	**1990**	**1994**
Italy	4.0	12.4	14.9	17.1	6.0	19.5	22.3	29.8
France	5.5	13.6	18.0	23.6	12.2	33.8	50.5	71.3
Germany	12.2	14.3	14.6	15.3	22.6	28.8	33.9	36.4
Japan	61.4	63.1	59.4	63.2	150.9	205.9	222.2	246.9
United States	50.4	56.2	61.8	69.2	89.8	127.5	148.9	188.1
United Kingdom	24.0	32.6	34.2	42.6	71.7	131.8	119.1	202.8

Source: OECD, financial accounts.

Table 2

Assets under management in Italy

(billions of lire - percentage)

	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
Investment funds	47,379	56,191	60,663	110,093	130,169	126,802	197,544	368,432
Portfolio management services[1]	65,022	92,824	105,329	142,929	180,959	192,438	260,584	372,456
Life insurance companies[1,2]	39,604	49,718	62,402	70,893	69,276	84,693	94,867	107,951
Pension funds[1]	n.a.	76,209	80,941	85,545	94,977	101,025	104,812	108,741
Total (a)	**152,005**	**274,942**	**309,335**	**409,460**	**475,381**	**504,958**	**657,807**	**957,580**
Domestic financial assets (b)	1,818,643	2,037,146	2,203,325	2,379,134	2,536,384	2,631,070	2,688,595	2,916,609
*Memorandum item: a/b*100*	*8.4*	*13.5*	*14.0*	*17.2*	*18.7*	*19.2*	*24.5*	*32.8*

Sources: Banca d'Italia, ***Abridged Annual Report and Economic Bulletin***.

[1] The figures for 1997 are estimates. [2] Technical reserves excluding assets entrusted to portfolio management services.