Final Remarks

More than fifty years ago Bob Dylan wrote that "the times they are a-changin". Those words well summarize the situation in which the banking system finds itself today, and the changes it faces. As was true then for a society exhibiting many signs of irreversible change, today too in the financial field, there are many risks and uncertainties that credit institutions have to face: an uncertain macroeconomic framework, made even more problematic by the decreased reliability of traditional forecasting indicators; a prolonged period of minimum-level interest rates (when not equal to zero, as in the case of the European Union) and abundant liquidity that could potentially have serious repercussions on the economic system; the as-yet unclearly defined role of the emerging economies which, after years of impetuous growth, have begun to slow down, with consequences still to be assessed in their current manifestation; the emergence of new risks, to a large extent related to the technological field and to the use (or rather, the misuse) of the so-called 'big data'. That facing bankers today is no easy challenge, involving as it does a plurality of actors, the interference of many exogenous factors and a different conception of what 'banking' means; moreover, despite the many rigorous studies in the field, there is no univocal empirical evidence to argue that 'one size fits all'.

Large and small banks, with different business models and with a more or less relevant role in the financial system, must coexist with new non-bank competitors (the so-called fintechs) which, at least for the time being, have

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a formidable economic advantage due to regulatory disparity. Customers are rapidly changing their approach to the financial world, especially in the retail sector: no longer able to perceive the real added value of the service, they assume a more 'liquid behavior'—to use Zygmunt Bauman's words—and are 'unfaithful' to their bank in the search for a product or service that guarantees the lowest price for the same quality, as for any other commodity. Policymakers and supervisory authorities are struggling to identify a common regulatory framework which, while guaranteeing soundness and stability, does not harness the financial system to damaging competitive constraints. The decision-making of the 'players' in the financial world is made even more complex by the tensions of a political nature that are emerging, more or less evidently, in different countries of the old continent, and which inevitably have an effect on the uncertain development of the real economy; for the euro area countries, this is made even more fraught by the incompleteness of the Banking Union.

Collecting savings and putting them to a safe and economically advantageous use: this is banking activity in a nutshell, and hitherto the uncontested domain of banks. However, developments in technology and the creation of new financial instruments have rendered the task of credit institutions much more difficult. Perhaps the new forms of funding and lending cannot (yet), in strictly normative terms, be defined 'banking activity', but they may certainly represent interesting investment opportunities for many economic players. The crowding-out effect on banks is therefore much more than a remote possibility: in many cases, as in typical transactional activities such as those linked to the payment system, it is already a formidable reality.

It is therefore necessary to level the playing field once again, but much more rapidly than in the past, to avoid any kind of reverse discrimination toward credit institutions. Perhaps the rules governing certain activities (especially those related to payment tools) need rethinking: regulation based on the activity itself, not on who carries it out. Important changes must also take place as regards supervision, given that the systemic importance of banks is unquestionable and careful monitoring of their activity is necessary, but these are certainly not easy to implement. However, if banking activity is progressively 'taken away' from banks by other operators, it will be necessary to find suitable supervisory tools for them as well.

In some way, it is also necessary to reconcile the relationship between supervisor and supervised: the continual and urgent demands, sometimes 'imperfect and sudden' that have successively been introduced in recent

years have created a relationship of respectful obedience, but often also of ill-concealed tolerance. Rules must be seen by banks as an opportunity for improving strength and growth, and not as a threat to their existence; real compliance helps improve a bank's relationship not only with the regulator but also, and above all, with its customers, dispelling any doubts about the solidity of the bank itself.

Large or small, commercial or investment, retail or wholesale, there is no one best dimension, nor a single business model, for the bank. A large size can make it easier to find capital to meet regulatory requirements and make the investments needed to respond to increasing competitive pressures. Size can help achieve better results in terms of economies of scale; it can be useful to ensure systemic importance and the status of 'too big to fail'; however, it does not necessarily guarantee a profitable activity. Even though diversification (of income revenues, geographical scope, etc.) may be a strategy to follow to enhance banks' revenue-generating capacities, it paves the way for new risks, which banks may not be aware of or be able to cope with adequately.

Perhaps it is necessary to rethink the very concept of profit, not so much in the accounting sense (it will always be the difference between costs and revenues), as much as in terms of measurement and long-term sustainability. As we have seen, on this topic, the debate is still open. Above all, in the light of the current uncertain macroeconomic context, market expectations will have to be revised, and not remain focused on profitability at pre-crisis levels.

Banks need to generate profits to maintain capital levels during unfavorable economic cycles, when higher provisioning burdens significantly reduce economic performance, while supporting the investment necessary for the development of their business and meeting increasingly stringent regulatory requirements in the field of own funds. Last but not least, they have to be able to pay dividends to their shareholders.

There is no magic wand for obtaining sustainable profits in the long term. Some bankers may have found one, but at the expense of behavioral and ethical norms, in certain cases with disastrous effects of a systemic nature. In the real world, there only remains one long and arduous search: a quest (*sic*) for profitability.

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