



Managing Large Portfolios in the Current Market Environment

Banca d'Italia Perspective

Session 2: Managing Large Portfolios in the Current Market Environment
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2025 ASIAN REGIONAL FORUM
ON INVESTMENT MANAGEMENT
OF FOREIGN EXCHANGE RESERVES

1. The Bank of Italy – Main Tasks

The Central Bank of the Republic of Italy, part of the Eurosystem

Implements **monetary policy** in coordination with the European Central Bank

Manages **foreign exchange reserves**

Supervises **banks and financial institutions**

Promotes the smooth functioning of the **payments system** through its direct management of the main circuits and by exercising oversight powers

Conducts **economic research** and provides **statistical data** to support public policy

2. Banca d'Italia Investment Function

Overview of Responsibilities

Management of Official Reserves

The Bank of Italy manages the country's official reserves, including foreign exchange and gold.

It also manages part of the European Central Bank's (ECB) reserves.

Purposes of Reserves

Reserves support market interventions, international obligations, and trust in the financial system.

Objectives of reserve management preserve capital value and liquidity. Moreover, reserves are managed to obtain the maximum return for an acceptable level of risk.

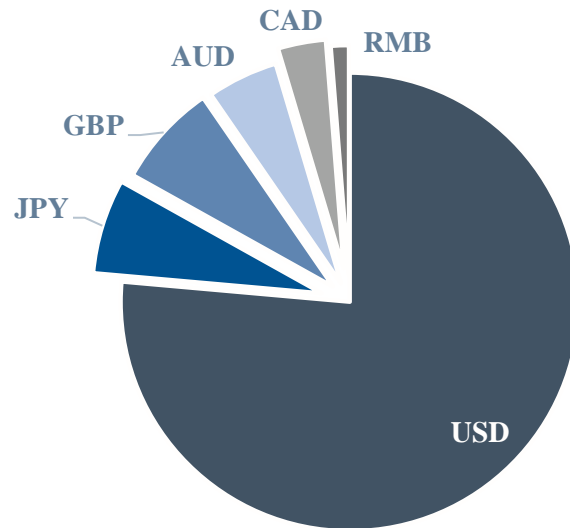
Financial Portfolio Management

The financial portfolio includes investments in EURO backed by funds and reserves, and those under the Net Financial Assets agreement.

The portfolio aims to cover operational costs and preserve capital through prudent investment strategies thus fostering financial autonomy.

3. Banca d'Italia Portfolios

FX reserves: 48 bn (end '24)

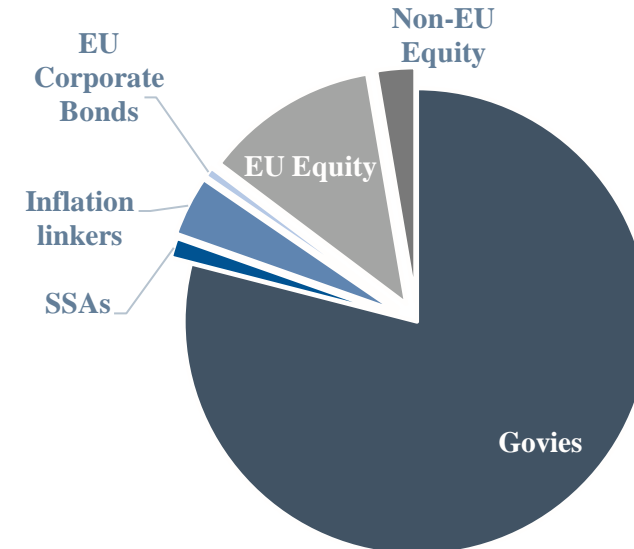


- ✓ Large majority internally managed

Investment styles

- ✓ Active
- ✓ Passive
- ✓ Hold to maturity

Financial Portfolio: 147 bn (end '24)

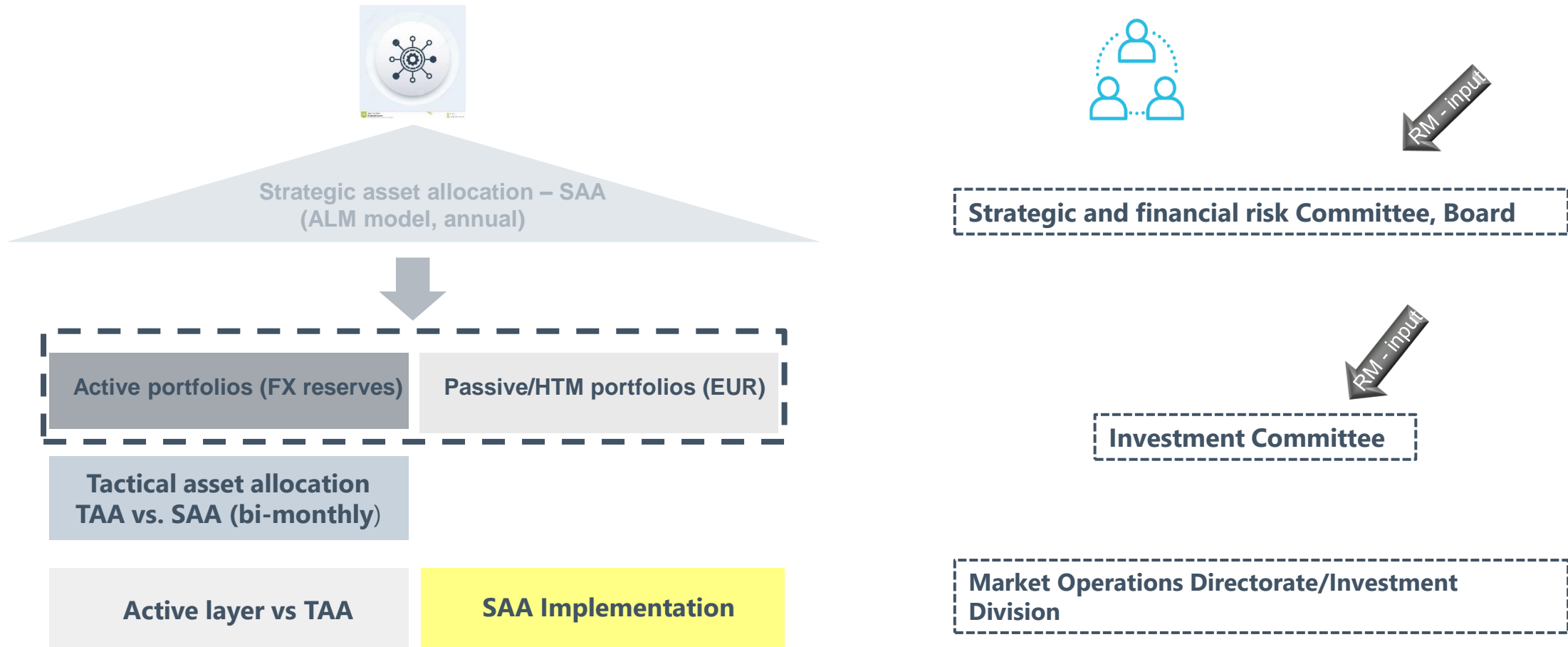


A strong commitment to

Sustainability

- ✓ Responsible Investment Charter
- ✓ ESG Tilting of the equity portfolio and corporate portfolios
- ✓ Measurement and disclosure of relevant metrics on the entire portfolio, Carbon intensity and decarbonization plans

4. The Investment Process: The Governance



5. Structural Constraints & Strategic Orientation

Structural
Constraints &
Strategic
Orientation

SAA: long term positioning

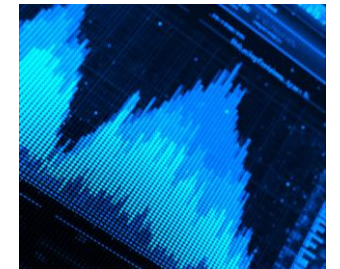
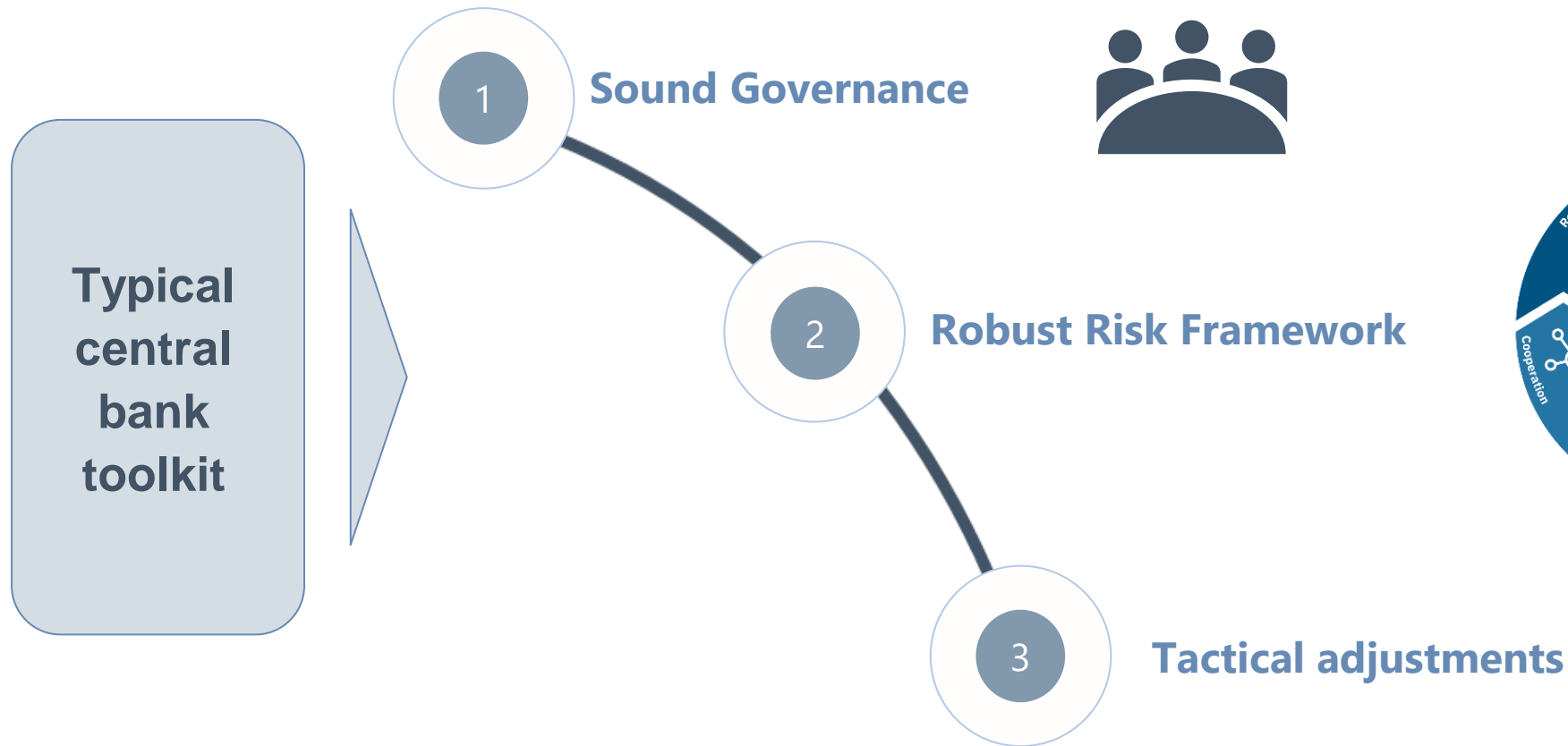
Large size portfolio: implications for agility and rebalancing

Strong focus on capital preservation and liquidity

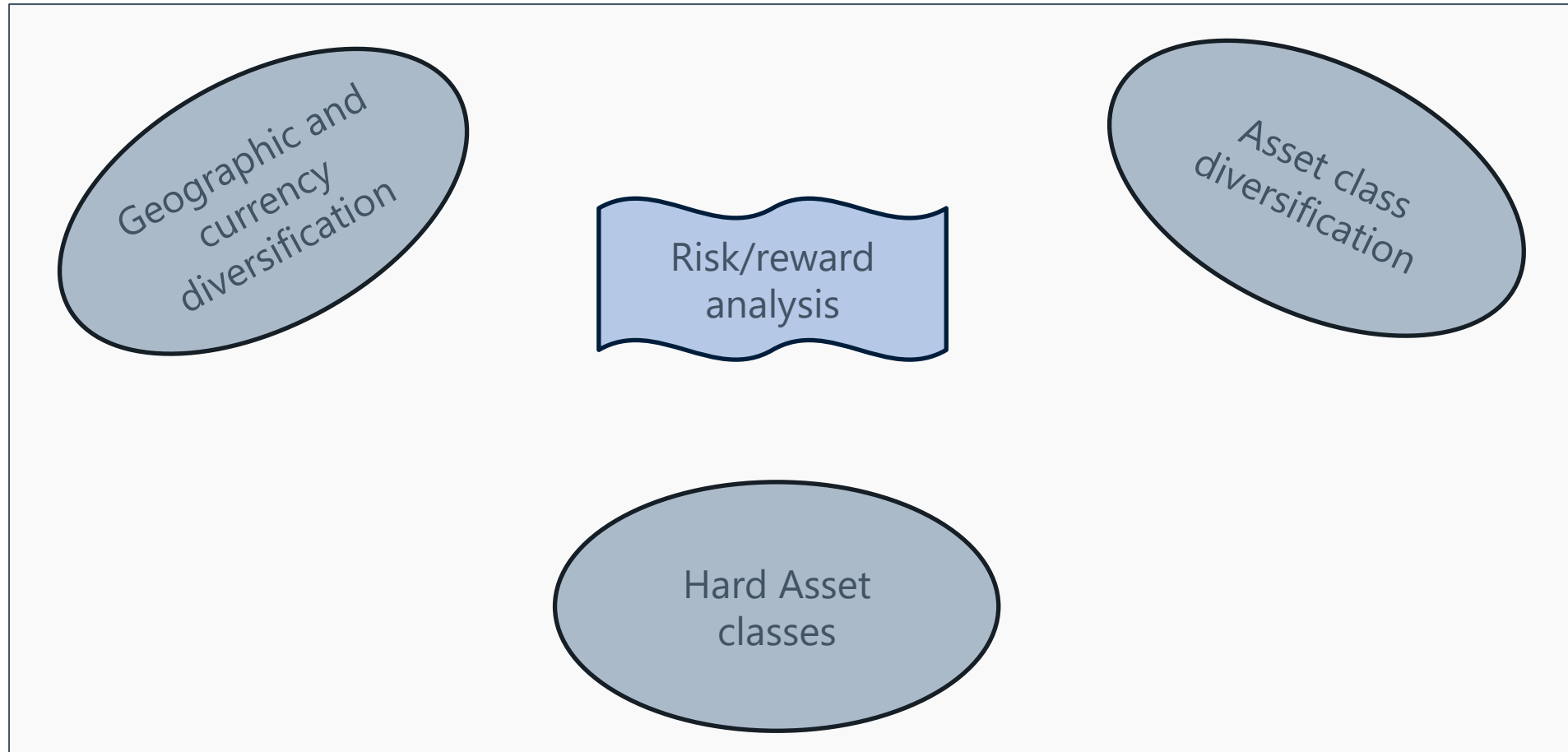
Strategic orientation suitable to capturing megatrends

How to deal with sudden structural breaks?

6. How to navigate uncertainty

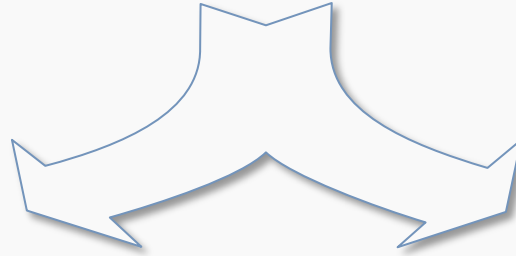


7. The role of diversification: Limits and benefits



8. Liquidity implications

Liquidity plays a crucial role under different perspectives:



1

«Challenge»

It is a challenge: in stress time when the likelihood of reserves usage increases liquidity usually dries up

2

«Constraint»

It is a constraint on flexibility: the ability to swiftly rotate large portfolios is usually constrained by large size especially on cash markets

Mitigation

❖ Use of derivatives

❖ Broadening of funding options



**Thank you for your
attention**

Q&A

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