Interview with Fabiano Gobbo, Partner at KPMG Advisory (Italy)

(by Stéphan Darimont. Banking Boulevard. Milan, May 2012)

Fabiano Gobbo discusses the challenges facing the Italian banking sector and professional careers at KPMG. In the second part of the interview he talks about the Firm's recruitment policy and the profiles that are most in demand in the field of Financial Risk Management within the KPMG Advisory division (May 2012)

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(SD): Hello Fabiano Gobbo.

(FG): Hello.

(SD):You are a partner at KPMG Advisory, where your responsibilities include advisory work in Financial Risk Management for Italy and also for Europe, the Middle East and Africa. Could you say a few words about the KPMG network and its activities both internationally and in Italy?

(FG): Certainly. KPMG is one of the largest networks providing professional services to businesses, with global leadership in audit and accounting, management consultancy and tax, legal and administrative advice.

The KPMG Network is active in 152 countries and consists of more than 145,000 professionals. Our clients are multinational institutions and companies working in all major sectors. These include manufacturing companies, banks and insurance companies, public bodies and non-commercial organisations.

So KPMG is a network of firms working in all major countries and sharing both a common strategic framework and an ethical code of conduct but still acting autonomously in terms of business development and service provision in each individual country. We think this is the best way to put into practice our specific dual focus: both global and local.

Another distinctive factor is our multidisciplinary approach. This means that we are able to bring in specialists in many different areas who work in teams and come up with practical solutions to assist their clients. It is not by chance that our slogan is "cutting through complexity". You could say that it is our job to take things that seem complex and make them simpler.

We have had a presence in Italy for more than 50 years. Now, with more than 3,500 professionals, 166 partners and over 5,000 clients, we are well known in the Italian market as the number one provider of professional services to businesses. One of the most distinctive aspects of our work is our extensive reach within Italy. We have 28 local offices from Bolzano to Palermo. There is no doubt that this kind of proximity is one of our strong points. It allows us to remain in direct contact with the market and the needs of businesses.

(SD): Whether the questions are about liquidity, profitability, capital adequacy or loan quality, banks are facing a lot of complex challenges today. How are Italian banks positioning themselves to deal with these?

(FD): In fact the current macroeconomic context is recessionary. Volatility in the financial markets and the ongoing sovereign debt crisis are putting Italian banks under severe stress, and we have to recognise that they have not received the same level of public support that has been provided in other European countries.

To restore their profitability, Italian banks are focusing a lot of effort on operational efficiency. That means simplifying procedures, optimising cost structures, rethinking and rationalising product distribution and increasingly making use of multi-channel structures. This creates a need for many professionals in the banking sector to acquire new skills, and they will inevitably need to reinvent themselves as they move towards a "customer relationship manager" approach and offer high added value services to customers.

Another key feature is the issue of *funding*. It is vital to restore the confidence of financial markets as quickly as possible, particularly in the interbank market.

Despite the extraordinary measures adopted by the ECB to improve both the cost and availability of *funding*, we still expect this period of fragility and uncertainty to continue and that will inevitably have repercussions on the cost of funding.

Seeking out funding alternatives to the interbank market, including funding by clients, will be one of the hottest topics during the next few years.

Another key issue in the Italian market is the continuing deterioration of asset quality. According to recent estimates, the volume of risky loans held by the main banking groups was 180 billion euro.

There is a need to raise awareness of this situation and make changes: lending cannot be indiscriminate; loans are for borrowers who are able to repay them.

It is equally true in Italy that intermediaries must again take up their role in the area of promoting the optimal allocation of resources.

Finally, in terms of compliance with the new Basel III norms, we have seen a movement towards strengthening capital and reducing risk-weighted assets. Some of the strategies used by the Italian banks have clearly been effective, when you consider that the "*core tier 1*" ratio of the five largest Italian banking groups has risen from 5 to 9 in the last two years.

(SD): In recent years the financial sector has been faced with a huge number of new laws and regulations (such as Basel, the MiFID etc.). What has been the impact of these regulations on the business model of Italian banks?

(FD): The new regulatory requirements have narrowed the field of activity of the banking groups, including those in Italy, which operate according to a traditional model of intermediation, which is essentially based on lending to families and businesses.

The major Italian banking groups achieve rates of return on capital which are significantly lower than their European competitors, have a higher than average proportion of distressed loans but have a lower percentage of toxic securities than other banks.

Putting it all together, this means that, due to their risk-weighted asset ratios, they have a need for more own funds.

In general it is fair to say that the new laws and regulations are giving rise to recapitalisation operations, repricing of assets, more careful selection of clients and counterparties and refocusing of their business models.

(SD): Historically KPMG has always presented itself as an employer that is able to offer a lot of opportunities to new graduates. Are you still recruiting, or have you been affected by the crisis too? Is there a current recruitment campaign?

(FD): Auditing is a public utility activity, so it is countercyclical by definition. The services provided by KPMG in many disciplines are also intended to respond to the new needs that are emerging as a result of the current economic climate, such as company restructuring or risk management.

So it is fair to say that we are still offering a significant number of new jobs and it should also be pointed out that these are stable jobs.

The target for our current recruitment campaign is 750 new staff in 2012, including both new graduates and experienced individuals. These are being recruited across all our major divisions, which are: auditing and accounting (Audit), management consultancy (Advisory) and Tax & Legal.

Our teams working in the financial sector, always one of the strongest areas for KPMG, will be receiving about a third of these new staff.

(SD): Finally, what are the profiles that are most in demand in the area of Financial Risk Management?

(FD): Ideal candidates for us would be specialists in statistics or actuarial science or graduates in economics, mathematics or engineering.

Particularly in the area of "financial engineering" there is strong demand for experts in the areas of pricing, complex financial products and development of statistical models.

In the area of "Finance" we are looking for experts in financial products in regulated and alternative markets. We are looking for talented people in the areas of trading, analysis of front/back-office processes and market platform implementation.

In "Risk Management" we are looking for experts in rating/scoring systems implementation and portfolio modelling, who are familiar with procedures for granting, supervising and managing loans and the Basel regulations. Finally, in the area of actuarial science, we are looking for people with skills in both "life" and "non-life" sectors.

Individuals wishing to join our team must speak fluent English, require interpersonal and problem-solving skills and need to be willing to work in a team. KPMG offers training with a strongly international character, international opportunities and scope for growth, in a youthful, dynamic context where the best professionals are identified and rewarded. In short, there is plenty of work to do.

I should also emphasise that the KPMG model is fundamentally meritocratic. To pursue a career with us people have to achieve results on the strength of their commitment and professional ability.

(SD): Fabiano Gobbo, thank you very much.

(FG): Thank you.