

Annual Report 2015

Rome, 31 March 2016



CONSOB

COMMISSIONE NAZIONALE
PER LE SOCIETÀ E LA BORSA

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Annual Report 2015

Consob activity

I	Markets supervision	5
II	Supervision of issuers and audit firms	18
III	Supervision of public offerings and corporate disclosure	27
IV	Supervision of intermediaries	35
V	Inspection activity and sanctioning measures	43
VI	Regulatory activity	51
VII	Investor protection	57
VIII	Back-office activities and international cooperation	62

Contents	71
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Consob activity

1 Supervision of trading platforms

1.1 Regulatory supervision

In 2015 Consob intensively supervised the changes made by trading infrastructure operators to the rules and regulations of their respective markets and the relative implementation provisions (Tab. 1).

During the year, the approvals relating to recognising two foreign markets for derivative financial instruments (COMEX, managed by the company Commodity Exchange, and NYMEX, managed by the company New York Mercantile Exchange Inc, both part of the CME Group based in New York) were also completed, in order to extend operations in Italy and allow remote access to banks and investment firms, pursuant to Article 67, paragraph 2 of the Consolidated Law on Finance.

Tab. 1 Amendments to the Regulations of regulated markets and their implementing provisions in 2015

date of change	content of intervention	notes
april: amendments to instructions	management of failures on financial instruments affected by corporate transactions	
	introduction of the discipline of so-called buyer protection	changes to the buy-in process
	unsecured financial instruments	
june: amendments to instructions	market makers' listing obligations on futures and mini-future contracts on the Ftse Mib Index and weekly share option contracts	
july: amendments to regulations and instructions	IDEM market	introduction of a new way of concluding so-called bundled contracts
	IDEM equity market operators	prediction of the 'non-executing broker' among the categories of participants
	cross orders	conclusion of contracts at a price within a predetermined percentage of deviation from the dynamic price
	random minute of each type of auction currently planned	introduction of so-called anti-spoofing mechanisms
	MIV market	systematic review following the reform in the area of collective savings management
	calculation of the withdrawal price pursuant to Article 2437-ter, paragraph 3, of the Italian Civil Code	introduction of a specific definition
	new SeDeX market model	new conditions for the conclusion of contracts
october: amendments to regulations and instructions		introduction of a pre-negotiation session
		revision of the obligations of the specialist operator
		new static, dynamic and reference price calculation methods
		limitations on option contracts
november: amendments to instructions	highly dilutive capital increases	
	specialist third-party account operators on Mib securities	introduction of the specialist operator working on behalf of third parties through an authorised third party

Source: Consob.

With reference to Multilateral Trading Facilities (MTFs) and Systematic Internalisers (SIs), Consob monitored the changes made by the operators of the trading platforms to their operating rules in order to verify their compliance with EU guidelines (Tab. 2).

Tab. 2 Changes to the operating rules of multilateral trading facilities and systematic internalisers in 2015

MULTILATERAL TRADING SYSTEMS

date of change	content of intervention	notes
AIM Italia-MAC (Borsa Italiana)		
july	legal audit	the possibility to appoint persons registered in the Single Register of Auditors managed by the MEF, provided that the issuer's Board of Statutory Auditors has issued a specific 'certificate' in which it declares that the proposal for the appointment has been prepared taking into account that the issuer is admitted to listing on an MTF accessible to the public
	budget	impossibility for AIM issuers to avail themselves of some cases of exemption from the obligation to prepare consolidated financial statements provided for by art. 27 of Legislative Decree 127/91
august	adaptation directive on AIFMD	remodelling of the regime applicable to issuers according to whether or not they belong to the category of AIF (Alternative Investment Funds)
	fail operations	amendment to the rules governing the management of failures on financial instruments affected by distribution transactions (e.g. payment of dividends, coupons, etc.) and extraordinary transactions (e.g. mergers, demergers, etc.); rules governing the management of the request for buyer protection by the performing buyer
october	antispoofing mechanisms	introduction for the auction of opening, closing and volatility, of a mechanism that monitors the trend of the main defining elements of the book aimed at contrasting behaviour that may interfere with the regular formation of the price (entry of orders without intention to execute them and cancellation in the last moments of the phase)
november	postponing the closing of negotiations by 5 minutes and reducing the volatility auction to 5 minutes	
ExtraMOT (Borsa Italiana)		
august	adaptation directive on AIFMD	remodelling of the regime applicable to issuers according to whether or not they belong to the category of AIF (Alternative Investment Funds)
	fail operations	amendment to the rules governing the management of failures on financial instruments affected by distribution transactions (e.g. payment of dividends, coupons, etc.) and extraordinary transactions (e.g. mergers, demergers, etc.); rules governing the management of the request for buyer protection by the performing buyer
october	antispoofing mechanisms	introduction, for the opening, closing and volatility auctions, of a mechanism that monitors the evolution of the main defining elements of the book, aimed at countering behaviour that may interfere with the regular formation of the price (placing of orders without the intention of executing them and cancellation in the last moments of the phase)
	cross orders execution mode	conclusion of contracts at a price within a predetermined percentage of deviation from the dynamic price
november	reduction of the volatility auction to 5 minutes	remodelling of the regime applicable to issuers according to whether or not they belong to the category of AIF (Alternative Investment Funds)
TAH (Borsa Italiana)		
august	adaptation directive on AIFMD	change to the rules governing the management of failures on financial instruments affected by distribution transactions (e.g. payment of dividends, coupons, etc.) and extraordinary transactions (e.g. mergers, demergers, etc.)
	fail operations	discipline of the management of the buyer protection request by the performing buyer

(follows)

follows Tab. 2 Changes to the operating rules of multilateral trading facilities and systematic internalisers in 2015

date of change	content of intervention	notes
EuroTLX HI-MTF Sim SpA		
march	extension of listing admission	provision for admission to listing of financial instruments issued on the basis of a programme for the issue of bonds, covered warrants and certificates
june	settlement services	revision of the regulatory structure for the settlement services offered by the TS2 platform
HI-MTF		
february	auction price determination	introduction of the reference price and control price in the order driven system
may	negotiable financial instruments	revision of the list of financial instruments traded on the order driven system, in order to ensure a more effective description of them
july	specialised operator	introduction, in the quota driven system, of the figure of the specialised operator, an entity that performs the function of guaranteeing liquidity to the market by operating on some of the securities traded on the system

SYSTEMATIC INTERNALISERS

De@L Done Trading (Mps – Capital Services)

december	price variation limits	<p>the first limit of variation (maximum limit of variation of the prices of the trading proposals relating to an instrument with respect to the closing price that the instrument recorded in the previous trading session) for Government securities issued or guaranteed by a State or local authorities in the EU area increased from 2 to 3 per cent.</p> <p>the second price variation limit (maximum limit of variation of the prices of the trading proposals relating to an instrument with respect to the price of the last contract concluded during the same trading session) for Government securities issued or guaranteed by a State or local authorities in the EU area increased from 1 to 2 per cent.</p>
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Source: Consob.

1.2 Supervision of admission, suspension, exclusion and removal of financial instruments

With reference to supervising the various phases occurring between the admission and removal of financial instruments to and from listings, during 2015 Consob carried out its supervisory activity as provided for by the Consolidated Law on Finance (Article 64, paragraph 1-*bis*), in relation to the decisions of Borsa Italiana to admit 14 companies to trading on its MTA regulated market. In no case did the Commission consider it necessary to prohibit the listing.

In 2015, Borsa Italiana sent the Commission 20 notices of suspension and 13 notices of exclusion of financial instruments from trading on regulated markets. Through the SARIS system, Consob sent ESMA and other competent authorities the relevant notifications, which from 2015 are also available to the public on the ESMA website in the Suspensions and Removals of instruments from trading register, in order to allow a wider distribution of information, as required by Article 41, paragraph 1, second sentence, of MiFID. Moreover, as provided for by Article 64, paragraph 1-*bis*, letter a) of the Consolidated Law on Finance, the Commission carried out the relevant assessments concerning Borsa Italiana's measures, examining any

information elements other than those considered by the stock exchange company.

1.3 Supervision of 'hybrid' platforms

MiFID II will make significant changes in relation to regulating trading venues, by providing a new type of organised trading facilities (OTFs) and extending the qualification of multilateral trading facilities to the internal matching systems of banks and Italian investment firms. These systems are currently not subject to regulation, placing them in an area between the brokerage and the trading system. In the future they should be authorised either as a type of MTF or as systematic internalisers.

In order to acquire information that is useful to classify these activities, also in light of the entry into force of MiFID II, in 2015 Consob continued to investigate the correct qualification of the activities matching the orders of its customers/stakeholders and carried out by a significant sample of intermediaries.

The survey used the typical information supervision tools, such as requests for data and information and the summons of corporate officers. As part of ESMA Guidelines on automated trading and in light of the safeguards and controls that will be required following the entry into force of MiFID II, intermediaries were invited to carry out a timely self-assessment of the mechanisms implemented to ensure system resilience, orderly trading and market integrity.

2 Supervision of trading and markets information integrity

2.1 Supervision of transparency and orderly trading

As usual, in 2015 Consob supervised the correctness of the information transmitted in compliance with transaction reporting obligations, with particular reference to the timeliness and correctness of the reports and the fulfilment of pre-trading and post-trading transparency obligations.

The checks carried out revealed some cases of irregular reporting for which the appropriate supervisory measures were started.

With reference to the orderly conduct of trading, during 2015 Consob also monitored high frequency trading, both by verifying compliance with ESMA Guidelines in this respect and by making an initial assessment of the size of the phenomenon for the Italian market.

2.2 Supervision of market information integrity

At the end of 2015, two regulated information storage systems were authorised: '1Info' (operated by Computershare Spa and authorised with Resolution 18852 of 9 April 2014) and 'NIS-Storage' (operated by Bit Market Services Spa and authorised with Resolution 19067 of 19 November 2014).

The suitable number of news agencies connected to the three authorised regulated information dissemination systems (SDIR) (i.e. SDIR-NIS, Info-Sdir and WebDisclosure) to ensure wide disclosure of regulated information at national and European level and the quality standards of the SDIRs themselves were also subject to market surveillance during the year. On this occasion, the methods and timing of relaunching the regulated information disclosed through the various SDIRs in the media were also analysed. The checks carried out showed that all active SDIRs have an appropriate number of related agencies.

2.3 The supervision of buybacks and internal dealing

In the context of information supervision, the reports were examined relating to the operations of issuers on their own securities (typically liquidity support activities, for purchase and sale, and buy-back activities) and of relevant parties on the issuer's securities (internal dealing).

3 Supervision of post-trading and OTC derivatives

In relation to the post-trading sector, the most important innovation in 2015 was the migration of the Italian central depository, Monte Titoli, from the Express 2 settlement platform to the Target 2 Securities (T2S) pan-European settlement platform managed by the ECB.

This migration represents a fundamental step towards harmonising securities settlement systems and the centralised management of European countries, being the 'technical' complement to standardising the legal aspects promoted by the Central Securities Depositories Regulation (CSDR).

The settlement activity on T2S was conducted by Monte Titoli from Monday 31 August 2015 and was regularly carried out. T2S showed a sufficient degree of stability and the essential services (i.e. acquisition of settlement instructions, their settlement, payment of interest and redemptions on government bonds and daily reconciliation of balances on participants' accounts) were performed correctly.

However, minor problems persist on some of the system's functions, which required the implementation of temporary solutions, partly manual

(so-called workaround), pending permanent corrections resulting from subsequent T2S software updates.

In September, these technical problems and the lack of know-how led to a physiological increase in non-deliveries due to a shortage of securities or cash, which subsequently returned to levels comparable to those of pre-migration.

Migration to T2S required a profound change in Monte Titoli's Regulations governing settlement and central depository services in order to reflect the new operational reality resulting from the migration. Minor changes were also made to the Regulation governing the X-COM Collateral Management service. Amendments to these Regulations were approved by Consob and Banca d'Italia before the migration.

During 2015, Consob and Banca d'Italia, as Italian authorities responsible for the supervision of central counterparties, carried out a periodic review of the provisions, strategies, procedures and mechanisms implemented by Cassa di Compensazione e Garanzia (CC&G), Italian central counterparty authorised to provide clearing services pursuant to EU Regulation 648/2012 (EMIR). Based on the checks above, the Italian authorities updated and shared with the EMIR Board the risk assessment document initially prepared at the time of CC&G's authorisation.

In 2015, the supervisory activity on the counterparties of derivative contracts was intensified. The access by Consob to the trade repositories registered with ESMA allowed the degree of correctness and completeness of the reports made to be monitored.

During the year, in relation to certain supervisory cases concerning the transparency of net short positions, Consob acquired data from the trade repositories in order to verify the presence of transactions in securities through concluding derivative contracts.

Moreover, although the quality of the data recorded by the trade repositories has significantly improved as a result of the initiatives undertaken jointly by ESMA and the other competent authorities, the data acquired has not always proved to be fully usable for supervisory initiatives.

4 Supervision of short selling

On two occasions in 2015, the Commission banned short selling of individual Italian equity shares, pursuant to Article 23 of EU Regulation 236/2012 concerning short selling and certain aspects of credit default swaps. The bans were applied due to the significant price decreases that occurred on the market, equal to or higher than the 10 percent threshold provided for by the aforementioned Regulation, and they had a limited duration of a few days, in line with the Regulation's provisions.

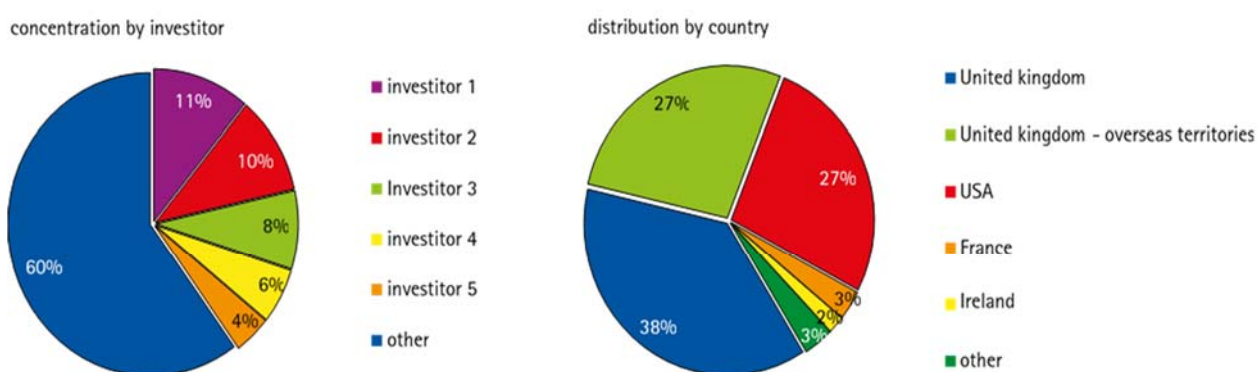
With regard to the exemption system, as at 31 December 2015, 20 domestic intermediaries were authorised for exemptions for market making activities, as compared to 17 in the previous year. The financial instruments being exempted totalled 2,114, of which 2,014 Italian and foreign shares, and related instruments (for example, derivative instruments), nine financial indices and 91 sovereign debts.

During the year, ESMA conducted a peer review among EU supervisory authorities on compliance with the Guidelines issued on 2 April 2013 on the market making exemption scheme.

On 5 January 2016, ESMA published the Peer Review Report (ESMA/2015/1791), in which it concludes, *inter alia*, that only Consob is fully in line with ESMA Guidelines, out of the five authorities examined. In the Report, many of the supervisory activities conducted by Consob are considered best practices and were therefore recommended to other supervisory authorities. In addition, the results of the peer review may contribute to the review of EU Regulation 236/2012, which should be launched by the European Commission during 2016.

In 2015 net short positions on Italian equities represented, on average, about 2.1 percent of the FTSE MIB index capitalisation (compared to about 1.6 percent in 2014). In the same period, approximately 5,760 notifications of Italian shares were received, compared to 4,700 in 2014. With reference to concentration, at the end of 2015 the main entity with net short positions on Italian shares held positions equal to approximately 11 percent of the total value of the positions (15 percent in 2014; Fig. 1).

Fig. 1 Concentration and breakdown of net short positions on Italian equities by nationality of investors



Source: processing on Consob data. The overseas territories of the United Kingdom also include the Cayman Islands.

5 Supervision of the dissemination of company studies and ratings

In 2015 Consob continued supervising the dissemination of investment recommendations concerning Italian listed issuers, and judging ratings, also concerning the Italian State, in order to check the correctness and transparency of the information framework and the effects on trading the related securities.

As part of these activities, Consob requested the licensed parties, pursuant to Article 69-*novies*, paragraph 2, of the Issuers' Regulation, the publication of 14 investment recommendations (of which two produced by Italian intermediaries and 12 by foreign intermediaries), in conjunction with the dissemination to the market of news and inside information on their content and in the presence of a significant change in the price of the financial instruments covered by these recommendations.

In 2015, Consob received 18,270 investment recommendations, of which 2,978 were monographic (16.3 percent of the total) and 15,292 non-monographic (83.7 percent), based on Article 69-*novies*, paragraph 1 of the Issuers' Regulation. The total number of investment recommendations received decreased by about 14 percent compared to the previous year, mainly due to the reduction in non-monographic studies, also after reorganising the research distribution activity by the intermediaries (Tab. 3).

Some interesting aspects emerge from analysing the distribution of studies by type (monographic and non-monographic), nationality of the intermediary producing such studies, period of dissemination, type of operational judgement and degree of 'coverage' of the companies concerned.

Tab. 3 Distribution of research by type of study and nationality of intermediaries

	2014		2015		change ¹
	no.	weight	no.	weight	
type of study					
monographic study	2,622	12.3	2,978	16.3	13.6
non monographic study	18,755	87.7	15,292	83.7	-1.5
<i>total</i>	<i>21,377</i>	<i>100.0</i>	<i>18,270</i>	<i>100.0</i>	<i>-14.5</i>
distribution of monographic studies by nationality of intermediaries					
italian	1,921	73.3	1,839	61.7	-4.3
foreign	701	2.7	1,139	38.3	+62.5
<i>total</i>	<i>2,622</i>	<i>100.0</i>	<i>2,978</i>	<i>100.0</i>	<i>+13.6</i>

Source: Consob elaborations. ¹ Percentage changes compared to the previous year.

The distribution of monographic studies on listed companies by type of recommendation confirms the clear prevalence of positive evaluations, already observed in previous years (Tab. 4).

Tab. 4 Monographic studies on listed companies by type of operating board
(percentage values by type)

	operating council				total no. of studies
	buy	hold	sell	other ¹	
2010	53.2	29.4	11.1	6.3	5,358
2011	55.3	28.5	11.5	4.7	5,750
2012	48.2	34.1	14.8	2.9	6,190
2013	43.7	38.2	16.8	1.2	6,497
2014	53.0	36.8	8.1	2.0	2,529 ²
2015	57.7	34.9	6.7	0.7	2,978 ²

Source: Consob. ¹ Figures may include ratings such as under review, not rated, and the like. ² The number of studies for 2014 and 2015 is not comparable with the number of studies for previous years due to a change in the classification criteria for monographic studies..

With reference to the degree of coverage of companies listed by qualified intermediaries, the number of companies subject to monographic recommendations decreased (from 224 in 2014 to 210 in 2015), following both the delisting of some companies and the discontinued coverage of some issuers listed on the MTA International. However, the distribution of the companies covered by the number of studies produced does not show substantial variations compared to previous years (Tab. 5).

Tab. 5 Listed companies subject to monographic studies by degree of coverage

	no of companies ¹	≥ 51	25 - 50	13 - 24	5 - 12	≤ 4
2010	215	23.9	9.8	17.7	20.7	27.9
2011	208	25.9	11.6	14.5	20.7	27.3
2012	227	23.3	12.3	19.1	18.9	26.4
2013	239	24.6	10.8	16.9	22.1	25.6
2014 ²	224	22.8	11.5	17.2	23.4	25.1
2015 ³	210	41.7	11.5	12.9	17.9	16.0

Source: Consob. ¹ Companies listed on regulated markets managed by Borsa Italiana. ² For 2014, the number of securities covered, including savings and preferred shares, is 238 for companies listed on the MTA and 15 for companies listed on the AIM. ³ For 2015, the number of securities covered, including savings and preferred shares, is 218 for companies listed on the MTA and 23 for companies listed on the AIM.

With reference to the measures implementing the Regulation on rating agencies, in 2015 Consob cooperated in preparing the amendments required by primary and secondary legislation.

6 Supervision of market abuse

6.1 Prevention

During 2015, work continued in order to monitor the measures adopted by Italian issuers to prevent market abuse, by checking the internal procedures used to ensure the confidentiality of inside information (procedures for managing inside information, internal dealing communications and keeping a register of persons with access to inside information).

The suitability of the conduct and self-regulatory rules governing journalism in Italy was also assessed in order to ensure a correct representation of the economic and financial situation of issuers in the press. In this context, the procedures adopted for the dissemination of inside information were analysed by a selected sample of issuers, with specific reference to managing media relations.

During 2015, Consob also received reports of suspicious transactions carried out on the AIM, leading to starting the necessary verification activities on possible market abuse.

Although companies with shares admitted to trading on AIM Italia are currently not subject to the public information and disclosure requirements and to the obligation to disclose the ownership structures and shareholders' agreements, such companies are nevertheless required to report suspicious transactions since they are subject to the rules contained in Part V, title I *bis* of the Consolidated Law on Finance (which, inter alia, grant Consob the power to prosecute abuses committed on MTFs). From 3 July 2016, the provisions of EU Regulation 596/2014 (MAR) will also be extended to these companies.

Finally, as usual, the prevention of market abuse also took advantage of the instruments provided for by the Consolidated Law on Finance in Articles 114 and 115 (see Chapter III 'Supervision of public offering and corporate disclosure').

6.2 Repression

In the context of the fight against market abuse, as usual, the Commission carried out several preliminary investigations in 2015, in order to achieve a more effective and rapid selection of an alleged offence to be explored in a subsequent preliminary investigation stage.

In particular, Consob received 294 reports of suspicious transactions (compared to 210 in 2014), of which 244 from Italian supervised entities (intermediaries and MTF market management companies) and 40 from

foreign counterparts, mainly the British FCA. In turn Consob forwarded 33 reports received from Italian supervised entities to its foreign counterparts.

Of the reports received, 56 percent concerned conduct attributable in the initial analysis of insider trading, 34 percent to the assumption of market manipulation and the remaining 12 percent to conduct integrating both types of offences or not immediately identifiable based on the information contained therein.

Over the year, three one-to-one meetings and activities for educating intermediaries were organised to resolve certain critical issues that emerged in activities to identify market manipulation adopted by the supervised entities and in the consequent Consob reporting methods.

With reference to the market abuse investigations concluded in 2015, Consob notified administrative offences in 14 cases out of 17, including 10 for insider trading. In 11 cases both criminal and administrative offences were alleged, in two circumstances only administrative offences were alleged, in the last situation only the criminal offence was found (Tab. 6 and Tav. 7).

Tab. 6 Results of investigations on market abuse

	cases of administrative and/or criminal offence	of which for insider trading	cases in which no offence was found	total
2010	10	3	19	29
2011	15	7	14	29
2012	12	4	14	26
2013	13	4	9	22
2014	13	5	22	35
2015	14	10	3	17

Source: Consob.

Tav. 7 Type of inside information in cases of insider trading

	change of control, takeover bid	economic results, patrimonial and financial situation	assets equity transactions mergers, spin-offs	other	of which cases of front running	total
2010	2	--	1	--	--	3
2011	5	--	--	2	--	7
2012	4	--	--	--	--	4
2013	1	1	--	2	--	4
2014	1	1	1	2	1	5
2015	1	1	1	7	1	10

Source: Consob.

In 2015, Consob initiated administrative proceedings for market abuse against a total of 22 natural persons, seven bodies for joint liability pursuant to Article 6, paragraph 3, of Law 689/1981; four of these entities were charged with administrative offences also in relation to their own liability under Article 187-*quinquies* of the Consolidated Law on Finance (Tab. 8).

Tab. 8 Operators involved in cases of market abuse

	authorised intermediaries ¹	institutional insider ²	other operators ³	foreign entities	total
insider trading					
2010	--	4	1	2	7
2011	1 ⁴	4	5	--	10
2012	--	2	4	--	6
2013	3	1	10	3	17
2014	--	5	4	1	10
2015	2	9	7	2	20
market manipulation					
2010	1	2	8	--	11
2011	--	7	7	--	14
2012	1	8	6	--	25
2013	2	12	12	--	26
2014	1	18	9	1	29
2015	0	7	2	-	9

Source: Consob. ¹ Banks, Italian investment firms (SIMs), asset management companies (AMCs) and stockbrokers. ² Shareholders, directors, executive of listed companies. ³ Insider secondari (art. 187-bis, comma 4, Tuf). ⁴ This is the London branch of an Italian broker.

In 2015, request for data and information on market abuse concerned more than 400 parties. More than half of requests were addressed to authorised intermediaries, one fourth to private entities, five percent to foreign authorities; ten percent of the requests were sent on behalf of foreign authorities (Tab. 9).

Tab. 9 Request for data and information on market abuse
(number of addressees entities)

	authorised intermediaries ¹	listed companies and parent companies or subsidiaries	private entities	of which hearings	public sector entities ²	foreign entities	total	of which on behalf of foreign entities
2010	37	35	48	41	5	17	142	13
2011	161	7	109	57	2	61	340	29
2012	207	9	71	30	27	50	364	40
2013	154	14	78	39	81	22	349	11
2014	173	6	37	20	63	24	303	45
2015	215	19	100	42	47	21	402	42

Source: Consob. ¹ Banks, Italian investment firms (SIMs), asset management companies (AMCs) and regulated markets managers. ² Starting from 2012, the figure includes the accesses made autonomously by Consob to the Register of financial relations managed by the Revenue Agency

With regard to the launch of investigations concerning cases of market abuse initiated in previous years, reference should be made to the following Chapter V 'Inspection activity and sanctioning measures'.

6.3 Representation in court

In 2015, Consob joined four new criminal proceedings concerning market abuse, all for the unlawful disclosure of inside information (in three of these proceedings, the crime of obstructing supervisory activities is also prosecuted); five market abuse proceedings in which Consob had previously joined the proceedings as a civil plaintiff were defined at first instance: in three cases the liability of the defendants was recognised and they were sentenced to pay damages in favour of Consob, in a case the procedure was settled with a plea bargain, in another with an acquittal (Tab. 10).

Tab. 10 Civil partisan constitutions of CONSOB in criminal proceedings relating to insider trading and market manipulation offences

year	constitutions	offence ¹	result at 31 dicembre 2015
2009	1	market manipulation	1 conviction
2010	3	insider trading, manipolazione del mercato	2 conviction ² 1 acquittal
2011	6 ³	manipolazione del mercato	3 conviction 1 settlement 1 statute of limitations ruling
2012	2	insider trading, manipolazione del mercato	1 acquittal 1 settlement
2013	5	insider trading, manipolazione del mercato	1 conviction ⁴ 2 settlement 1 statute of limitations ruling
2014	9	insider trading, manipolazione del mercato	2 conviction 1 settlement 2 ruling declaring the jurisdiction by territory ⁵
2015	4	manipolazione del mercato	1 acquittal

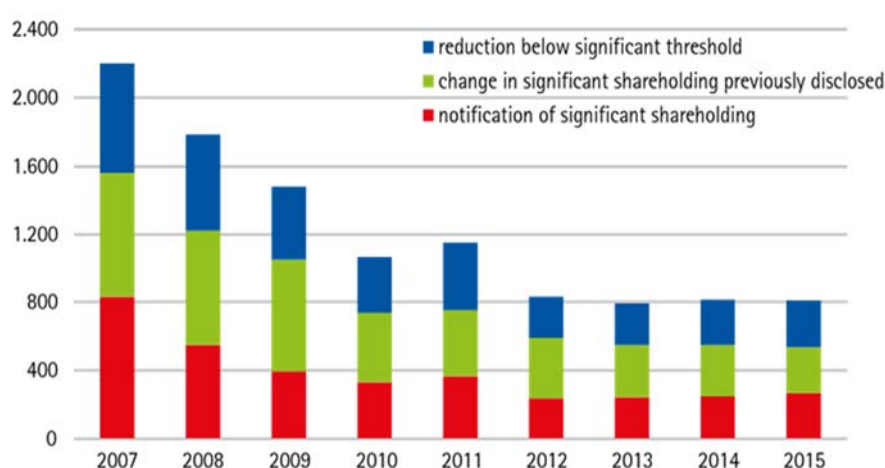
Source: Consob. ¹Insider trading: art. 184 Tuf; market manipulation art. 185 del Tuf. ² the competent Court of Appeal confirmed the conviction, granting the defendant the benefit of not mentioning the conviction. The Court of Cassation was suspended and the documents were sent to the Constitutional Court. ³ Among the six, following the filing of a civil action, two proceedings were brought together on the basis of objective and subjective connections. ⁴ Milan Court of Appeal upheld the sentence of first instance in all its civil and criminal rulings. ⁵ In two cases of market manipulation, the Judge for the preliminary hearing (at the Court of Siena and the Court of Turin, respectively) declared his lack of jurisdiction by territory and ordered the transmission of the documents to the Public Prosecutor's Office at the Court of Milan, which was deemed competent.

II Supervision of issuers and audit firms

1 Ownership structure disclosure

In 2015, 808 communications were made concerning investments in listed companies pursuant to Article 120 of the Consolidated Law on Finance. The figure is in line with the one recorded over the last three years (Fig. 2).

Fig. 2 Communications of significant shareholdings in listed Italian companies



Source: Consob.

In 2015, there were 28 communications by listed issuers concerning treasury stock transactions, 3 percent of the total, up two percent compared to the previous year. Declarations relating to sales transactions slightly outweighed those concerning purchase transactions.

In line with the previous year's figure, most of the communications were related to foreign entities (66 percent compared to 61 in 2014).

The declarations of institutional investors, mainly foreign, decreased compared to 2014, having accounted for approximately 24 percent of the total (27 in the previous period). They relate equally to purchases, sales and changes in the shareholding.

During 2015, 11 declarations were made regarding the acquisition, sale or change of potential shareholdings and long positions relating to a

total of four different listed companies. Among these, three communications concerned potential shareholdings, while eight were made in order to communicate an overall long position.

In 2015, Consob also received 170 notifications relating to relevant shareholders agreements pursuant to Article 122 of the Consolidated Law on Finance (149 in 2014), with reference to 69 listed companies. The increase compared with the previous year was mainly due to changes in existing shareholders' agreements (95 communications compared with 78 in 2014). Communications relating to new shareholders' agreements also recorded a slight increase (50 compared to 38 in 2014), while there was a slight decrease in cases of dissolution or failure to pursue the objectives envisaged in the agreement (25 cases compared to 33 in 2014). The presence of shareholders' agreements increased slightly among newly listed companies.

2 Takeover bids and exchange tender offers

During 2015, the Commission allowed the publication of nine offer documents (one less than in 2014) relating to three voluntary takeover bids, five mandatory bids and one partial voluntary exchange tender offer (Tab. 11). All the offers made concerned listed financial instruments traded on Italian regulated markets organised and managed by Borsa Italiana Spa.

Tab. 11 Financial instruments subject to public takeover and/or exchange offers for which the publication of the offer document has been authorized in 2015

	on listed instruments	on unlisted instruments	<i>total</i>
full voluntary takeover bid ¹	3	-	3
partial voluntary takeover bid ²	1	-	1
next/mandatory	5	-	5
takeover bid on own shares	-	-	-
<i>totale</i>	9	-	9
<i>obligation/right of purchase</i> ³	1 ⁴		

Source: Consob. ¹ In one case the offer concerned savings shares. ² The offer was aimed at participative financial instruments and bonds both listed on the MOT. ³ In cases of obligation/right of purchase, no offer document has been drawn up as the information has been disseminated to the market through a specific notice/press release. ⁴ Following the mandatory offer made on Pirelli, the purchase obligation pursuant to Article 108, paragraph 1, of the Tuf was exercised at the same time as the exercise of the purchase right pursuant to Article 111, paragraph 1, of the same decree (so-called 'joint procedure'). Following the mandatory offer made on Vianini Lavori shares, the offeror has fulfilled the purchase obligation pursuant to art. 108, paragraph 2, of the Tuf, after which, however, the conditions for the exercise by the offeror of the purchase right pursuant to art. 111, paragraph 1, of the Tuf and the fulfilment of the purchase obligation pursuant to art. 108, paragraph 1, of the Tuf have not been met. Following the mandatory offer made on World Duty Free shares, the offeror initially fulfilled the purchase obligation pursuant to Article 108(2) of the Tuf and, having reached a stake in the issuer's capital of more than 95%, gave rise to the "joint procedure". The consideration was determined by Consob only in the case of the offer made on Vianini Lavori shares.

With reference to transactions involving shares traded on Italian regulated markets and launched in 2015 (seven in all), the overall amount of the takeover bids amounted to 5.4 billion euro, the highest in the last eight years.

During 2015, the Commission replied to a number of questions (the main ones are summarised below, Tab. 12) concerning the applicability of the rules on takeover bids and the rules on exemption from the takeover bid obligation.

3 Supervision of related party transactions

In line with the supervisory experience of recent years, related party transactions have been the focus of controls also in 2015 to mitigate the risk of expropriation to the detriment of minority shareholders.

In particular, as part of monitoring the revision of internal procedures adopted by issuers to implement the Regulation on related party transactions, in some cases the scope of application of the procedures was extended in the event of changes in the ownership structure of the companies concerned (RCS Mediagroup Spa, Unipol Gruppo Finanziario Spa, UnipolSai Assicurazioni Spa, IGD Immobiliare Grande Distribuzione Siiq Spa). As a result of the assessment required by the reference regulations, the companies identified additional parties to which to apply full or partial controls that are similar to those required by the procedures.

Supervision of the correct application of the exemptions focused on classifying ordinary transactions at market conditions. In this context, the attention of the companies and control bodies has been drawn to the fact that the suitability of a transaction to be qualified as exempt must be checked by taking into account the relevant definitions and additional elements indicated by Consob to verify that a transaction relates to the ordinary course of business or the related financial activity.

One of the latest experiences of application of the regulation lies in the case of Tod's Spa, which required the application of the whitewash mechanism on a voluntary basis.

In the last half of 2015, the regulation in question has been more widely applied also in companies with high capitalisation, affected by transfers of significant assets, reorganisation of control and termination of contracts with related parties in which the procedural and transparency rules set for transactions of greater importance with related parties were applied.

Tab. 12 Questions regarding the takeover bid

object and normative references	Consob guidance
Communication 0094141 of 11 December 2015. Question relating to the absence of Opa's obligations in relation to an extraordinary transaction concerning Prelios Spa	The Commission, with reference to an extraordinary operation concerning the share capital of Prelios Spa that would have involved changes in the shareholding structure of the aforesaid company, confirmed the absence of Opa's obligations, provided that certain conditions were met by the parties involved in the operation.
Comunicazione 0097293 del 23 dicembre 2015. Operazione di fusione inversa per incorporazione di Abaco Systems Et Services Srl in Abaco Innovazione Spa. Quesito in merito alla ricorrenza dei presupposti dell'esenzione dall'obbligo di promuovere un'offerta pubblica di acquisto totalitaria sulle azioni ordinarie emesse da Exprivia Spa per la qualificabilità della fusione quale 'operazione infragruppo' di cui al combinato disposto degli artt. 106, comma 1, lett. b), del Tuf e 49, comma 1, lett. c), del Regolamento Emittenti	Communication 0097293 of 23 December 2015. Reverse merger by incorporation of Abaco Systems Et Services Srl into Abaco Innovazione Spa. Question regarding the occurrence of the conditions for exemption from the obligation to make a full public tender offer on the ordinary shares issued by Exprivia Spa in order to qualify the merger as an 'intra-group transaction' as per the combined provisions of Articles 106, paragraph 1, letter b) of the Consolidated Law on Finance and 49, paragraph 1, letter c) of the Issuers' Regulations.
Resolution 19318 of 10 August 2015. Obligation to promote a takeover bid pursuant to articles 102, 106, paragraph 1-bis, and 109 of the Tuf for Marco Polo Industrial Holding Spa on ordinary shares issued by Pirelli Et C Spa. Determination of the price of the offer pursuant to Articles 106, paragraph 3, letter c), 2, of the Tuf	The Commission, with reference to the purchases of Pirelli Et C Spa shares made by Banca IMI Spa prior to the promotion of the mandatory public tender offer on Pirelli Et C Spa shares in the context of its activity as market maker on financial instruments linked to the Ftse Mib 40 index, has resolved that such purchases are not to be taken into account for the purposes of determining the highest price paid by the offeror or by the persons acting in concert with the offeror pursuant to Article 106(2) of the Tuf.
Communication 0025962 of 2 April 2015. Question regarding the applicability of the mandatory takeover bid rules set forth in Articles 106 et seq. of the Tuf to a possible shareholders' agreement between the two main shareholders of Seat Pagine Gialle Spa.	The Commission has clarified that it does not take into account for the purpose of Opa's obligation a hypothetical shareholders' agreement between the two main shareholders of Seat Pagine Gialle: GoldenTree Asset Management Lp and GI Europe Luxembourg Sarl. The shares syndicated in the agreement would revert from purchases made by the funds during the rescue (composition with creditors) and, therefore, exempt from Opa pursuant to art. 49, paragraph 1, letter b), 1, i) of the Issuers' Regulation. In this regard, the Commission has clarified that the predominant part of the purchases (50.65%) was derived to the funds from the conversion of bankruptcy claims, with the consequence that the shares obtained in exchange for the execution of the composition with creditors constitute a purchase that is strictly necessary and coincides in time with the recapitalisation of the company and directly related to the rescue needs of the issuer, the satisfaction of which is finalised in the recovery plan voted by the creditors for the resolution of the state of crisis. Therefore, according to the Commission, the conditions for the applicability of the 'rescue' exemption under Article 49, paragraph 1, letter b), no. 1, i) of the Issuers' Regulation would be met. The hypothetical stipulation of the shareholders' agreement would be considered by the funds themselves to be functionally linked to overcoming Seat's state of crisis, giving the rescued company, through the possibility of jointly appointing directors identified for this purpose, a governance structure in line with substantial continuity with the rescue.

Source: Consob.

Moreover, in 2015, the application of transparency rules for transactions of greater importance led to 52 information sheets being published. The transactions described in these sheets mainly relate to loans or transfers of assets to or from the relevant shareholders, which are the subject of 17 and 15 sheets respectively (Tab. 13).

Tab. 13 Information documents on significant transactions with related parties published in 2014 by Italian listed companies

type of transaction	counterparty			total
	directors / company referable to directors	parent company / reference partners	subsidiary / associated company	
supply contracts, services, sponsorship, investment	--	9		9
financing	--	17	2	19
capital transactions	--	6		6
asset transfer	1	15	2	18
<i>total</i>	<i>1</i>	<i>47</i>	<i>4</i>	<i>52</i>

Source: Consob.

Finally, with regard to ordinary transactions at market conditions excluded from the obligation to publish an information sheet, in 2015 Consob was notified of 36 transactions, mainly carried out by non-financial companies (24 companies operating in the industrial or service sectors) and/or belonging to FTSE MIB (21 cases out of 36). Furthermore, the ordinary exempted transactions are equally divided into transactions related to the operating activity of the company (18 cases), i.e. the supply of goods and services that are typical of non-financial companies and the provision of loans to banks, and transactions included in the financial activity of the company that communicated them, which can be exempted because they are related to the core operating activity (18 cases).

4 Supervision of corporate governance and internal supervisory bodies

Also in 2015, Consob's staff participated, as mere auditors, in a number of shareholders' meetings, selected on the basis of the items on the agenda. In particular, attention was focused on Shareholders' Meetings with resolutions on appointing corporate bodies, integrating the Board of Directors and related party transactions for which the Shareholders' Meeting was responsible.

As highlighted in the previous paragraph, the shareholders' meetings held in 2015 by medium-high capitalisation companies show further growth in the participation of institutional investors, especially foreign. When appointing the corporate bodies of some of these companies, the lists of candidates presented and voted by institutional investors obtained the majority of votes at the Shareholders' Meeting, thus determining some changes to the application of the slate voting system.

Also during 2016, Consob's supervision will focus on applying the provisions of the law and of the by-laws on appointing corporate bodies, with

a view to ensuring, also in the pre-meeting phase, adequate information to shareholders on the procedure envisaged to adopt appointment resolutions in cases similar to those described above.

Worth mentioning is the monitoring of the practices that depository intermediaries adopt to ensure, through the efficient and timely transmission of the information required by the secondary regulations on central depository, the legitimate exercise of corporate rights and, therefore, the effective participation in the company's life by as many shareholders as possible.

As part of supervising the application of the law on gender quotas, Consob warned a company whose composition of the administrative body, resulting from the renewal of the shareholders' meeting, was not in line with the criterion of gender distribution (Vincenzo Zucchi Spa).

In 2015, the process of transforming cooperative banks into corporations was launched, pursuant to Legislative Decree 3/2015, coordinated with conversion law 33/2015, the so-called 'Popular banks decree', according to which the so-called 'one share one vote' principle will be adopted for listed cooperative banks, as well as for some popular banks with shares in common stock, and the peculiar regulation enforced because of the mutualist purpose that characterises them will no longer apply.

2015 also featured the adoption by some issuers of the instruments separating ownership and control, offered by the legislator of the so-called competitiveness decree (Legislative Decree 91/2014). In particular, 17 issuers amended their by-laws to include a system to increase voting rights to a total of two votes per share in favour of shareholders that retain ownership for at least 24 months. The example of the first companies that held the shareholders' meeting in January 2015 to approve the adoption of statutory amendments aimed at introducing the increased voting mechanism (Amplifon Spa, Astaldi Spa and Davide Campari - Milano Spa) was followed by other issuers during the shareholders' meetings held to approve the 2014 financial statements.

The dialogue with the supervisory bodies, aiming to check the fulfilment of the supervisory duties provided for by law on an ongoing basis, covered all the areas of corporate governance mentioned above. With this activity, the Commission intended to stimulate the formulation by the statutory auditors of assessments on the compliance with the law and the by-laws and on how to implement the recommendations of self-regulation, in order to allow the timely detection of critical issues or the need for in-depth analysis of the governance system of listed companies.

Consob also received reports of irregularities from the supervisory bodies, pursuant to Article 149, paragraph 3 of the Consolidated Law on Finance, or of various facts not qualified as irregularities, communicated in some cases prudentially. The facts reported mostly concerned violating

specific internal procedures or updates on internal control audits. In examining these reports, Consob maintained a constant dialogue with the supervisory bodies and, in one case, requested disclosure to the market on some aspects reported and the resulting assessments.

During 2015, the supervisory activity highlighted certain weaknesses in the area of the system of internal controls relating to the 'purchasing process', and in particular the management of relations with suppliers and advisors.

Enforcement also concerned violations by the supervisory bodies of small companies of the duties of supervising the application of the rules for carrying out related party transactions and compliance with the by-laws.

5 Supervision of audit firms

At the end of 2015, there were 26 companies carrying out statutory auditing of public-interest entities (PIEs) and that, pursuant to current legislation, fall under the supervision of Consob (of which 16 are already listed in the former Consob Register), compared to a total number of statutory audits on PIEs of approximately 1,500 entities.

The audit market continues to show characteristics of high concentration. The distribution of legal auditing on the 2015 annual and consolidated accounts of listed issuers shows, in fact, the usual high concentration of large-scale audit firms (so-called big four), which made up 91 percent of the market (Tab. 14).

Tab. 14 Distribution of audit engagements on the financial statements of listed companies

legal auditing firms	2013		2014		2015	
	number of assignments in the company with listed shares	market share ¹	number of assignments in the company with listed shares	market share ¹	number of assignments in the company with listed shares	market share ¹
<i>big four</i>	211	87	207	86	211	91
medium companies	30	12	26	11	12	5
small companies	3	1	8	3	8	4
<i>total</i>	<i>244</i>	<i>100</i>	<i>241</i>	<i>100</i>	<i>231</i>	<i>100</i>

Source: Consob. ¹ Percentage values

The new regulations introduced by Legislative Decree 39/2010 will allow the parties to carry out the early termination of the legal auditing of accounts, using, in addition to the existing revocation for just cause (at the initiative of the audited entity), also the establishment of resignations from office (at the initiative of the legal auditor) and the consensual termination of the audit contract. During 2015 there was a significant increase in the

number of cases of early termination of appointments before the set deadlines, back to 2013 levels (Tab. 15).

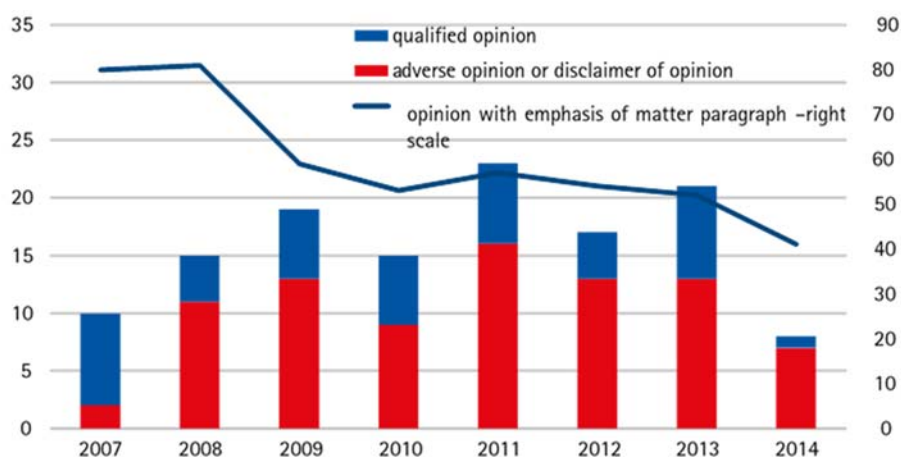
With reference to the opinions expressed by the auditing firm on the annual and consolidated financial statements of listed Italian issuers for the financial year 2014, a substantial 50% reduction is seen in cases of impossibility to express an opinion and a fall in qualified opinion and opinions with requests for disclosure (Fig. 3).

Tab. 15 Types of early termination of the statutory audit engagement

	revocation	consensual termination	resignation
2013	37	45	3
2014	32	16	6
2015	24	62	2
<i>of which</i>			
change of parent company	5	6	--
change of group auditor	--	14	--
changes inside the group	--	2	--
loss of public interest status	16	2	--
situation which has arisen and is liable to jeopardise independence	--	2	--
the absence of the statutory audit requirement due to the lack of legal requirements	--	--	--
non-payment/adjustment of fees after notice of default	--	--	--
incompatibility following a change of controlling shareholder	--	2	--
other	3	34	2

Source: Consob. ¹ In cases of revocation, the replacement was requested by extraordinary commissioners and authorized by the Bank of Italy pursuant to Article 72, paragraph 5-bis Tub. The cases of consensual termination, on the other hand, are motivated by the presence of group policies that provide for the need to entrust the tasks of all subsidiaries to the parent company's auditor.

Fig. 3 Opinions issued by audit firms on Italian listed companies financial statements



Source: audit firms reports. Data refer to different types of opinion or remark that can also relate to a single issuer.

Also in 2015, the supervisory activity was carried out through preventive quality control actions, of a systematic nature, and subsequent interventions, relating to checks on hypotheses of irregularities in the work of the auditors on specific assignments (enforcement).

The checks carried out concerned the examination of the conformity of the quality control procedures adopted by audit firms with respect to Auditing Principle 220 and the ISQC International Quality Control Standard 1 for Italy, the latter in force since 1 January 2015.

The audited procedural areas concerned the auditor's independence, partners' preparation and competence, management, supervision and review of work and monitoring.

The analysis of the above-mentioned procedural areas represented the first application of the 'Common Audit Inspection Methodology', a methodology adopted within the European Audit Inspection Group, the coordination body of European regulators in which Consob participates, which has proved to be effective with respect to the supervisory objectives set.

On the other hand, with regard to the checks carried out by the Commission on the procedures for the performance of statutory audit appointments, sanctioning proceedings were initiated in 2015 against the independent auditors of a listed group, in the event of irregularities concerning compliance with independence regulations. In addition, sanctioning proceedings were initiated against the auditing firm of a banking group, in view of numerous alleged irregularities in performing audit work. Three sanctioning measures initiated in 2014 were also concluded against two independent auditors, whose irregularity profiles are described in Chapter V 'Inspection activity and sanctioning measures' below.

The main shortcomings in the audit process detected in the sanctioning proceedings concluded mainly concerned, in line with what was recorded in 2014, the audit of areas of the financial statements characterised by strong valuation components.

In 2015 the adoption of the international auditing standards 'ISA Italia' (Articles 11 and 12 of Legislative Decree 39/2010) was completed, which will be in force as from the audit of the financial statements for the financial years beginning on 1 January 2015. Therefore in 2016, the first audit reports are expected to be issued, which will refer to the new principles, adopted at the end of a process in which, in addition to Consob, the Ministry of the Economy and Finance, associations and professional bodies were involved. The adoption of the new principles will require constant updating to ensure that they are in line with the new developments brought by the international profession and, above all, with the new regulations contained in EU Regulation 537/2014 on the statutory audit of PIEs, in force since June 2016.

Supervision of public offerings and corporate disclosure III

1 Supervision of public offerings and admission to trading of equity instruments

In 2015, the Commission approved the authorisation to file the listing prospectus for 16 transactions, issued four equivalence judgments, approved the prospectus for nine capital increases of listed companies and authorised 15 offers of unlisted securities from Italian issuers (Tab. 16).

Tab. 16 Supervision of public offerings and admission to trading of equity instruments
(number of prospectuses)

	2009	2010	2011	2012	2013	2014	2015
admissions to listing of shares ¹	6	7	7	2	5	10	16
of which through public offering	1	2	5	2	3	9	13
judgements of equivalence	2	4	6	7	6	2	4
rights issue ²	23	16	23	7	11	17	9
other offerings ³	--	--	--	1	1	--	--
unlisted securities offerings of Italian issuers ⁴	28	29	31	24	10	19	15
<i>total</i>	<i>59</i>	<i>56</i>	<i>67</i>	<i>41</i>	<i>33</i>	<i>48</i>	<i>44</i>

Source: Consob. ¹ Data refer to transactions which received the authorisation to file the listing prospectus. ² Capital increase in listed companies (including warrants and convertible bonds). ³ The figure relates to public or private offerings for sale or subscription (not for listing purposes), and employee stock option plans; it does not include offerings involving the recognition of foreign prospectuses. ⁴ Including prospectuses relating to issuers of widely distributed securities, issuers of non-widely distributed shares and newly founded banks; it does not include bonds, covered warrants, certificates, and employee stock option plans.

With particular reference to admission to listing by offering, Consob authorised the prospectuses of 13 companies.

In 2015, four listed companies adopted the exemption from publishing listing prospectus set forth by Article 57, paragraph 1, letter d) of the Issuers' Regulation, by making available to the public documents deemed by Consob to be equivalent to the prospectus.

During the year, nine listed companies approved capital increases in option to shareholders, requiring the Commission to approve the prospectus in order to proceed with the indistinct public offering and admission to trading of equity securities.

The Commission also authorised the publication of 13 bank share capital increase prospectuses, two of which related to the same issuer (in one case, the offer prospectus also included the issue of subordinated convertible bonds) and two prospectuses related to the public offer for establishing a bank (for the admission to trading of non-equity instruments see Tab. 17 in the following paragraph).

During 2015, the high complexity and instability of the reference context already highlighted above (see the first Chapter of Part A) led Consob to intensify its investigative activities also through greater use of pre-filing, pursuant to Articles 4 and 52, paragraph 1-*bis*, and Article 63, paragraph 2, of the Issuers' Regulation. This approach, adopted to deal with the specific nature of the transaction and/or the issuer before the formal submission of the application, made it possible to increase the clarity of the information included in the prospectus and, at the same time, reduce the time taken to carry out investigations.

Cooperation with Banca d'Italia was also intensified in the area of controls on issuers/offers of a banking and financial nature, which are particularly challenging due to the complex capital strengthening programmes that banks had to define, also because of the periodic annual review and assessment of the prudential control process of the ECB and Banca d'Italia (Supervisory Review Process - SREP; for further details see paragraph 3.2 'Supervision of the banking sector').

2 Supervision of public offerings and admission to trading of non-equity instruments

In 2015, 730 prospectuses were approved regarding non-equity EU financial instruments, 272 of which relate to debenture loans, 424 to UCITS, 33 to covered warrants and certificates and one to the admission to listing of warrants (Tab. 17).

During the year, monitoring activities were enhanced of the structural macro-characteristics of non-equity financial products issued on prospectuses, also in order to make the supervision of disclosure synergistic with that carried out with regard to the provision of investment services and compliance with the rules of conduct by intermediaries.

With reference to both Italian and foreign bank issuers, 268 documents relating to debenture loans were approved, of which 117 base prospectuses, 4 prospectuses and 147 registration documents and supplements (a further 4 prospectuses relate to bonds issued by non-financial companies).

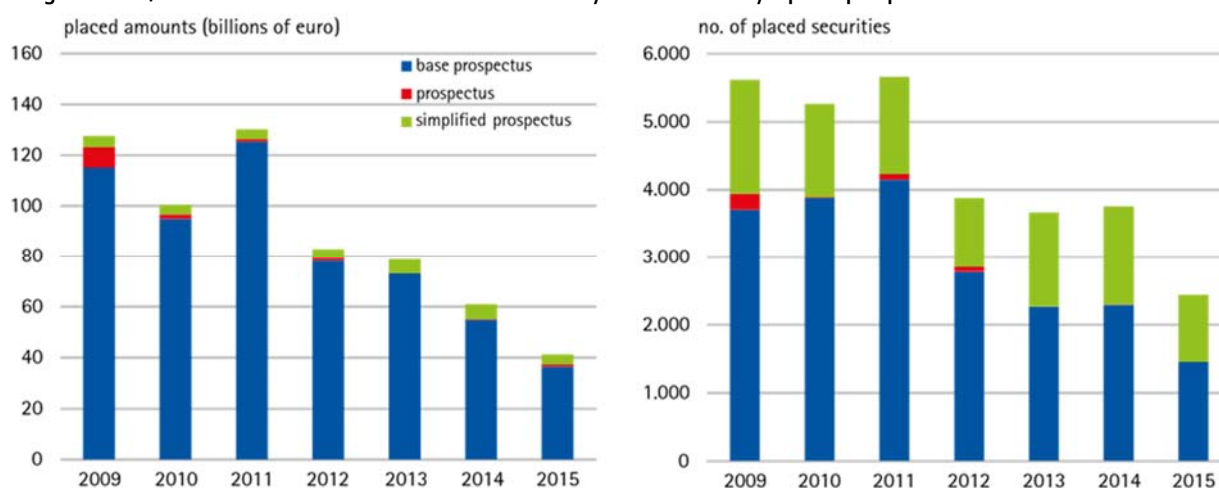
Tab. 17 Supervision of public offerings and admission to trading of non-equity instruments
(number of prospectuses)

	2009	2010	2011	2012	2013	2014	2015
bonds	748	655	777	535	517	313	272
<i>of which</i>							
<i>base prospectuses</i>	472	405	416	286	196	148	117
<i>prospectuses</i>	36	24	14	7	3	8	8
<i>registration documents and supplements</i>	240	226	347	242	327	157	147
covered warrant ¹ and certificates	102	27	66	52	104	58	33
admission to listing of warrants	10	--	--	--	--	1	1
UCITS²	337	380	330	415	478	537	424
<i>total</i>	<i>1,197</i>	<i>1,062</i>	<i>1,173</i>	<i>1,002</i>	<i>1,009</i>	<i>909</i>	<i>730</i>

Source: Consob. ¹ Number of prospectuses approved during the year, each of which normally involves the issue of several 'series' of covered warrants. The total includes 20 basic prospectuses, 4 registration documents and 9 supplements. ² The figure includes public offering of Italian mutual funds and SICAV shares, admission to listing of units of Italian closed-end funds and financial instruments issued by foreign management companies; it also includes distributed harmonised foreign UCITS funds. It is noteworthy that: i) from 1 July 2009, no prior authorisation is required for the publication of prospectuses for open-end Italian UCITS; ii) the 1 July 2011 marked the entry into force of a new notification procedure between the authorities of the originator member state and Consob, pursuant to article 93 of Directive 2009/65/EC and Regulation EU 584/2010.

During 2015, the volumes of non-equity securities issued by banks amounted to approximately 41.1 billion euro, a clear reduction compared to the previous year (approximately 60.9 billion euro) and in line with the trend in progress since 2011. Likewise there is a similar reduction in the number of securities offered, equal to 2,442 (about 3,750 in 2014; Fig. 4).

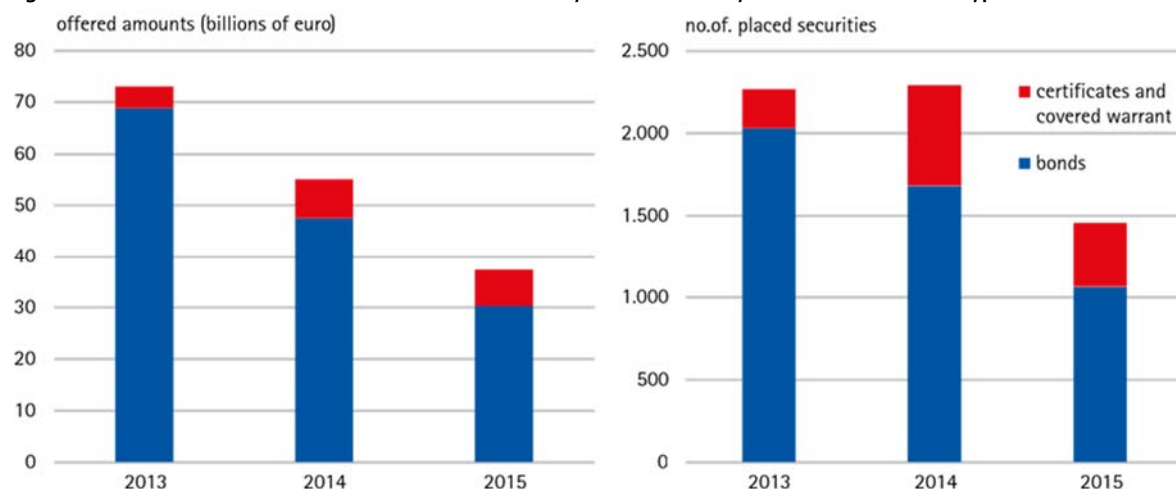
Fig. 4 Bonds, certificates and covered warrants offered by Italian banks by type of prospectus



Source: Consob.

Given the significant reduction in the number of bonds issued and the corresponding amount placed, the securitised derivatives segment (certificates and covered warrants) showed more stable volumes (Fig. 5).

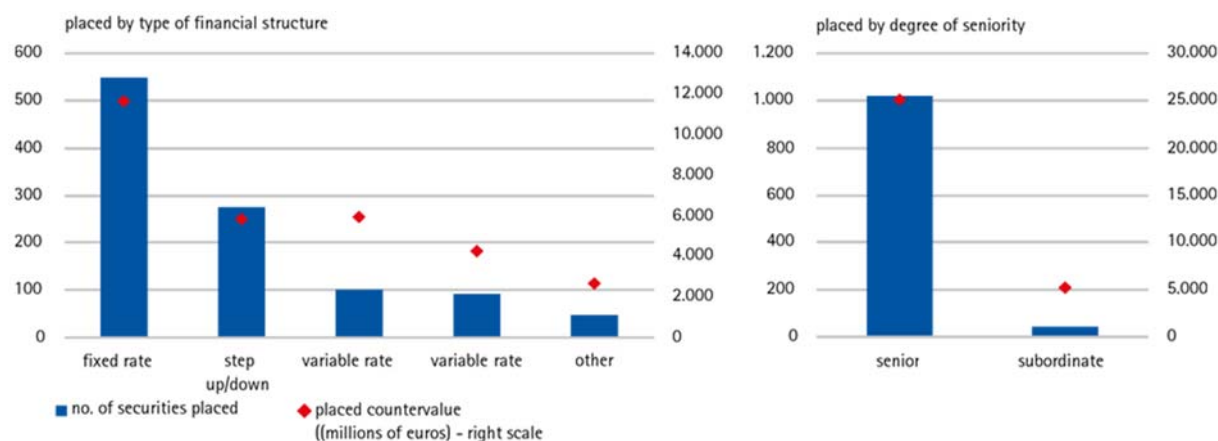
Fig. 5 Bonds, certificates and covered warrants offered by Italian banks by financial instrument type



Source: Consob.

With particular reference to public offerings of bank bonds on a prospectus submitted for approval by Consob, in 2015 the instruments actually placed were mainly fixed-rate issues (11.6 billion euro for 548 securities placed, equal to 38 and 48 percent of the total respectively; Fig. 6).

Fig. 6 Public offerings of bank bonds based on prospectuses approved by Consob by type of financial structure and seniority

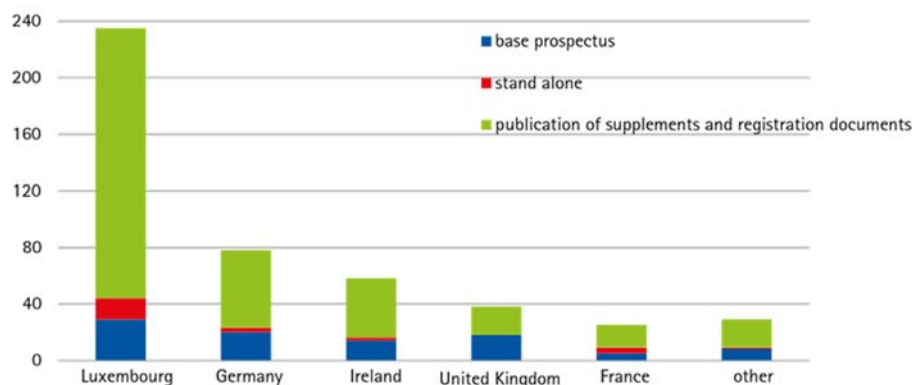


Source: Consob. The category 'other' includes floating rate bonds with cap/floor, mixed rate bonds with cap/floor, structured bonds and zero coupons.

In 2015, Consob verified the completeness and certificate approval validity of 463 documents (546 in 2014) approved by European Union authorities and notified by them to the Commission, pursuant to Directive 71/2003/EC. These documents can be traced back to 94 base prospectuses (20 percent of the total), 25 prospectuses (5 percent) and 344 supplements (74

percent; Fig. 7). In addition, 881 non-equity EU financial instruments of financial issuers backed by final terms transmitted to CONSOB and the related base prospectuses previously passported (869 in 2014) were offered to the public in Italy and/or admitted to trading on Italian regulated markets.

Fig. 7 Offer to the public and admission to trading of non equity financial instruments – passported instruments



Source: Consob. The category 'other' includes the Netherlands, Austria and Liechtenstein.

During the year, the supervision of the information provided in the prospectus at the time of public offering and/or admission to trading on regulated markets continued to be strengthened, with particular reference to products with complex profiles.

The supervisory action continued with regard to advertising activities carried out as part of offers/admission to trading on regulated markets of products on domestic and passported prospectuses in Italy.

With reference to the so-called 'Titoli di Risparmio per l'Economia Meridionale (Savings Securities for the Southern Italian Economy)', during 2015, eight entities (four in 2014) were authorised to proceed, within the limits of what previously announced, with 12 issues (five in 2014). The amount placed in relation to these transactions was almost 39 million euro (approximately 47 million euro in 2014).

With reference to financial products issued by insurance companies, 532 prospectuses relating to unit-linked financial-insurance products (53 first deposits and 348 updates) and capitalisation products (16 first deposits and 115 updates; Tab. 18) were filed in Consob's archives through the SAIVIA Integrated System in 2015.

The monitoring activity, according to a risk based supervisory approach and the analysis of a complex system of automatic alerts (referred to in Communication 9025454 of 21 September 2009), highlighted 203 prospectuses with potential critical information issues.

Tab. 18 Enforcement interventions on insurance products carried out in 2014

contract type	deposited prospectuses		prospectuses monitored	surveillance intervention by area			total
		of which: first deposits		financial structure and risk	performance scenarios	other	
unit linked	401	53	203	230	57	126	413
index linked	--	--	--	--	--	--	--
capitalisation	131	16	--	--	--	--	--
total	532	69	203	230	57	126	413

Source: Consob.

Where necessary, insurance companies promptly updated their investor disclosures during the year, in order to restore completeness and consistency between the data on the risk dimensions defined under the risk-based approach, giving appropriate evidence to investors in the most relevant cases through appropriate warnings on their websites.

3 Corporate disclosure

During 2015, as usual Consob used the most suitable supervisory tools to ensure clarity, completeness and timeliness of the information provided to the market by listed companies for the benefit of investors and greater awareness in investment choices.

More specifically, the Commission made 502 requests for information and 89 requests for publication of information and news pursuant to Articles 115 and 114 of the Consolidated Law on Finance respectively (Tab. 19).

Tab. 19 Supervision of corporate disclosure and ownership structure

	2009	2010	2011	2012	2013	2014	2015
request of information pursuant to art. 115, TUF ¹	811	506	611	570	691	633 ²	502
request to publish data and information pursuant to art. 114, TUF	267	164	129	128 ³	171	106	89
waiver of disclosure of data and information pursuant to art. 114, par. 6, TUF	4	2	9	1	17	5	--
delays in disclosure pursuant to art. 114, par. 3, TUF	1	2	4	6	13	--	3
request for immediate publication of researches when there are rumours, pursuant to art 69-novies of Issuers' Regulation	4	4	2	--	9	29	14
reports to the judiciary	10	6	3	8	13	18	8
written reprimand	--	2	--	--	2	10	6
challenges of financial statements	1	1	--	1	1	1	--
non-compliance proceedings pursuant to art. 154-ter, par. 7, TUF	1	3	--	10	5	5	2

Source: Consob. ¹ The figure also includes requests for information on the shareholding structure. ² The figure referred to 2014 includes requests for information related to the approval of takeover bids and exchange tender offer documents. ³ The figure for 2012 includes a request for supplementary information concerning related-party transactions.

During the year, Consob also received three communications of delays in disclosing significant information from listed issuers that enforced the option set forth in Article 114, paragraph 3 of the Consolidated Law on Finance.

In 14 cases, the Commission deemed it worth requesting the immediate publication of recommendations in the presence of rumours, pursuant to Article 69-*novies* of the Issuers' Regulation. The Commission also formulated six letters of warning and initiated two non-compliance proceedings pursuant to Article 154-*ter*, paragraph 7 of the Consolidated Law on Finance. Finally, in eight circumstances, the Commission reported to the Judiciary facts potentially relevant from a criminal point of view established in the performance of its activities.

Articles 114 (except for paragraph 7) and 115 of the Consolidated Law on Finance also apply to issuers of financial instruments that, though not listed on Italian regulated markets, are widespread among the public. By resolution 19298 of 5 August 2015, based on the communications received pursuant to paragraph 2 of Article 108 of Issuers' Regulation, Consob updated the list of issuers of financial instruments significantly widespread among the public at 30 July 2015, when there were 66, compared to 69 in the previous year (due to six exclusions of issuers and three inclusions of companies).

3.1 Accounting information

The supervision of financial and accounting disclosure of listed companies is carried out on a sample basis, as required by Articles 118-*bis* of the Consolidated Law on Finance and 89-*quater* of the Issuers' Regulation.

The sampling supervision mechanism is in line with the initiatives launched by ESMA to ensure a uniform approach to supervisory activity by national enforcers.

For the purposes of identifying the sample to be subject to supervision also in 2015, it was deemed appropriate to reserve a margin of flexibility, defining the sample in two successive time periods, while respecting the annual determination constraint set by paragraph 2 of Article 89-*quater* of the Issuers' Regulation. Specific analyses were also carried out for certain sectors deemed to be particularly exposed to the economic situation.

Therefore, monitoring focused on the financial statement areas potentially marked by critical issues, also taking into account the peculiarities of the sectors analysed. Particular attention was paid to analysing the financial statements drawn up by the companies featuring the presence of significant intangible assets.

With regard to listed insurance companies, supervision of the planned initiatives continued in view of the significant changes resulting from introducing the new prudential supervisory regime provided for by Directive 138/2009 (so-called Solvency II), in force since 1 January 2016.

During 2015, the Commission decided to subject certain listed companies to specific periodic disclosure requirements, based on the powers conferred by Article 114 of the Consolidated Law on Finance. These obligations are audited when issuers' accounting documents are published (financial statements and half-yearly reports), in order to take into account the evolution of the situation faced by the companies.

3.2 Supervision of the banking sector

During 2015, Consob paid particular attention to supervising bank issuers, also taking into account the particularly complex and uncertain situation in which the entire sector operates, given both the evolution of the economic context and the continuous changes in the regulatory and prudential supervisory framework.

In particular, the Commission intensively monitored the public disclosure of the main listed bank issuers.

During 2015, the information provided by banks on the accounting areas of greatest interest to the sector and investors continued to be audited. Consistently with the risk-based approach, the supervisory activity also took into account the priorities identified by ESMA for the 2014 financial statements (in the document '*European common enforcement priorities for 2014 financial statements*', ESMA/2014/1309).

The Commission's activities were carried out consistently with the work undertaken by the other European and international authorities (ESMA, EBA, FSB, ESRB), with the purpose of improving disclosures and the comparability of financial institutions' financial statements as well as contributing to increasing market confidence in the financial reporting of these issuers.

Supervision of intermediaries IV

1 Entities authorised to provide investment services

At the end of 2015, the number of banking intermediaries and Italian investment firms authorised to provide investment services totalled 663 compared to 692 in the previous year (Tab. 20).

Among the 583 banks authorised to provide investment services, there are 41 branches of foreign institutions, 35 of which are of EU origin and six of non-EU origin.

Tab. 20 Authorised investment service intermediaries

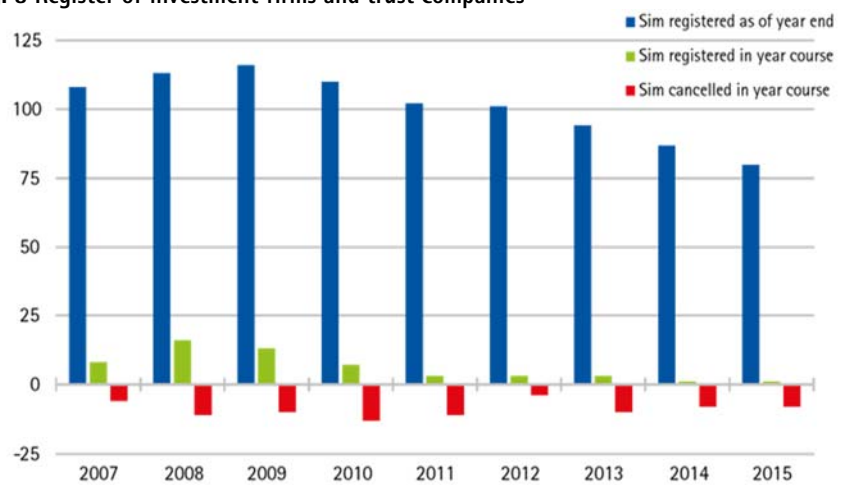
	2009	2010	2011	2012	2013	2014	2015
<i>total authorised subjects</i>	<i>840</i>	<i>811</i>	<i>778</i>	<i>744</i>	<i>723</i>	<i>692</i>	<i>663</i>
investment firms							
<i>no. of authorised providers</i>	<i>115</i>	<i>110</i>	<i>102</i>	<i>101</i>	<i>94</i>	<i>87</i>	<i>80</i>
advice	110	103	94	92	84	77	70
trading on one's own account	17	15	14	14	15	16	15
trading on behalf of third parties	25	23	20	20	22	23	22
placement with prior subscription ¹	8	6	5	5	5	5	4
placement without prior subscription ¹	61	53	47	46	44	45	42
individual management	49	47	46	44	43	39	38
receipt and transmission of orders and brokerage	54	52	49	50	48	46	43
MTF management	2	3	3	3	3	3	3
<i>average number of services per provider</i>	<i>2.77</i>	<i>2.69</i>	<i>2.68</i>	<i>2.67</i>	<i>2.81</i>	<i>2.92</i>	<i>2.96</i>
banks							
<i>no. of authorised providers</i>	<i>725</i>	<i>701</i>	<i>676</i>	<i>643</i>	<i>629</i>	<i>605</i>	<i>583</i>
advice	692	673	651	617	602	583	560
trading on one's own account	535	516	500	467	461	445	421
trading on behalf of third parties	536	515	499	466	461	447	425
placement with prior subscription ¹	261	242	225	208	201	195	184
placement without prior subscription ¹	699	674	651	616	603	587	565
individual management	208	195	181	170	169	166	158
receipt and transmission of orders and brokerage	705	683	660	624	614	593	572
MTF management	1	1	1	1	1	1	2
<i>average number of services per provider</i>	<i>4.66</i>	<i>4.65</i>	<i>4.65</i>	<i>4.60</i>	<i>4.63</i>	<i>4.99</i>	<i>4.64</i>

Source: Consob e Banca d'Italia. ¹ Includes underwriting and placement based on an irrevocable commitment towards the issuer.

In 2015 also the number of Italian investment firms authorised to provide investment services decreased (from 87 in 2014 to 80 in 2015) due to the eight cancellations occurring in the year (mainly due to voluntary exits from the market) against the only registration in the Register (Fig. 8).

Instead, the number of EU investment firms authorised to operate in Italy through a branch establishment increased, with 61 entities on the list drawn up based on notifications received from the member state authorities at the end of 2015.

Fig. 8 Register of investment firms and trust companies



Source: Consob.

During 2015, the National Investor Compensation Fund continued with the new management in reference to bankruptcy proceedings for which a passive status was filed as from 1 February 1998. The indemnity system intervened in 37 cases of insolvency (20 Italian investment companies (SIM), ten stockbrokers, five asset management companies and two banks). This management goes hand in hand with the special management of previous insolvencies, which the Ministry of Economy and Finance (MEF) contributes to cover.

Tab. 21 National Investor Compensation Fund interventions
(as of 31 December 2015; amounts in thousands of euros)

	insolvencies ¹				
	investment firms	stock brokers	Sgr	banks	total
1997-2009	16	9	1	--	26
2010	2	--	1	--	3
2011	--	--	1	1	2
2012	--	1	--	1	2
2013	2	--	1	--	3
2014	--	--	1	--	1
2015	--	--	--	--	--
<i>no. of insolvencies</i>	<i>20</i>	<i>10</i>	<i>5</i>	<i>2</i>	<i>37</i>
<i>for which liability statements have been filed</i>	<i>20</i>	<i>10</i>	<i>5</i>	<i>2</i>	<i>37</i>
no. of creditors admitted	2,774	1,008	1	--	3,783
amount of admitted credits ²	26,452	42,204	3,751	--	72,407
fund interventions ³	9,385	11,421	--	--	20,806

Source: National Investor Compensation Fund data. ¹ Insolvencies for which the statement of liabilities was filed with effect from 1 February 1998. ² Values net of partial compensation ordered by the bodies responsible for insolvencies procedures. ³ Indemnities authorised, paid or committed against claims received.

2 Supervision of banks and Italian investment firms

During 2015, the supervision of banks, Italian investment firms and EU investment firms, as usual, made formal requests for data and information, summonses of corporate officers, inspections and analysis of complaints (for details on inspections and complaints see, respectively, Chapter V 'Inspection activity and sanctioning measures' and Chapter VII 'Investor protection').

In particular, the Commission's requests for data and news were addressed to credit institutions in 129 cases, to Italian investment firms in 18 cases and to EU investment firms with a branch in Italy in 28 cases (in this respect it is recalled that EU investment firms operating in Italy without branch offices are subject to the exclusive supervision of the pertinent authority of their country of origin; Tab. 22).

Tab. 22 Supervision of banks, investment firms and EU investment companies
(no. of initiatives)

		banks	investment firms and EU investment companies
2013	requests of data and news ex art. 8, c. 1, of the Tuf	101	68 ¹
	convocation of company representatives pursuant to art. 7, paragraph 1, letter a) of the Tuf	20	2
	<i>total</i>	<i>121</i>	<i>70</i>
2014	requests of data and news ex art. 8, c. 1, of the Tuf	79	25
	convocation of company representatives pursuant to art. 7, paragraph 1, letter a) of the Tuf	47	2
	<i>total</i>	<i>126</i>	<i>27</i>
2015	requests of data and news ex art. 8, c. 1, of the Tuf	129	46
	convocation of company representatives pursuant to art. 7, paragraph 1, letter a) of the Tuf	35	1
	<i>total</i>	<i>164</i>	<i>5</i>

Source: Consob ¹ The figure does not include a request sent to an auditing firm pursuant to Article 8, paragraph 2 of the Tuf (during the supervisory activity carried out with regard to a investment firm).

During the year, 35 meetings were also held with corporate officers of banks and one meeting with a representative of an Italian investment firm, also to draw attention to specific critical profiles of individual company situations or to clarify certain aspects of the regulations relating to investment services.

Finally, at the request of the supervised entities, 28 meetings were held with Italian investment firms, four with EU investment firms with a branch office in Italy and ten meetings with stakeholders that asked for clarifications on undertaking initiatives to manage equity crowdfunding portals.

With particular regard to Italian investment firms, in 2015 verification continued, in close cooperation with Banca d'Italia and IVASS, of the possible existence of interlocking positions, violating the prohibition of accepting or holding interlocking positions in competing companies or groups of companies operating in credit, insurance and finance markets (so-called 'prohibition on interlocking directorates', introduced by Leg. Decree no. 201/2011, converted into Law 214/2011).

3 Supervision of asset management companies

In 2015, as usual, the supervision of asset management companies used information acquired through meetings with corporate officers and requests for data and news. In particular, a meeting was held with corporate officers (pursuant to Article 7, paragraph 1, letter a) of the Consolidated Law on Finance) and 18 formal requests for information and news were also sent out (pursuant to Article 8, paragraph 1 of the Consolidated Law on Finance).

Based on proven violations of the rules regarding the correct provision of collective asset management and portfolio management services, 11 letters of notice were sent to the corporate officers of two asset management companies.

Supervision of management intermediaries followed a risk-based approach based on models aimed at intercepting the conduct the supervisory actions should be directed at.

With regard to open-end mutual fund managers, particular attention was paid to the relationship between the processes that oversee the assumption of investment choices concerning UCITS and the information on the investment policy provided in the relevant offer documentation.

Over the year, Consob continued supervision of the real estate fund segment. This segment recorded a decrease in the number of asset management companies managing closed-end real estate funds (53), due to a merger by incorporation involving three companies, and an increase in the number of real estate funds from 391 to 412. No funds among those launched in 2015 were destined to the retail public. At the end of 2015, the net assets under management amounted to around 40 billion euro, an increase compared to the previous year. The data also show a gradual improvement in the average debt position of the funds (Tab. 23).

Tab. 23 Closed-end Italian real estate funds¹
(billions of euro)

	no. of asset management companies	no. of active funds	net asset value(A)	total assets(B)	total debt ((B-A)/B)%	percentage breakdown of assets			
						property and property rights	financial instruments	securities and liquidity	other assets
2009	54	259	26.3	47.5	44.7	86.2	5.2	4.6	4.0
2010	56	289	28.5	50.5	43.5	87.1	4.9	4.4	3.6
2011	57	323	31.3	53.6	41.5	87.7	4.0	4.4	3.8
2012	58	343	31.5	53.4	41.1	88.1	4.4	3.4	4.2
2013	55	348	32.9	55.1	40.2	87.6	4.9	3.7	3.9
2014	55	391	37.6	58.3	35.6	86.6	5.3	4.5	3.6
2015	53	412	40.6	60.4	32.9	86.0	5.4	4.4	4.1

Source: calculations on funds reported data. ¹ Rounding may cause discrepancies in the total figure.

During the past year, Consob continued to cooperate with the Ministry of the Economy and Finance and Banca d'Italia in extraordinary or precautionary proceedings.

In the context of transparency supervision, the offer documentation of Undertakings for Collective Investment in Transferable Securities (UCITS) continued to be analysed in 2015, also based on the analysis of the operations carried out by the operators. The documents of applications to

market units of Italian reserved Alternative Investment Funds (AIFs) in Italy of pursuant to Article 43 of the Consolidated Law on Finance, or those marketed to retail investors, pursuant to Article 44 of the Consolidated Law on Finance (45 investigations overall) were also examined. Supervision of the proper provision of the collective management service cannot disregard the characteristics of the management mandate granted by investors. The latter, in the case of products marketed to retail investors, is represented in the 'key investor information' provided by the Key Investor Information Documents (KIID) in line with the more detailed information available in the UCITS prospectus.

The examination of the structure of the board of directors of asset management companies and of independent director requirements continued also in 2015. Specifically the composition was analysed of the administrative bodies of the 15 major asset management companies (which account for approximately 93 percent of the total assets held by the open-end funds managed by companies under Italian law) of banking and insurance origin that managed at least one retail fund under Italian law (Tab. 24).

Tab. 24 Infra-group interlocking in asset management companies
(number of directors)

		position held in asset management companies						
		executive directors	independent directors		other directors	total		
		of which:		of which:		of which:		
		chair	CEO		chair	chair		
2015	position held in parent company	1	1	3	1	6	1	10
	position held in other group companies	6	6	4	1	27	6	37
	no position held in other group companies	7	7	41	3	13	3	61
	total	14	14	48	5	46	10	108
2014	position held in parent company	3	2	2		6	1	11
	position held in other group companies	11	7	4	1	27	5	42
	no position held in other group companies	8	2	39	2	10	2	57
	total	22	4	45	3	43	8	110
2013	position held in parent company	5	4	3		16	4	24
	position held in other group companies	12	7	6	1	20	2	38
	no position held in other group companies	7	1	40	2	20	3	67
	total	24	5	49	3	56	9	129

Source: information sheets. Data relate to a sample based on the 15 major asset management companies (AMCs) controlled by banking or insurance groups, by volumes of assets under management in 2014; in the case of directors holding office both in the parent group and in other companies belonging to the group, the position in the former is considered prevalent. For the definition of Executive Director reference was made to article 2381 of the Italian Civil Code, while the definition of Independent Director derives from Assonime Code of Conduct.

During the year, the total number of directors decreased by two units to 108 from 110 in 2014.

There was also a slight drop in the number of board members between the asset management company and those of the parent company and/or other group companies. The number of directors with multiple appointments was 47 compared to 53 in 2014.

4 Supervision of financial advisors

During 2015, in line with the previous year, the number of registered financial advisors and active advisors increased to 54.994 (from 54.089 in 2014) and to 34.017 (from 36.313), respectively.

As is well known, since 1 January 2009 the maintenance and management of the Register of Financial Advisors has been entrusted to a special Body controlled by Consob.

As usual, and until the launch of the new regulatory framework outlined in the so-called 2016 Stability Law, the supervisory action on financial advisors carried out by the Commission was driven by the reports of intermediaries and the inspections carried out on them, complaints submitted by investors and communications from the Body for keeping the Register of Financial Advisors, the Judiciary and the Judicial Police.

The risk-based approach underlying the sanctioning supervision of financial advisors envisages the application of objective criteria for the preventive selection of reports and complaints of violations of sector regulations. Using these criteria allows a considerable reduction in the average time taken to define the investigations and a greater focus on the conduct characterised by a higher degree of offensive behaviours.

In parallel with the repressive-sanctioning activities, for the results of which reference should be made to Chapter V 'Inspection activity and sanctioning measures', the preventive-proactive surveillance continued during 2015. The adopted supervisory approach enabled the Commission to develop functional guidelines to guide operators towards overall alignment with the reference regulations.

Finally Consob conducted an investigation into the internal procedures for monitoring the network of financial advisors with respect to banks and investment firms that operate mainly through off-site offerings. As a result of the information gathered, the Commission identified certain best practices in the system of checks on financial advisors, which were conveyed to the market through communication 0012130 of 11 February 2016, in order to encourage operators that have less advanced control mechanisms to align with them.

5 Supervision of equity crowdfunding portals

At the end of 2015, there were 18 equity crowdfunding portal operators listed in the ordinary section of the register (11 at the end of 2014), while one operator appeared in the special section dedicated to banks and investment firms (unchanged compared to the previous year). Seven registrations took place in the ordinary section regarding entities other than banks and investment firms.

Compared to the 19 portals authorised to operate on the market, nine portals were operational at the end of 2015, while there were 31 published offerings, of which 12 closed successfully, 14 closed unsuccessfully and five are still in progress. The figure actually subscribed amounts to approximately 3.4 million euro. During the year, Consob did not receive any complaints regarding portal operators.

2015 data on portal operations confirm that equity crowdfunding has still not taken off in Italy. In this regard, on 3 December 2015, when implementing the new regulations introduced by the "Popular banks" Decree, Consob launched a public consultation on reviewing Consob Regulation 18592 of 26 June 2013 on raising risk capital by innovative start-ups through online portals, in order to stimulate a broader reflection on the phenomenon and its regulatory framework two years after its entry into force. The initiative, preceded by a preliminary consultation conducted during the period from 19 June to 10 July 2015, ended on 11 January 2016 (for more details see Chapter VI 'Regulatory activity' below).

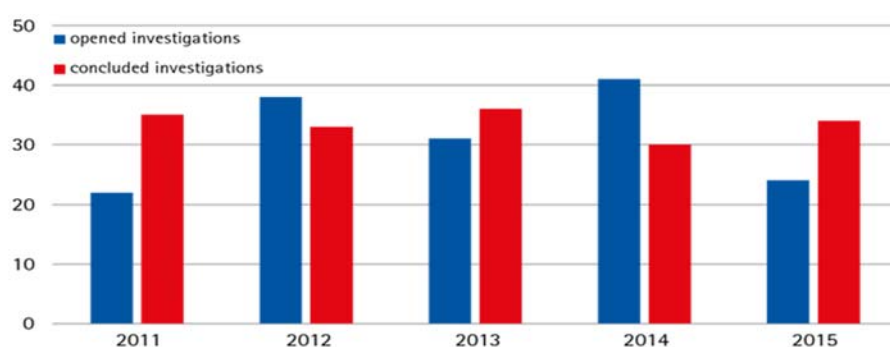
Inspection activity and sanctioning measures

V

1 Inspections

In 2015, the Commission launched 24 inspections and concluded 34 of them, of which 17 related to 2014. Therefore there are seven inspections underway at the end of the year (Fig. 9).

Fig. 9 Inspections started and completed



Source: Consob.

Seven inspections concerned the rules of conduct and transparency of intermediaries; five inspections (three of which were carried out on behalf of Banca d'Italia) concerned anti-money laundering controls; four inspections involved audit firms. In the other cases, the inspections were aimed at proving violations of the regulations regarding corporate disclosure and possible market abuse (Tab. 25).

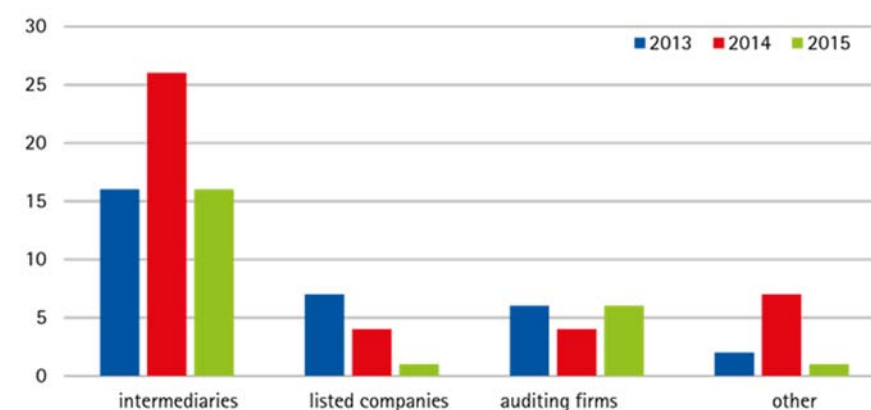
Tab. 25 Inspection activity

	intermediaries and products		issuers and audit firms		audit appointments / quality control ¹	markets	other	
	investment services	real estate funds and retail investors	corporate disclosure	ownership structure / takeover bid		market abuse	money laundering	other areas ²
2013	5	1	2	9	4	4	4	2
2014	11	3	1	--	1	16	6	3
2015	7	--	3	--	4	3	5	2

Source: Consob. ¹ Data for 2013 and 2014 also include quality controls. ² Figures refer to area subject to Banca d'Italia supervision other than money laundering

16 of the entities subject to auditing were financial intermediaries. six were audit firms. one listed company and one company participating in the capital of a listed issuer (Fig. 10).

Fig. 10 Investigated entities



Source: Consob.

2 Supervision for the prevention of money laundering and the fight against terrorism

During the year, the Commission made use of the instruments of regulatory supervision, reporting and inspection for the purposes of preventing money laundering and the fight against terrorist financing.

The investigations conducted involved: the summons of corporate officers pursuant to Article 53 of Legislative Decree 231/07 of two audit firms; the initiation of inspections for two audit firms; the initiation of sanctioning proceedings pursuant to Articles 56 and 60 of Legislative Decree 231/07 against one audit firm; the initiation of sanctioning proceedings against two financial advisors for violating the provisions on the due diligence of customers; the reporting to the Judiciary of criminally relevant cases.

In a host of cases, the evidence obtained on anti-money laundering and countering terrorist financing was transmitted to Banca d'Italia and the Financial Intelligence Unit under its jurisdiction.

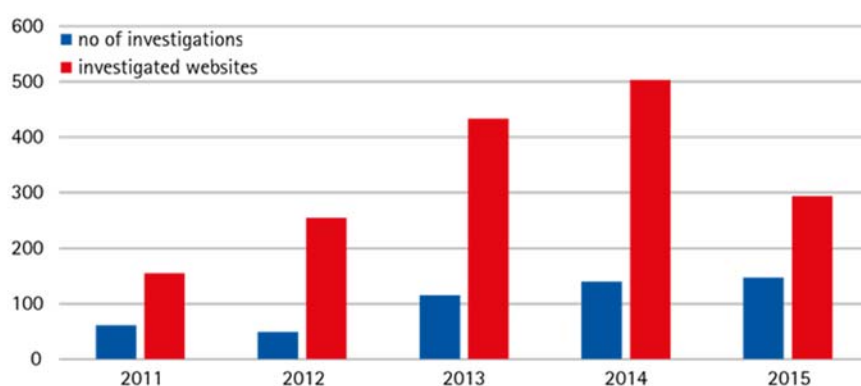
Finally, during the year Consob actively participated in the work of the Financial Security Committee aimed at coordinating the national apparatus to prevent money laundering and terrorist financing, subject of assessment by the International Monetary Fund in 2015.

3 Investigations and measures for abusive practices

3.1 Investigations on hypothesis of abusive practices

The intense activity to counteract the hypothesis of abusive practices continued in 2015. In line with previous years, more than two thirds of the abusive conduct were carried out via the Internet. In 2015, in particular, 147 inspections were undertaken in relation to abusive practices performed via the Internet, which involved the analysis and investigation of 293 websites (Fig. 11).

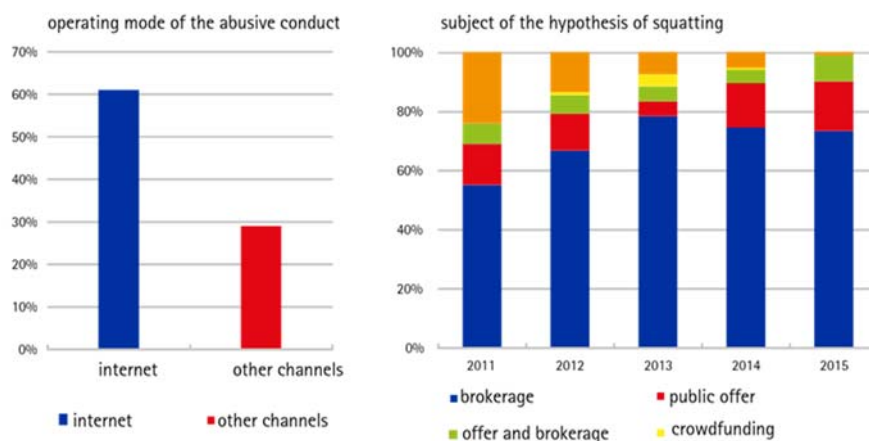
Fig. 11 Inspection activity on websites



Source: Consob.

In the majority of cases, the events brought to the attention of the Commission concerned hypotheses of abusive practices for violating the provisions dictated on financial intermediation, while the weight of the reports that did not give rise to identifying hypotheses of illegality was almost zeroed (Fig. 12).

Fig. 12 Hypothesis of financial abuse



Source: Consob.

In the context of supervising the hypothesis of abusive practices for violating the provisions on intermediation, certain operational practices were ascertained that typically constitute abusive activities. These include the offer of online trading platforms for binary options and currency contracts and so-called affiliate programs, which involve the payment of an incentive (or bonus) when presenting a new investor.

Additional abusive intermediation phenomena identified during 2015 featured an operating mode linked in some way to the activity of authorised entities. In detail, entities not authorised to provide investment services proposed potential customers to open trading accounts with authorised intermediaries, while obtaining a special power of attorney to handle such accounts. The activities carried out on the securities portfolio, if performed not occasionally and for remuneration, complement the investment service of portfolio management and therefore require the possession of the authorisation to operate in relation to the Italian public.

As part of the investigations into abusive practices involving the violation of the Issuer's Regulation focused provisions on issuers, investigations focused primarily on initiatives aimed at offering or publicising membership of entrepreneurial projects through signing joint venture contracts.

3.2 Measures for abusive practices

In 2015, Consob adopted 118 measures against abusive practices (Tab. 26).

Tab. 26 Enforcement measures for unauthorised provision of investment services, unauthorised offer financial products and related advertisement

	violation of the provisions on public offering		communications aimed at investor protection	report to legal authorities	total
	temporary prohibition to provide investment services	prohibition to provide investment services			
2009	6	4	--	10
2010	5	5	--	10
2011	3	6	1	10
2012	6	6	16	41	69
2013	2	2	25	50	79
2014	31	2	47	66	118
2015	6	5	44	63	118

Source: Consob. ¹ The figure includes an initiative which eventually resulted in the prohibition to provide investment services during 2015.

In particular, in 2015 Consob published 44 notices for investor protection (warnings) referring to entities that operated via the Internet, implementing violations of the regulations on intermediaries.

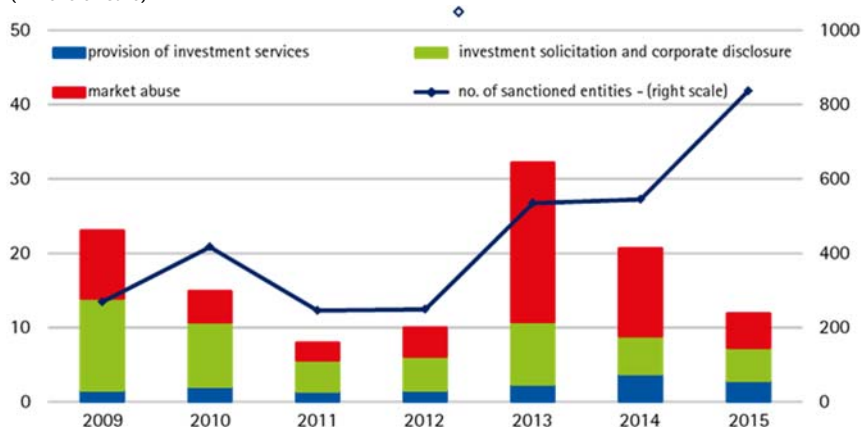
On the hypothesis of abusive practices due to violating the provisions on issuers (offering financial products to the public and advertising relating to offering financial products to the public in the absence of publishing a prospectus), the number of precautionary and disqualification measures taken more than doubled, rising from five cases in 2014 to 11 initiatives in 2015.

It should be noted that in 2015 Consob reported 63 cases to the Judiciary that were the subject of an investigation both for the alleged illegal provision of services and investment activities and for the alleged existence of criminal profiles of possible unlawfulness connected with the alleged conduct aimed at profiting from the good faith of investors. The figure relating to reports to the Judiciary is substantially in line with the trend of previous years.

4 Sanctioning measures

In 2015, 268 sanctioning proceedings were completed (160 in 2014), of which 236 concluded with the application of sanctions (140 in 2014). The total amount of fines applied was approximately 12.1 million euro, compared with 20.6 million in the previous year. In addition, interdictive accessory sanctions were imposed for a total of 138 months (156 months in 2014) and, as a result of proceedings for infringements of market abuse regulations, assets were confiscated for a value corresponding to approximately 594 thousand euro (396 thousand euro in the previous period; Fig. 13).

Fig. 13 Disciplinary measures for market abuse offences
(millions of euro)¹



Source: Consob. ¹ The figures include reduced payments and precautionary measures against financial advisors.

4.1 Measures concerning market abuse

In 2015, 20 sanctioning measures were taken (9 in 2014) for violating the rules on insider trading (Article 187-*bis* of the Consolidated Law on Finance) and unlawful disclosure of inside information (Article 187-*ter* of the Consolidated Law on Finance). Of these 11 measures concerned insider trading and 9 cases of proven unlawful disclosure of inside information (Tab. 27).

During the year, sanctioning measures were also taken against two banks for violating Article 187-*novies* of the Consolidated Law on Finance, regarding the obligation to report suspicious transactions, which resulted in sanctions applied for a total of 50 thousand euro.

Tab. 27 Disciplinary measures for market abuse offences
(millions of euro)

		no. of cases	no. of entities fined	amount of sanctions	amounts confiscated	no. of entities given additional penalties	additional penalties (months)
2009		17	23	9.2	20.9	20	152
2010		15	20	4.2	2.0	19	83
2011		7	9	2.4	1.2	8	36
2012		12	19	3.9	6.0	16	126
2013		14	26 ¹	21.6	1.8	20	231
2014		9	21 ²	11.9	0.4	13	156
2015	<i>insider trading</i>	11	18	2.2	0.4	17	53
	<i>manipulation</i>	9	15	2.4	0.1	14	85
	<i>total</i>	<i>20</i>	<i>33³</i>	<i>4.6</i>	<i>0.6</i>	<i>31</i>	<i>138</i>

Source: Consob. Insider trading is punishable pursuant to art.187-*bis*, *quarter*, *quinquies* and *sexies* of the Consolidated Law on Finance (TUF); market manipulation is punishable pursuant to art. 187-*ter*, *quarter*, *quinquies* and *sexies* of the Consolidated Law on Finance (TUF). ¹ Of which 20 natural persons and 6 legal entities; the figure does not include legal entities jointly and severally liable with the authors of the violations ²The data includes the subjects sanctioned pursuant to Articles 187-*bis*, 187-*ter* and 187-*quinquies*; it does not include three legal entities for which the sanction was applied as jointly and severally liable with the authors of the violations. ³The figure includes the persons sanctioned pursuant to Articles 187-*bis*, 187-*ter*, 187-*quinquies* and 187-*quinquiesdecies*; it does not include seven legal entities against whom the sanction has been applied only as jointly and severally liable with the perpetrators of the violations.

In the forthcoming review of the regulation of market abuse (see Chapter II 'The regulatory framework'. Part A. and the subsequent Chapter VI 'Regulatory activity'), it is worth summarising Consob's administrative sanctioning activities over the past ten years. The tables below show the value of the sanctions and confiscations applied and the number of entities sanctioned, classified according to type of offence, with evidence of the outcome of the appeals lodged.

4.2 Measures related to financial intermediaries and advisors

There were a total of 18 (16 in 2014) proceedings concerning violations of the rules on securities brokerage concluded in 2015 with the adoption of sanctions, involving eight banks, seven asset management companies and three Italian investment firms. The pertinent fines imposed against 221 corporate officers, totalled approximately 2.8 million euro (101 in 2014; Tab. 28).

Tab. 28 Monetary sanctions inflicted on financial intermediaries
(thousands of euro)

	no. of involved intermediaries				no. of representatives sanctioned				amount of penalties ¹			
	banks	Sims	AMCs	total	banks	Sims	AMCs	total	banks	Sims	AMCs	total
2009	1	4	2	7 ²	16	6	20	42 ²	0.2	0.4	0.9	1.5 ^{2,3}
2010	2	7	2	11	15	50	17	82	0.2	1.3	0.5	2.0
2011	2	7	2	11	4	37	2	43	0.5	0.8	0.1	1.4
2012	2	3	2	7	3	5	18	26	0.1	1.0	0.4	1.5
2013	5	3 ²	6	14	30	17	55	102	0.8	0.2	1.3	2.3
2014	4	8 ⁴	4	16	42	31	28	101	2.6	0.9	0.3	3.7
2015	8	3	7	18	121	26	74	221	1.6	0.3	0.9	2.8

Source: Consob. ¹ The eventual lack of quadrature of the last digit is due to roundings. ² The figure does not include two measures issued against two foreign exchange agents sanctioned for an amount of 415 thousand euros. ³ The figure includes an EU investment company without a branch in Italy. ⁴ The figure includes five EU investment companies of which three without branches in Italy.

Among the measures taken is the financial penalty of approximately 262 thousand euro applied to corporate officers of Banco Popolare Società Cooperativa, as well as the case concerning Arca Sgr Spa.

With reference to financial advisors, in 2015 a total of 122 sanctioning measures were adopted (68 in 2014), of which 83 cancellations from the Register and 39 with temporary suspension (from a minimum of one month to a maximum of four months). The Commission also adopted 30 precautionary business suspension measures (21 suspension measures for a period of 60 days, pursuant to Article 55, paragraph 1 of the Consolidated Law on Finance, and nine for a suspension measures for period of one year, pursuant to Article 55, paragraph 2 of the Consolidated Law on Finance). Lastly, 76 reports were sent to the Judiciary for criminal matters that emerged during the investigations (Tab. 29).

Tab. 29 Sanctions and precautionary measures inflicted on financial advisors

	sanctions						precautionary measures	report to legal authorities
	reprimand	cancellation from register	temporary suspension from register	monetary sanction	total	as a percentage of the registered advisors	temporary suspension of activity	
2009	5	43	25	1	74	0.26	23	43
2010	6	78	61	1	146	0.51	40	57
2011	1	92	23	--	116	0.42	28	68
2012	--	70	14	1	85	0.35	32	38
2013	--	44	18	1	63	0.27	20	27
2014	--	37	22	9	68	0.31	39	67
2015	--	83	39	--	122	0.42	30	76

Source: Consob.

4.3 Measures relating to issuers

In 2015, 48 sanctioning measures were taken concerning violations in relation to issuers (40 in 2014). The pertinent fines amounted to a total of approximately 4.3 million euro (4.9 euro million in the previous period; Tab. 30). of which 2.8 million euro refers to sanctions for violating the duties of the supervisory bodies of issuers (Article 149. paragraph 1 and paragraph 3 of the Consolidated Law on Finance).

Tab. 30 Administrative sanctions imposed for breach of Issuers Regulation and breach of regulation on corporate and financial disclosure
(millions of euro)

	no of cases														no. of entities fined						
	initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	independent auditing	board of auditors responsibility	total	Initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	(internal) auditing	board of auditors responsibility	total	initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	independent auditing	board of auditors responsibility	total
2009	3	1	17	17	--	--	38	11	8	17	18	--	--	54	1.3	2.7	0.3	5.8	--	--	10.1
2010	4	8	19	35	--	--	66	16	16	20	55	--	--	107	4.4	0.9	1.2	1.3	--	--	7.8
2011	11	3	13	33	3	--	63	15	1	6	12	3	--	37	1.1	0.3	0.7	1.2	0.4	--	3.7
2012	5	4	18	17	5	5	54	12	10	18	25	4	14	83	0.9	0.4	0.8	1.3	0.1	0.9	4.4
2013	10	4	11	8	1	4	38	18	4	11	26	1	18	78	1.8	0.6	1.1	0.6	..	4.1	8.2
2014	6	--	12	92	5	8	40	53	--	13	92	9	38	122	2.1	--	0.3	0.52	1.0	1.1	4.9
2015	5	--	24	43	3	12	48	22	--	24	4 ³	3	74	127	0.6	--	0.3	0.1 ³	0.5	2.8	4.3

Source: Consob. ¹ Rounding may cause deviation from total figure. ² The figure does not include three sanctioning procedures extinguished in advance due to the recourse of the three parties concerned to the faculty of payment in a reduced amount (ex art. 16 of Law 689/1981). for a total amount paid equal to 150 thousand Euro. ³ It should be noted that during the course of the year, four sanctioning proceedings initiated for violation of Article 120 of the Tuf. were extinguished prematurely due to the payment of a reduced amount (pursuant to Article 16 of Law 689/1981). for a total amount paid of 200 thousand Euro.

During 2015, the participation in the process of implementing European legislation approved in response to the challenges posed by the financial crisis represented the core of Consob's regulatory activity.

Consob provided its technical contribution to defining the annual European Delegation Law, which identifies the scope of the directives and regulations to be transposed and implemented by the Government, and when drafting delegated decrees, designed to transpose European rules into national law, mainly through amendments to the Consolidated Law on Finance (TUF).

The logical extension of this regulatory activity was represented, as usual, by the subsequent amendment of the secondary regulations delegated to Consob and Banca d'Italia, within the scope of their respective competence, necessary to fully implement the reform measures.

1 The transposition of European regulation and other interventions related to primary legislation

In 2015, Parliament approved Law 114/2015 (so-called European Delegation Law 2014) aimed at providing the Government with the criteria for transposing and implementing an impressive and innovative body of legislation (consisting of both directives and regulations directly applicable in the national legal system), resulting primarily from the revision of acts already in force, which had revealed application weaknesses and difficulties. These include: the new rules for markets in financial instruments and for investment services and activities defined with the revision of the MiFID (Directive 2014/65/EU, so-called MiFID II) and the adoption of EU Regulation 600/2014 (so-called MiFIR); the new transparency requirements for listed issuers required following the revision of the Transparency Directive (Directive 2013/50/EU); the revision of the rules on undertakings for collective investment in transferable securities (Directive 2014/91/EU, so-called UCITS V) and the new European provisions on market abuse (Directive 2014/57/EU, so-called MAD II, on criminal sanctions, and EU Regulation 596/2014, so-called MAR).

Of particular relevance in this context is the reform of MiFID that, together with MiFIR, defines the new legal framework for investment firms, trading venues and entities providing data reporting services, which are essential to ensure trading transparency. The transposition of these regulations will be completed during 2016 and will entail a significant revision of the Consolidated Law on Finance and Consob regulations concerning financial intermediaries and markets.

The extent, complexity and relevance of the regulatory scope of the MiFID II-MiFIR package have emerged since drafting the legislative delegation, aimed at defining the criteria to be followed in its transposition, then incorporated into Article 9 of the 2014 European Delegation Law. In this context, Consob provided its technical contribution, expressing the need for regulatory choices aiming to strengthen the supervisory controls.

The highly 'transversal' nature of the regulation has also required choices consistent with other Directives for which the implementation process has recently been completed or is still underway and constant coordination with Banca d'Italia, in particular to rationalise the structure of competences among supervisory authorities.

In this respect, it is emphasised that the full implementation of the MiFID II-MiFIR package will significantly broaden the framework's objective and subjective scope and, consequently, the scope for action by the competent authorities.

Implementing the new MiFID regulations will result in entrusting Consob with new and wider powers of investigation (related to information and inspection supervision) and direct intervention on supervised entities and their corporate officers, in some cases with an innovative approach.

The sanctioning regime will also be heavily strengthened in order to ensure greater proportionality and effectiveness of the punitive response.

The process of revising the European financial market order also concerned Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, amended by the new Transparency Directive (2013/50/EU).

Finally, Directive 2014/91/EU amended certain provisions of the UCITS IV Directive concerning depository functions, remuneration policies for UCITS fund managers and the sanctioning regime.

1.1 The contribution to defining the delegated decrees

The domestic transposition and implementation process concerned not only European legislation revising existing directives but also new rules

aimed at establishing harmonised rules on matters not yet standardised at EU level.

First of all, in 2015 Consob was engaged in the work of adapting national legislation to the provisions of EU Regulation 909/2014 of the European Parliament and of the Council on improving the aforementioned Securities Regulation in the European Union and on Central Securities Depositories Regulation (CSDR).

Still on the subject of post-trading, the process of harmonising domestic regulations with the EMIR continued, in compliance with the provisions of Article 12 of the 2014 European Delegation Law.

The framework of the European acts, the transposition and implementation of which were delegated to the Government, is complemented by the Regulation on key information for packaged retail and insurance-based investment products (EU Regulation 1286/2014, so-called PRIIPs Regulation), which provides for a new approach to transparency on financial products, and the new European standards relating to auditing (Directive 2014/56/EU, Audit Directive, and related EU Regulation 537/2014, Audit Regulation, directly applicable in national law).

1.2 Transposition decrees approved during the year

In light of the size and complexity of the work required to bring the national legislation into line with the innovations introduced into European law, most of the measures aimed at completing the implementation process at the domestic level have not yet been finalised and the related delegated decrees will be approved, as specified with regard to the MiFID II-MiFIR package, during 2016.

Among the initiatives to transpose European legislation completed in 2015, a number of interventions with significant repercussions on the operations of supervised entities and on the regulatory and supervisory activities of Consob are worth mentioning. These include the Bank Recovery and Resolution Directive (Directive 2014/59/EU, so-called BRRD Directive), the Alternative Dispute Resolution Directive (Directive 2013/11/EU, so-called ADR Directive), Directive 2013/36/EU on capital requirements for banks (so-called CRD IV), Directive 2013/34/EU (Financial Statements Directive), Directive 2013/14/EU and Regulation 462/2013/EU (so-called CRA3 package), both on rating agencies.

The BRRD, transposed by Decrees 180 and 181 of 16 November 2015, is part of the extensive regulatory framework concerning the Banking Union. It introduced a harmonised regime to promptly manage corporate crises of credit institutions and investment firms, in order to safeguard the continuity of their essential functions and limit the negative impact on the confidence of operators, directing supervision towards macro-prudential

objectives of systemic risk management. The speed of its transposition process (the only relevant directive included in the 2014 European Delegation Law actually transposed during 2015) is linked to the need to make the new supervisory instruments operational in a timely manner.

The ADR Directive was implemented by Legislative Decree no. 130/2015, which amended the Consumer Code (Legislative Decree no. 206/2005) by introducing a specific title regarding 'Out-of-court dispute resolution'. The new rules cover all voluntary out-of-court resolution procedures, essentially of a conciliation nature, for the resolution, including on-line, of national and cross-border disputes between consumers and traders resident and established in the European Union. The legislation establishes minimum harmonisation requirements for the relevant bodies and access procedures to ensure that consumers have transparent, effective, fair and high quality mechanisms at their disposal.

During 2015, Consob provided support to the Ministry of Economy and Finance to implement Directive 2013/34/EU (Financial Statements Directive), which envisaged the new European rules on the annual and consolidated accounts of companies. The Financial Statements Directive replaces and innovates the previous legislation, repealing the fourth Directive (78/660/EEC) and the seventh Directive (83/349/EEC) and unifying the relevant disciplines.

It should also be noted that Consob, together with the other supervisory authorities in the sector, provided its contribution to the Ministry of the Economy to prepare the draft of Legislative Decree 72/2015, to implement CRD IV.

Based on the amendments made to the Consolidated Law on Finance by Legislative Decree 66/2015, the regulatory and supervisory framework for rating agencies was then reformed, in which investigation, supervision and sanctioning powers, previously provided for at national level, were formally granted to ESMA. However Member State authorities still have an important role to play in the practical deployment of supervisory activities, especially as they are responsible for reporting possible EU Regulation violations to ESMA.

2 Regulatory activity

During 2015, the Commission adopted the regulatory changes needed to fully implement Directive 2011/61/EU on Alternative Investment Fund Managers (AIFMD), which has already been taken into account in the Report for 2014 (see Part C, Chapter VI 'Regulatory activity').

During the year, Consob also submitted to market consultation the amendments to the Issuers' Regulations concerning ownership structures necessary to implement the new Transparency Directive.

With resolution no. 19446 of 25 November 2015, amendments were also made to the Issuers' Regulations needed for the entry into force, as of 26 November 2015, of EU Delegated Regulation 2015/761, setting forth regulatory technical standards on major holdings (RTS Regulation), which fall within the scope of implementing the new Transparency.

With regard to prospectuses, with resolution 19430 of 29 October 2015, Consob amended Article 6, paragraph 3, of the Issuers' Regulation, transposing into national law a provision of Directive 2014/51/EU (*Omnibus II*) that provides for the obligation of the competent authority of the home Member State to notify ESMA, as from 1 January 2016, of the final conditions deposited with it and, where applicable, the competent authority of the host member country.

As part of the process of implementing the new provisions on administrative sanctions for offences in matters falling within the competence of Consob and Banca d'Italia introduced by aforementioned Legislative Decree 72/2015, the proposals to amend the Regulation on Consob's sanctioning proceedings, approved by resolution 18750 of 19 December 2013, were submitted to the market for consultation.

By virtue of an evolutionary interpretation of the principles contained in Article 24 of Law 262/2005, in 2015 further changes were also made to Consob's sanctioning proceedings, with a view to strengthening the right of defence of the parties concerned, and more specifically to consolidating the principle of adversarial proceedings and full knowledge of the proceedings.

In 2015, the regulatory activity aimed at adapting the regulatory framework to the new provisions on shares with increased voting rights and shares with multiple voting rights was also completed, on which extensive information was provided in the Report for the year 2014 (see Part C, Chapter VI, 'Regulatory activity').

In addition with the Act of 11 February 2015 (published in the Official Gazette of the Italian Republic 43, 21 February 2015) amendments were made (in agreement with Banca d'Italia) to the Measure adopted by Banca d'Italia and Consob on 22 February 2008, containing the 'Regulations for Centralised Management Services, Liquidation Services, Guarantee Systems and related management companies'.

The Commission also approved the amendments to the Centralised management service regulations and Monte Titoli Spa's Settlement Service Regulations, necessary to allow Monte Titoli to migrate to the T2S settlement platform by 22 June 2015.

During the year, the domestic legislator intervened via the so-called Popular banks decree, to change equity crowdfunding legislation, extending the ability to offer financial instruments through online portals in order to include all innovative SMEs, UCITS and companies that invest mainly in innovative start-ups and SMEs.

The need to transpose these amendments provided an opportunity for a broader reflection on the regulatory framework some two years after its entry into force. In implementing the European Commission's Guidelines on Better Regulation, Consob revised the Regulation taking into account a set of predefined indicators during the regulatory impact analysis and the results of a preliminary consultation.

Finally, as part of the economic analysis of the regulations adopted by the Commission and in cooperation with external parties, the Commission continued to develop the 'Measurement of Administrative Burdens Project', a multi-year activity aimed primarily (but not exclusively) at measuring the administrative burdens on supervised entities.

1 Financial education

The latest available surveys confirm that the financial knowledge and skills of Italian citizens remain insufficient with respect to the complexity of the decisions to be taken and the risks faced.

The 'Consob Report on financial investments of Italian households' published in June 2015 highlighted the limited financial awareness of Italian citizens with respect to basic notions. Low levels of knowledge are accompanied by a lack of awareness of the basic steps of investment decisions (definition of objective, assessment of one's risk appetite, etc.) and a widespread overestimation of one's skills in economic and investment choices.

While recognising financial education as a key tool to develop the knowledge, skills and competences needed to make informed choices, in 2015 Consob completed the projects launched under the Investor Charter.

In particular, with the launch of the financial education portal in May, Consob laid the foundations for a permanent and structured monitoring of investor education issues, also using the evidence available on training needs and taking into account the indications of behavioural finance. The portal represents the main instrument of the campaign to raise awareness among investors as to their rights and the forms of protection provided for by regulation.

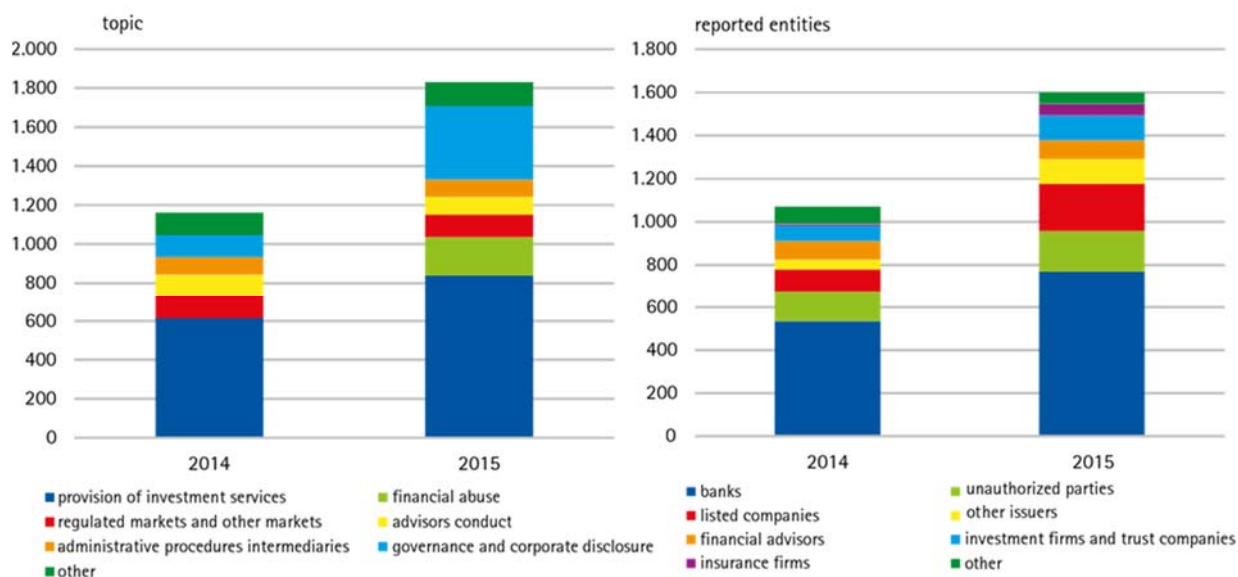
During the year, a discussion and coordination table on Financial Education was also launched with other authorities (Banca d'Italia, COVIP and IVASS) with the aim of defining a national Strategy for Financial Education, intended as a means to raise the investor protection level, to promote their trust in financial markets and to stimulate more careful financial planning and investment activities.

2 Complaint management

In July 2015, the application was made available to the public, the result of joint work between Consob and consumer associations, to send Consob complaints via the Internet.

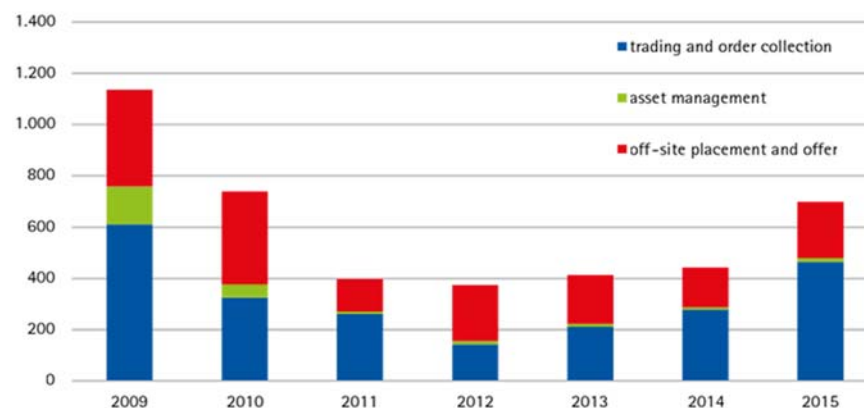
During the year, the Commission received 1.830 complaints (1.161 in 2014) with which investors and, more generally, market operators reported situations or conduct by supervised entities that appeared anomalous or incorrect. In most cases (about 46 percent), the complaints refer to circumstances relating to the provision of investment services (Fig. 14 and Fig. 15).

Fig. 14 Received complaints in 2015 relating to areas of Consob competence



Source: Consob. With reference to the subject matter of the exhibits, the category of 'financial abuse', introduced as of January 2015, includes the abusive provision of investment services, previously included in the category 'provision of investment services', and abusive offers, previously included in the category 'other', among the exhibits referred to offers to the public for subscription and sale. The category 'other' includes exposures relating to: extraordinary corporate transactions, audit, public offer of subscription and sale, public offer of purchase and/or exchange, centralized management and dematerialization. With reference to the parties involved, the category 'other issuers' includes: issuers of widespread securities, foreign issuers of financial instruments listed in Italy and issuers of instruments traded in multilateral trading systems; the category 'fiduciary sim. and community investment firms' includes both community investment firms without a branch and those with a branch; the category 'other' includes: AMCs, management companies of regulated markets, delisted companies, auditing firms, foreign collective managers, Bidders.

Fig. 15 Exposures received on investment services



Source: Consob.

3 The activity of the Conciliation and Arbitration Chamber

Throughout 2015, the Conciliation and Arbitration Chamber was involved in the administration of 80 conciliation proceedings (121 in 2014), aimed at resolving disputes between investors and financial intermediaries with reference to information, transparency and fairness obligations that the latter must observe in the contractual relationships with investors.

Of the total number of conciliation applications received, five were deemed inadmissible due to lack of competence or lack of documentation and four others have yet to be finalised by the applicants. Therefore, the overall number of applications handled during the year was 71 (116 in 2014).

The greatest number of applications initiated during the period under examination came from Northern Italy (45 requests, equal to 63 percent of proceedings initiated; Tab. 31).

Tab. 31 Requests by geographical area
(no. of requests)

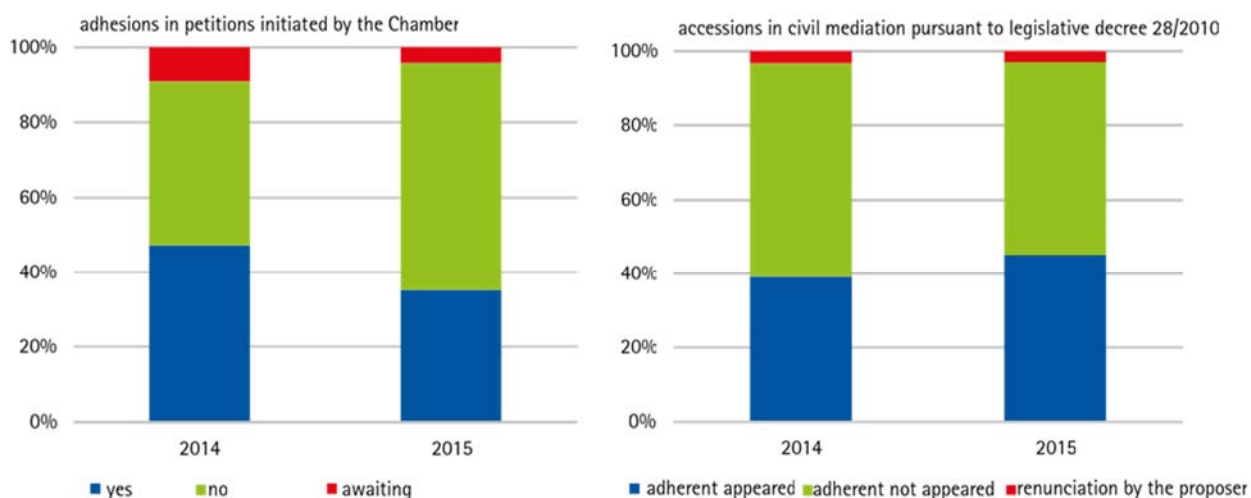
	as of 31 December 2014	as of 31 December 2015
North area	68	45
Central area	28	14
South area and islands	17	12
<i>total</i>	<i>113</i>	<i>71</i>

Source: Consob.

As at 31 December 2015, out of 25 cases in which the intermediary had joined the conciliation attempt (35 percent of the total), five had ended with an agreement and 15 with a negative outcome, while another five proceedings are still ongoing. The total number of non-acceptances is 43, equal to approximately 61 percent of the requests, while in three cases the intermediary is still waiting for a reply (Fig. 16). The percentage of subscriptions decreased compared to 2014, when it stood at 47 percent.

The total amount of compensation claims received in 2015 was approximately 35 million euro, almost twice as much as the previous year. This significant increase is attributable to four applications worth more than one million euro and one more than 15 million euro.

Fig. 16 Adhesions to petitions by intermediaries
(data as at 31 December 2015)



Source: Consob.

With regard to the type of financial products subject of the conciliation requests received, there was a strong impact from disputes related to the sale by intermediaries of their own financial instruments (shares and bonds), followed by other bonds (Argentine Republic, Lehman Brothers, Cirio, etc.) and derivative instruments (such as interest rate swaps and certificates). The fewer proceedings refer to mutual funds, ETFs and policies with a financial content. The median amount of compensation claims received ranged between approximately 23 and 303 thousand euro (Tab. 32).

Tab. 32 Received complaints by type of intermediary and compensation amount

financial instruments	received complaints (as a percentage of total) ¹	claims for compensation (thousands of euro) ²
intermediary shares and bonds	24	303.4
other shares and bonds	23	22.7
derivatives	20	116.0
mutual funds and ETF	15	150.0
financial policies	3	120.0
other instruments	15	41.0

Source: Consob. ¹ The possible lack of quadrature is due to rounding off. ² Median value.

As at 31 December 2015, the number of registered members on the list of conciliators was 375 (959 as at 31 December 2014), while the number of registered members on the list of arbitrators was 500 (737 as at 31 December 2014). As part of the activity of managing the lists, the Conciliation and Arbitration Chamber thereby proceeded to remove 584

members from the list of conciliators and 237 members from the list of arbitrators.

In August 2015, a decree was issued which introduced the new Non-judicial Dispute Resolution Body with compulsory participation of intermediaries, on the model of Banca d'Italia's Financial Banking Arbitrator.

VIII Back-office activities and international cooperation

1 Financial management

The total expenditure for the 2015 financial year, equal to 115.9 million euro, increased by 3.6 million euro compared to the final figure for 2014 (Tab. 33).

Tab. 33 Revenues and expenditure
(millions of euro)

items	2009	2010	2011	2012	2013	2014	2015
REVENUES							
previous year surplus ¹	11.5	6.5	14.5	14.3	18.3	13.7	14.0
state funding	7.9	1.0	0.4	0.4	0.0	0.0	0.0
supervisory fees	87.8	108.9	116.6	108.9	98.0	99.9	108.9
other revenues	11.1	6.8	12.0	12.2	10.4	8.6	8.7
<i>total revenues</i>	<i>118.3</i>	<i>123.1</i>	<i>143.5</i>	<i>135.8</i>	<i>126.7</i>	<i>122.2</i>	<i>131.6</i>
EXPENDITURES							
current expenditure							
commission members	2.6	2.0	2.3	2.3	1.2	0.7	0.8
staff	70.6	80.1	82.0	88.1	88.3	88.7	90.8
goods and services	23.3	18.2	21.5	16.0	16.1	13.9	13.7
property refurbishment	4.0	3.9	3.6	3.7	4.8	5.7	5.0
provisions for legal risks	18.3	0.4	17.8	1.0	0.0	0.0	0.0
other expenditures	0.8	1.2	1.3	3.0	0.3	2.5	2.7
<i>total current expenditure</i>	<i>119.6</i>	<i>105.8</i>	<i>128.5</i>	<i>114.1</i>	<i>110.7</i>	<i>111.5</i>	<i>113.0</i>
capital expenditure	3.2	2.8	1.4	4.4	3.3	0.8	2.9
<i>total expenditure</i>	<i>112.9</i>	<i>108.6</i>	<i>129.9</i>	<i>118.5</i>	<i>114.0</i>	<i>112.3</i>	<i>115.9</i>

Source: Consob. ¹ The surplus is given by the difference between total income and total expenditure and by the differences arising from the management of residual assets and liabilities. The surplus 2014, including the amount of the Multiannual Restricted Fund, is shown in the income 2015.

In particular, current expenditure for 2015 (113.0 million euro) increased by around 1.5 million euro compared to the same figure for 2014.

whereas capital expenditure (2.9 million euro) increased by about two million euro.

Total revenues for 2015 (excluding budget surplus for 2014) amounted to 117.6 million euro. of which 8.7 (7.4 percent) from other income (essentially receivable interest. the application of property restoration funds and amounts paid to Consob as a result of court orders) and 108.9 million (92.6 percent) from income from supervisory contributions received (Tab. 34).

Tab. 34 Fees breakdown by category of supervised entities
(millions of euro)

	investment firms and stockbrokers	banks	audit firms	financial advisors	market operators ²	issuers	UCITs ³	entities soliciting retail investment	other	<i>total supervisory fees</i>
2009	1.3	13.1	9.0	5.0	5.4	14.7	8.6	29.1	1.6	<i>87.8</i>
2010	1.6	16.9	11.9	5.5	5.7	19.8	10.7	34.8	2.0	<i>108.9</i>
2011	1.7	20.1	12.1	5.2	5.7	23.1	11.5	34.7	2.5	<i>116.6</i>
2012	1.4	17.7	12.7	4.9	5.7	23.5	10.4	30.5	2.1	<i>108.9</i>
2013	1.5	16.2	12.5	4.7	5.2	22.5	8.8	23.9	2.7	<i>98.0</i>
2014	2.6	17.1	12.9	4.7	5.3	22.5	9.5	23.5	1.8	<i>99.9</i>
2015	2.8	17.1	12.5	4.9	5.5	27.6	11.0	25.5	2.0	<i>108.9</i>

Source: Consob. ¹ This category includes Borsa Italiana Spa. Mts Spa. Spa compensation and guarantee fund. Monte Titoli Spa and Financial Advisors Body. ² Including the supervisory contribution for individual management carried out by AMCs (asset management companies)

2 Internal organisational and functional structure

2015 featured a host of initiatives concerning the internal organisation and functioning of Consob. aimed both at improving the infrastructure and the operational mechanisms and simplifying the organisational processes.

One of the innovations with the greatest impact on organising work is given by the changes. entering into force at the end of 2015. regarding working hours and the way in which work is provided by Consob's staff.

During 2015. Consob's process mapping project for future organisational changes was completed. Knowledge of these processes represents an important element for implementing corrective and appropriate actions to improve the effectiveness of Consob's action.

The analysis of internal processes also represents an important tool in the context of strategies to prevent corruptive phenomena. as outlined by Law 190/2012. on 'Provisions to prevent and repress corruption and illegality in the public administration'.

As part of the actions aimed at optimising Consob's internal operations, to implement the provisions of Article 22 of Decree Law 90/2014, an agreement was signed with the Antitrust Authority for the joint management of certain back office services (general affairs, asset management, technical-logistics services and related contractual activities). The framework agreement between the independent authorities (as per paragraph 1 of Article 22 of Legislative Decree 90/2014), aimed at jointly carrying out any insolvency procedures for the hiring of staff, has also been defined in the same way.

3 Human resource management

In 2015 Consob's staff decreased from 614 to 606 in comparison with 2014, due to the termination of service of eight employees (Tab. 35 and Tab. 36).

In 2016, on the other hand, the recruitment of candidates is planned. These will be the winners of two competition procedures currently underway, aimed at protected categories, as well as other competitions that will lead to strengthening the staff of the supervisory structures.

Smart working continues to be a flexible tool for combining Consob's needs with those of its employees.

Tab. 35 Human Resources¹

	permanent positions				fixed-term positions	total
	managers and middle managers	white collars	other employees	total		
2009	231	287	13	531	47	578
2010	239	270	21	530	45	575
2011	260	280	22	562	48	610
2012	278	276	21	575	52	627
2013	317	232	17	566	52 ²	618
2014	349	198	13	560	54 ²	614
2015	365	180	13	558	48	606

Source: Consob.. ¹ As of 31 December. ² This includes 4 employees seconded from other administrations and equivalent to one of the functional qualifications provided for in the Staff Regulations.

Tab. 36 Distribution of personnel by qualification and organisational unit¹

organisational unit	executives	managers	employees	other ²	total
General Direction	3	8	10	3	24
General Secretary	1	1	2	0	4
General Advocate	1	0	0	0	1
Legal Advice	6	24	5	0	35
Uncoordinated offices within Divisions ³	9	38	33	3	83
Divisions					
Issuers Information	4	29	12	0	45
Corporate Governance	6	25	9	0	40
Markets	9	46	22	0	77
Intermediaries	5	52	22	0	79
Inspectorate	3	36	6	0	45
Studies	4	19	11	0	34
Administration	11	41	42	9	103
Regulatory Strategies	3	8	2	0	13
Consumer Protection	5	10	7	1	23
<i>total</i>	<i>70</i>	<i>337</i>	<i>183</i>	<i>16</i>	<i>606</i>

Source: Consob. ¹ As of 31 December 2015. Contractors are distributed according to their equalisation. ² The item 'Other' includes general services career staff. ³ Uncoordinated offices within the Divisions.

With regard to training, priority was given to initiatives carried out within Consob, with the intervention of external teachers and involving broad categories of employees on issues of general and specific interest.

4 Information systems

The projects envisaged in Consob's IT development plan are aggregated according to criteria of homogeneity and convergence, in areas of application and infrastructure development and are oriented towards three macro objectives: the simplification and automation of the operational processes, the rationalisation of the application and infrastructure, the optimisation of expenditure incurred, to be achieved also due to the standardisation and reuse of common technical components and services.

The evolution of the regulatory framework, both domestic and European, has made it necessary to adapt information systems and databases to support institutional activities.

With regard to the area of information systems for supervision (including application software relating to the remote collection, storage and processing of information supporting supervision processes), the process of computerised management of incoming and outgoing document flows continued to be consolidated through the optimisation and simplification of

the tools dedicated to the telematic collection of information received from supervised entities and used for supervision purposes by the Commission.

As far as the prospectus area is concerned, work is planned to improve the software applications relating to managing the acquisition, approval and enhancement of the offering documents for equity, non-equity (domestic and 'passported'), insurance and UCITS products.

With reference to databases and information processing, the main development measures envisaged during 2016 will concern, among others, the areas related to transaction reporting, market abuse detection, position limits and position reporting; regulations on PRIIPs and insurance financial products.

During 2016, multi-year activities for the implementation of the institutional data warehouse system will continue. By aggregating the existing databases, these will integrate Consob's information assets, in order to allow for more efficient data analyses also through business intelligence tools.

In relation to 'transversal' information systems, in mid-2015 Consob's new website was presented and released online, subject to a radical restructuring and graphic restyling. A strong innovative element lies in the interface modes, now focused on three dedicated Areas (information of public utility, services for operators and investors, investor education initiatives; for further details on the investor education portal, see Chapter VII 'Investor protection'). Moreover, for 2016 the system to manage the new Financial Arbitrator is expected to be implemented (to implement Legislative Decree 130/2015), with the preparation of a web portal aimed to the outside and required for the interaction between the citizen, the intermediary and the Body, and an internal application to manage the instances submitted and the administrative activities (for further details see Chapter VII 'Investor Protection'). Finally, the activities to simplify and computerise internal document flows (DEMACO) will continue, with the expansion to access and use methods also mobile.

With reference to the area of administrative information systems, in 2016 projects will be implemented in the area of legal disputes management, the new accounting system and the administrative management of staff.

In accordance with the provisions of Article 50-*bis* of the Digital Administration Code, during 2015 the implementation phase of the project aimed at providing Consob with a disaster recovery site was also launched.

5 External relations, conferences and studies

As part of Consob's relations with the public and investors, the website was confirmed as the main tool for external communications.

Compared to the past, there have been numerous written requests for assistance as well as reports on events concerning corporate operations and the market (Tab 37 and Tab. 38).

Tab 37 Number of accesses to Consob website
(thousand)

sections	2009	2010	2011	2012	2013	2014	2015
home page (what's new)	1.873	1.819	1.275	1.305	1.178	904	1.601
for investors	173	193	199	180	159	220	460
for supervised entities	309	388	322	340	271	218	380
for journalists	12	12	5	6	4	5	9.5
Consob	1.454	1.254	1.154	1.160	968	703	705
issuers	3.679	3.275	3.177	3.119	2.706	1.283	1.883
intermediaries and markets	1.020	1.121	1.090	1.088	988	771	987
Consob decisions / newsletter	968	935	977	982	891	476	531
regulation	1.906	2.127	2.065	2.100	1.618	730	1.436
publications and press releases	–	–	191	188	126	55	45
links to other websites	209	9	4	4	5	3	9
unique search software	209	196	116	112	147	57	31
help and site map	15	16	9	10	7	4	19
interactive area	44	97	51	54	36	36	35
English site	845	290	322	340	343	532	762
transparency ¹	–	–	–	–	–	168	229

Source: Consob. ¹ The data are available from March 2014, the date on which the new section of the site was published.

Tab. 38 Request of documents and information on Consob activity

	applicants			applications breakdown				total
	institutional investors, intermediaries, operators	retail investors, students, other	total	resolution, communications, prospectuses	amended laws and regulations	data and information	other	
2009	175	2,640	2,715	80	1,100	1,470	65	2,715
2010	308	1,291	1,599	178	264	763	394	1,599
2011	315	1,385	1,700	188	270	792	450	1,700
2012	321	1,394	1,715	183	275	801	456	1,715
2013	340	1,265	1,605	175	260	830	340	1,605
2014	346	1,254	1,600	180	258	810	352	1,600
2015	542	1,260	1,802	194	240	1,008	360	1,802

Source: Consob

As far as the study activity is concerned, during the year the following was published: two issues of the Risk outlook, a report analysing the economic phenomena report on financial market trends and trends

characterising the evolution of financial markets; the fourth issue of the Report on corporate governance of Italian listed companies, an annual document based on statistical supervisory reports and public information containing data on ownership structures, corporate bodies, shareholders' meetings and related party transactions of Italian listed issuers; the sixth issue of the Statistical Bulletin, a half-yearly document containing data on institutional sectors of interest to Consob based on statistical supervisory reports. Likewise the first issue of the Report on the investment choices of Italian households, which provides evidence on the portfolio choices of Italian retail investors in light of their decision models, level of financial knowledge and behavioural attitudes.

These documents were presented during public events involving representatives of institutions, industry and academia. Furthermore, research work has been published aimed at contributing to the academic debate on issues of economics, finance and law.

As part of the cooperation with Italian Universities, the organisation of conferences and seminars with Bocconi University and Cattolica University is worth mentioning, as well as the signing, with numerous Italian Universities and the National School of Administration, of Framework Agreements that encourage exploiting the numerous synergies between the two settings (for example, in the field of economic-legal research, training and in financial education projects, also through curricular internships at Consob by undergraduates and PhD students).

6 International cooperation

In 2015, the Commission continued exchanging information with the supervisory authorities of the EU Member States and non-EU countries.

At the European level, cooperation and the exchange of information between ESMA and national competent authorities in Europe are regulated by the Multilateral Memorandum of Understanding on cooperation arrangements and exchange of information, implementing the ESMA guidelines, also signed by Consob and entered into force in May 2014.

Cooperation between the authorities for enforcement purposes continues to be regulated by a multilateral memorandum of understanding signed at IOSCO, of which Consob is a signatory (Tab. 39).

Tab. 39 Exchange of information between Consob and foreign supervisory authorities

topic	2009	2010	2011	2012	2013	2014	2015
Requests to foreign authorities							
insider trading	23	20	27	16	12	21	65
market manipulation	14	23	18	14	11	15	10
unauthorised public offerings and provision of investment services	3	10	14	33	42	26	27
transparency and corporate disclosure	1	8	--	--	2	1	1
relevant shareholding in listed companies and authorised intermediaries	2	9	5	1	1	0	1
integrity and professional requirements	--	--	1	1	1	2	3
infringement of rules of conduct	3	3	1	1	8	3	3
short sales	1	--	--	--	--	0	0
insider trading	6	4	--	--	--	2	1
requests to remote member pursuant to art. 57 MiFID	2	5	24	67	97	70	51
establishment of a European investment firm branch in Italy	--	--	--	--	--	5	8
<i>total</i>	<i>55</i>	<i>82</i>	<i>90</i>	<i>133</i>	<i>174</i>	<i>145</i>	<i>170</i>
Reports to foreign authorities							
suspicious transactions	6	9	5	9	3	9	12
unsolicited assistance	--	--	--	--	--	20	16
<i>total</i>	<i>6</i>	<i>9</i>	<i>5</i>	<i>9</i>	<i>3</i>	<i>29</i>	<i>28</i>
Requests from foreign authorities							
insider trading	5	9	11	9	7	17	15
market manipulation	2	4	5	5	1	3	2
unauthorised public offerings and provisions of investment services	8	6	4	2	1	2	1
transparency and corporate disclosure	1	2	3	--	--	--	1
relevant shareholding in listed companies and authorised intermediaries	--	1	1	--	--	--	--
integrity and professional requirements	36	41	50	30	38	65	62
infringement of rules of conduct	2	5	--	1	--	--	--
transaction reporting ex art. 25 MiFID	--	--	--	--	--	--	--
short sales	--	--	--	--	--	--	--
requests to remote member pursuant to art. 57 MiFID	--	1	--	1	--	--	--
<i>total</i>	<i>54</i>	<i>69</i>	<i>74</i>	<i>48</i>	<i>47</i>	<i>87</i>	<i>81</i>
Reports received from foreign authorities							
suspicious transactions	5	8	11	22	41	40	59
unsolicited assistance	--	--	--	--	--	8	6
<i>total</i>	<i>5</i>	<i>8</i>	<i>11</i>	<i>22</i>	<i>41</i>	<i>48</i>	<i>65</i>

Source: Consob.

Contents

Annual Report 2015

Consob activity

I Markets supervision

1	Supervision of trading platforms	5
1.1	Regulatory supervision	5
1.2	Supervision of admission, suspension, exclusion and removal of financial instruments	7
1.3	Supervision of 'hybrid' platforms	8
2	Supervision of trading and markets information integrity	8
2.1	Supervision of transparency and orderly trading	8
2.2	Supervision of market information integrity	9
2.3	The supervision of buybacks and internal dealing	9
3	Supervision of post-trading and OTC derivatives	9
4	Supervision of short selling	10
5	Supervision of the dissemination of company studies and ratings	12
6	Supervision of market abuse	14
6.1	Prevention	14
6.2	Repression	14
6.3	Representation in court	17

II Supervision of issuers and audit firms

1	Ownership structure disclosure	18
2	Takeover bids and exchange tender offers	19
3	Supervision of related party transactions	20
4	Supervision of corporate governance and internal supervisory bodies	22
5	Supervision of audit firms	24

III	Supervision of public offerings and corporate disclosure	
1	Supervision of public offerings and admission to trading of equity instruments	27
2	Supervision of public offerings and admission to trading of non-equity instruments	28
3	Corporate disclosure	32
3.1	Accounting information	33
3.2	Supervision of the banking sector	34
IV	Supervision of intermediaries	
1	Entities authorised to provide investment services	35
2	Supervision of banks and Italian investment firms	37
3	Supervision of asset management companies	38
4	Supervision of financial advisors	41
5	Supervision of equity crowdfunding portals	42
V	Inspection activity and sanctioning measures	
1	Inspections	43
2	Supervision for the prevention of money laundering and the fight against terrorism	44
3	Investigations and measures for abusive practices	45
3.1	Investigations on hypothesis of abusive practices	45
3.2	Measures for abusive practices	46
4	Sanctioning measures	47
4.1	Measures concerning market abuse	48
4.2	Measures related to financial intermediaries and advisors	49
4.3	Measures relating to issuers	50
VI	Inspection activity and sanctioning measures	
1	The transposition of European regulation and other interventions related to primary legislation	51
1.1	The contribution to defining the delegated decrees	52
1.2	Transposition decrees approved during the year	53
2	Regulatory activity	54

VII Investor protection

1	Financial education	57
2	Complaint management	57
3	The activity of the Conciliation and Arbitration Chamber	59

VIII Back-office activities and international cooperation

1	Financial management	62
2	Internal organisational and functional structure	63
3	Human resource management	64
4	Information systems	65
5	External relations, conferences and studies	66
6	International cooperation	68