



**CONSOB**  
COMMISSIONE NAZIONALE  
PER LE SOCIETA' E LA BORSA

*ANNUAL REPORT*  
*2000*

ROME, 31 MARCH 2001

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*COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA*

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*This document presents data and analyses concerning Consob's activity and changes in the regulatory framework. It provides supporting material for the report submitted to the Minister of the Treasury in accordance with Article 1/1(13) of Law 215/1974 and for the Chairman's address to the annual meeting held on 5 April 2001.*

## I. THE OWNERSHIP OF LISTED COMPANIES

### *The ownership structure and control of listed companies*

The concentration of ownership of the companies listed on the Italian Stock Exchange was basically unchanged at the end of 2000, confirming the interruption of the trend towards more widely distributed ownership that had emerged in 1997 and 1998. The share of capital held by the market, i.e. in the form of holdings of less than 2 per cent, was as in 1999, less than 50 per cent (46.6 per cent). This was well below the peak of 56.5 per cent recorded at the end of 1998 but still higher than in 1996 (38.9 per cent) and, extending the period of comparison, than in 1990 (40.7 per cent) (Table I.1).

TABLE I.1

#### OWNERSHIP STRUCTURE OF COMPANIES LISTED ON THE ITALIAN STOCK EXCHANGE

	1990	1996	1997	1998	1999	2000
<i>TYPE OF CONTROL<sup>1</sup></i>						
MAJORITY CONTROL	....	66.8	48.1	32.3	55.0	51.4
WORKING CONTROL	....	12.2	12.4	21.7	16.7	18.5
UNDER SHAREHOLDERS' AGREEMENTS	....	4.8	6.3	7.4	10.8	9.6
<i>TOTAL</i>		83.8	66.8	61.4	82.5	79.5
NO CONTROLLING SHAREHOLDER(S)		16.2	33.2	38.6	17.5	20.5
<i>TOTAL</i>		100	100	100	100	100
<i>CONCENTRATION<sup>2</sup></i>						
LARGEST SHAREHOLDER	47.9	50.4	38.7	33.8	44.2	44.0
OTHER MAJOR SHAREHOLDERS	11.4	10.7	8.4	9.7	8.2	9.4
MARKET	40.7	38.9	52.9	56.5	47.6	46.6
<i>TOTAL</i>	100	100	100	100	100	100

Source: Consob ownership disclosure archive. See the methodological notes. Data calculated at the end of December.

<sup>1</sup> Percentage ratio of the market value of the ordinary share capital of the companies subject to each type of control to the market value of the ordinary share capital of all the companies listed on the Italian Stock Exchange. <sup>2</sup> As a percentage of the market value of the ordinary share capital of all the companies listed on the Italian Stock Exchange.

***The separation between ownership and control in listed groups between 1990 and 2000***

The average number of listed companies forming part of the leading Italian groups fell between 1990 and 2000. The top ten private-sector groups included 3.3 listed companies on average at the end of 2000, compared with 6.9 in 1990.

There was consequently a reduction in the number of levels into which the groups' pyramidal structures were divided. In fact the maximum number of levels of listed companies fell from 5 in 1990 to 3 in 2000. In 1990 more than 55 per cent of the net value of the 10 groups was concentrated in the two lowest levels of the chain of control, whereas in 2000 the greater part was in the higher levels. In 1990 the highest level of the group accounted for only 2 per cent of the total net value, whereas in 2000 it accounted for 35 per cent.

The reduction in the number of hierarchical levels was reflected in a decrease in the leverage effect on the separation between ownership and control. Considering the top ten private-sector groups again, the lever, represented by the units of capital controlled (on the basis of voting rights in ordinary shareholders' meetings) for each unit of capital owned (on the basis of cash-flow rights pertaining to the controlling shareholder), fell by 25 per cent, from 2.4 to 1.8. Moreover, in 2000 the leverage effect due to groups' pyramidal structures appears to have been less widespread than in 1990 since it was found in 3 out of 10 groups, whereas in 1990 it had been significant (more than 1.5) in 9 out of 10 groups.

In addition to the reduction over the decade in the use of the pyramidal group mechanism, there was also a reduction in the use of the mechanism for separating ownership and control consisting in shares with no voting rights in ordinary shareholders' meetings (preference and savings shares). The market value of such shares declined from 14 per cent of the total market value of the Italian Stock Exchange in 1990 to 4 per cent in 2000.

The number of companies making recourse to shares with no voting rights in ordinary shareholders' meetings fell from 97 in 1990 (40 per cent of the total) to 60 in 2000 (25 per cent of the total) and the percentage of such shares in the total market value of the companies that had issued them fell from 25 to 15 per cent.

The evolution of the concentration of ownership of listed companies mainly reflects the changes in the ownership structures of large companies, marked by the privatizations which were carried out by means of public offerings between 1997 and 1998 and led to share ownership being more widely distributed. Subsequently, there was a process of re-aggregation of control which led to an increase in the concentration of ownership.

*The shifts in the structure of ownership in the last five years were mainly due to the changes in the proportion of shares held by the largest shareholder, which fell from 50.4 per cent in 1996 to 33.8 per cent in 1998 and then rose to 44 per cent in 2000. The proportion of shares held by other major shareholders was more stable: it stood at 10.7 per cent in 1996 and then fluctuated around 9 per cent in the subsequent years. The percentage of the total market capitalization accounted for by companies with widely distributed shares, i.e. companies that were not controlled by a single shareholder or by a group of shareholders under a voting agreement, was equal to 20.5 per cent, compared with a peak of 38.6 per cent in 1998.*

**Box 1**

The recourse made by the top ten private-sector groups to shares without voting rights in ordinary shareholders' meetings declined between 1990 and 2000; the market value of such shares fell from 19 to 8 per cent of the groups' total market value.

**SEPARATION BETWEEN OWNERSHIP AND CONTROL  
IN THE TOP TEN ITALIAN PRIVATE-SECTOR GROUPS**

	1990	2000
AVERAGE NUMBER OF COMPANIES	6.9	3.3
GROUP LEVERAGE <sup>1</sup>	2.4	1.8
STAKE OF NON-VOTING SHARES <sup>2</sup>	19	8
AVERAGE STAKE OF CONTROL <sup>3</sup>	49.5	54.5

<sup>1</sup> Ratio of capital controlled (calculated as the average of the percentages of voting rights in ordinary shareholders' meetings controlled by the group holding company, weighted by the market value) to capital invested (calculated as the average of the percentages of cash flow rights held by the group holding company, weighted by the market value). <sup>2</sup> Percentage ratio of the market value of the shares without voting rights in ordinary shareholders' meetings (preference and savings shares) to the company's total market value. <sup>3</sup> Average percentage of the shares with voting rights, in ordinary shareholders' meetings, controlled by the group holding company, weighted by the market value.

The reduction in the use of pyramidal structures was not matched, however, by a significant reduction in the concentration of ownership of listed companies. The average stake of control in the top ten private-sector groups remained basically unchanged between 1990 and 2000 at around 50 per cent and was much the same for all the groups in both years.

*By contrast the number of listed companies subject to each of the different types of control did not change significantly in the last five years (Table a1.1). Moreover, the unweighted average values of the indexes of the concentration of ownership show that the increase with respect to 1998 was very small (2.3 percentage points for the proportion held by the largest shareholder, compared with an increase of 10.2 percentage points of the values weighted by market capitalization, table I.1) and limited to the companies belonging to the largest size classes: the average proportion of the largest shareholder of the companies belonging to the tenth decile in terms of market capitalization rose from 34.5 per cent in 1998 to 45.4 per cent in 2000 (Table a1.2).*

The concentration of ownership of companies not involved in the privatization programme appears to have been stable. Considering companies not controlled by the state that were listed without interruption between 1990 and 2000, the average holding of the largest shareholder remained basically unchanged over the last ten years at around 50 per cent. Turning to the

companies that were admitted to listing between 1990 and 2000, the largest shareholder holds 44.8 per cent of the ordinary share capital on average, so that they contributed to the reduction of this value for all companies from 54.9 per cent in 1990 to 48.3 per cent in 2000 (Table I.2).

TABLE I.2

**CONCENTRATION OF OWNERSHIP IN LISTED COMPANIES**  
(AVERAGE HOLDING OF THE LARGEST SHAREHOLDER<sup>1</sup>)

	PRIVATE-SECTOR COMPANIES <sup>2</sup>		PUBLIC-SECTOR COMPANIES <sup>3</sup>		PRIVATIZED COMPANIES <sup>4</sup>		TOTAL	
	1990	2000	1990	2000	1990	2000	1990	2000
COMPANIES ALWAYS LISTED BETWEEN 1990 AND 2000	47.6	49.3	70.7	61.5	72.2	58.4	52.3	51.5
COMPANIES LISTED AFTER 31 DECEMBER 1990	—	43.7	—	54.9	—	—	—	44.8
COMPANIES NO LONGER LISTED AT 31 DECEMBER 2000	55.7	—	67.5	—	—	—	57.7	—
<i>TOTAL</i>	<i>51.6</i>	<i>46.4</i>	<i>68.5</i>	<i>58.2</i>	<i>72.2</i>	<i>58.4</i>	<i>54.9</i>	<i>48.3</i>

Source: Consob ownership disclosure archive. See the methodological notes. <sup>1</sup> As a percentage of the ordinary share capital; arithmetic means. <sup>2</sup> Companies controlled by a person belonging to the private sector. <sup>3</sup> Companies controlled by the state or local authorities. <sup>4</sup> Companies the control of which passed from the public sector to the private sector between 1990 and 2000.

The most significant changes during the decade concerned the use of mechanisms for separating ownership and control in the leading listed groups. Compared with 1990, there was a reduction, on average, both in the recourse made to non-voting shares and in the number of hierarchical levels into which the pyramids of listed companies were divided. Even though it was reduced, the separation between ownership and control obtained through the use of these two mechanisms was still considerable in 2000 and, in the top 10 private-sector groups, allowed each unit of capital invested to control about two units of capital on average (Box 1).

The distinguishing feature of the ownership structure of Italian listed companies remains the limited contestability of control. In 2000 the holding of the largest shareholder exceeded 50 per cent of the ordinary share capital in 141 companies out of a total of 237 and these companies accounted for more than half of the total market capitalization of the Italian Stock Exchange. In another 54 companies, accounting for 8.4 per cent of the total market capitalization, the percentage owned by



the market was less than 50 per cent of the ordinary share capital owing to the presence of other major shareholders, who frequently participated in a shareholders' agreement with the largest shareholder (Table aI.3).

The distribution of ownership of listed companies by type of major shareholder reveals the lasting importance of corporate groups and the state, the limited role of financial institutions and a slight increase in the role of foreign investors.

*In 2000 companies held the largest proportion by market capitalization (17.2 per cent), a slight decrease on 1999; they were followed by the state (10.2 per cent), with local authorities playing an increasingly important role, and foreign investors (6.5 per cent) (Table I.3).*

TABLE I.3

**MAJOR HOLDINGS IN COMPANIES LISTED ON THE ITALIAN STOCK EXCHANGE<sup>1</sup>**

	1998		1999		2000	
	NUMBER	% <sup>2</sup>	NUMBER	% <sup>2</sup>	NUMBER	% <sup>2</sup>
FOREIGN INVESTORS	176	5.9	193	6.2	233	6.5
INSURANCE COMPANIES	32	2.5	36	1.5	27	3.2
BANKS	65	4.8	83	5.3	66	5.9
FOUNDATIONS	31	5.1	43	4.5	49	5.0
INSTITUTIONAL INVESTORS	69	0.1	74	0.2	82	0.3
COMPANIES	155	12.6	162	19.4	151	17.2
STATE AND LOCAL AUTHORITIES	32	8.8	35	10.6	37	10.2
INDIVIDUALS	233	3.8	253	4.5	254	4.9
<i>TOTAL</i>	<i>793</i>	<i>43.6</i>	<i>879</i>	<i>52.2</i>	<i>899</i>	<i>53.1</i>

Source: Consob ownership disclosure archive. See the methodological notes. <sup>1</sup> Holdings in excess of 2 per cent of the voting capital at 31 December. <sup>2</sup> Percentage ratio of the market value of holdings calculated with reference to ordinary share capital and the market capitalization of the ordinary share capital of all the companies listed on the Italian Stock Exchange.

*The ownership structures of listed companies differ according to the sector they belong to. For companies in the financial sector, the most important shareholders in 2000 were banks and foundations, which accounted for respectively 13.2 and 11.3 per cent of the sector's market value, while the role of the state was marginal. The opposite was true in the industrial sector, where the state was the leading shareholder, accounting for 18 per cent of the sector's market value, while banks and foundations together*

accounted for 0.5 per cent. For companies in the services sector, which are marked by a higher concentration of ownership, the main shareholders were companies (36.2 of the sector's market value), followed by the state (18.8 per cent). Foreign investors played a more important role in the financial and industrial sectors (respectively 8 and 8,5 per cent of market value) than in the services sector (Table I.4).

TABLE I.4

**MAJOR HOLDINGS IN COMPANIES LISTED ON THE ITALIAN STOCK EXCHANGE  
- DISTRIBUTION BY SECTOR<sup>1</sup> -**

	1999			2000		
	FINANCIAL	INDUSTRIAL	SERVICES	FINANCIAL	INDUSTRIAL	SERVICES
FOREIGN INVESTORS	7.5	6.3	5.0	8.0	8.5	3.6
INSURANCE COMPANIES	3.6	0.8	0.1	7.0	0.7	0.1
BANKS	13.7	0.8	--	13.2	0.5	--
FOUNDATIONS	11.8	0.1	--	11.3	--	--
INSTITUTIONAL INVESTORS	0.1	0.2	0.2	0.4	0.2	0.1
COMPANIES	3.4	22.0	32.8	3.9	10.5	36.2
STATE	1.4	13.6	17.5	1.1	18.0	16.8
INDIVIDUALS	4.1	5.0	4.6	3.5	9.5	4.2
<i>TOTAL</i>	<i>45.6</i>	<i>48.8</i>	<i>60.2</i>	<i>48.5</i>	<i>47.9</i>	<i>61.1</i>
NUMBER OF COMPANIES	91	110	39	93	102	40
PERCENTAGE <sup>2</sup>	37.6	21.1	41.3	43.7	19.2	37.2

Source: Consob ownership disclosure archive. See the methodological notes. <sup>1</sup> As a percentage of the market capitalization of the sector's ordinary share capital at 31 December. <sup>2</sup> Percentage ratio of the market capitalization of the ordinary capital of companies in the sector to the total market capitalization of the Italian Stock Exchange.

Companies and the state were also preponderant in the control of listed companies, especially the large ones (Table aI.4). Numerous companies were controlled by individuals but their small average size resulted in their accounting for a limited proportion of total market capitalization. The proportion of companies controlled under shareholders' agreements declined slightly.

At the end of 2000 there were 63 companies with shareholders' agreements that fell within the scope of Article 122 of the Consolidated Law on Financial Intermediation and they accounted for 34.1 per cent of the total capitalization of the Italian Stock Exchange. The average percentage of capital covered by these agreements was equal to around 50 per cent of the companies' ordinary

share capital and 12.4 per cent of total market capitalization. In the majority of cases (44 companies) the agreements contained restrictions on the transfer of shares and clauses governing the exercise of votes (Table aI.5).

*In 24 cases the shareholders' agreements allowed the participants to exercise joint control over the company. In 7 cases the company was already controlled de facto by the largest shareholder and the agreements were a means of strengthening this control. In 5 cases the shares of the companies concerned were widely distributed and, although the shares held by the participants in the agreements did not give control, they nonetheless constituted the relative majority. For the remaining 27 companies, controlled de jure by the largest shareholder, the agreements had no effect on the control of the company.*

The ownership structures of the companies listed on the Nuovo Mercato were very different from those of the companies listed on the Italian Stock Exchange.

TABLE I.5

**MAJOR HOLDINGS IN COMPANIES LISTED ON THE NUOVO  
MERCATO**  
(SITUATION AT 31 DECEMBER 2000)

	NUMBER	% <sup>1</sup>
FOREIGN INVESTORS	45	14.2
INSURANCE COMPANIES	0	0
BANKS	5	0.7
FOUNDATIONS	1	0
INSTITUTIONAL INVESTORS	21	1.1
COMPANIES	11	4.2
STATE AND LOCAL AUTHORITIES	1	0
INDIVIDUALS	118	50.4
<i>TOTAL</i>	<i>202</i>	<i>70.7</i>

Source: Consob ownership disclosure archive. See the methodological notes.

<sup>1</sup> Percentage ratio of the market value of holdings calculated with reference to ordinary share capital and the market capitalization of the ordinary share capital of all the companies listed on the Nuovo Mercato.

The fact that most of the companies listed on the Nuovo Mercato are in innovative sectors characterized by the importance of human capital and that most of them were founded recently is

reflected in the large holdings of the founder members. In addition, the high rates of growth of such companies has frequently required the presence of shareholders in the role of venture capitalists.

*More than 50 per cent of the market value of companies listed on the Nuovo Mercato at the end of 2000 was accounted for by individuals, compared with around 5 per cent for companies listed on the Italian Stock Exchange. Foreign investors, which included most of the closed-end funds in the role of venture capitalists, accounted for more than 14 per cent. Neither Italian nor foreign banks played a role of any importance, accounting together for less than 1 per cent of these companies' total market capitalization (Table I.5).*

The market held about 30 per cent of the Nuovo Mercato companies' total capitalization. The higher concentration of ownership compared with that of companies listed on the Italian Stock Exchange, with the largest shareholder holding around 44 per cent in both markets, was mostly due to the greater importance of the other significant shareholders, reflecting the presence of several founder members or of closed-end funds in the role of venture capitalists (Table I.6).

TABLE I.6

**OWNERSHIP STRUCTURE OF COMPANIES LISTED  
ON THE NUOVO MERCATO**  
(SITUATION AT 31 DECEMBER 2000)

	NUMBER	% <sup>1</sup>
<i>TYPE OF CONTROL</i>		
MAJORITY CONTROL	14	51.1
WORKING CONTROL	8	32.4
UNDER SHAREHOLDERS' AGREEMENTS	13	14.6
NO CONTROLLING SHAREHOLDER(S)	4	1.9
<i>TOTAL</i>	<i>39</i>	<i>100.0</i>
<i>CONCENTRATION</i>		
LARGEST SHAREHOLDER		44.8
OTHER SIGNIFICANT SHAREHOLDERS		25.9
MARKET		29.3
<i>TOTAL</i>		<i>100.0</i>

Source: Consob ownership disclosure archive. See the methodological notes.

<sup>1</sup> As a percentage of the market value of the ordinary share capital of all the companies listed on the Nuovo Mercato.

The distribution of Nuovo Mercato companies by type of control shows a prevalence of companies controlled de jure (14) or under shareholders' agreements (13).

The ownership structures of Nuovo Mercato companies are also influenced by the existence of lock-up agreements, whereby the parties undertake not to sell a specified quantity of shares for a given period of time. There are two types of lock-up agreements: those that are "obligatory" because they are required by the rules of the Nuovo Mercato and those that are "voluntary" (Table aI.7).

Under Article 2.2.3 of Nuovo Mercato rules, persons who became shareholders in the 12 months preceding the date when the listing application was submitted, founder members, directors and managers are required to sign a lock-up agreement covering 80 per cent of the shares they held on that date for a period of one year from the date of the start of trading. The requirement does not apply to shareholders other than directors and managers with a holding of less than 2 per cent of the company's capital. For start-ups, the undertaking refers to the entire holding for one year and to 80 per cent of the holding for the subsequent year.

Voluntary lock-ups are commitments entered into by the sellers of shares with the global coordinator as part of the placement contract. They do not fall within the scope of Article 122 of the Consolidated Law on Financial Intermediation (see Consob Communication DIS/29486 of 18 April 2000).

*At the end of 2000 there were 28 companies with obligatory lock-up agreements in force and 28 companies with voluntary lock-up agreements. Most of the latter had a duration of less than one year (21 companies) and only in two cases was the duration longer than two years. The average proportion of capital subject to lock-up agreements was 65 per cent and the percentage was inversely related to the length of the period.*

### ***Transfers of control and tender offers involving listed companies***

Last year saw 28 tender offers for shares of listed companies, an increase on 1999 and above the average for the last 8 years (Table I.7). The total value of the operations completed was above the average for the period 1992-98 but well below the figure for 1999, when several large operations were carried out.

Transfers of control totaled 13, of which 8 were the result of takeover bids. Of the latter only one was hostile, while in the other 7 cases the board of directors of the target company gave a positive judgement on the offer from the start. In general, it can be seen that the number of takeover bids has increased considerably in relation to the total number of tender offers since the entry into force of the Consolidated Law on Financial Intermediation (Box 2).

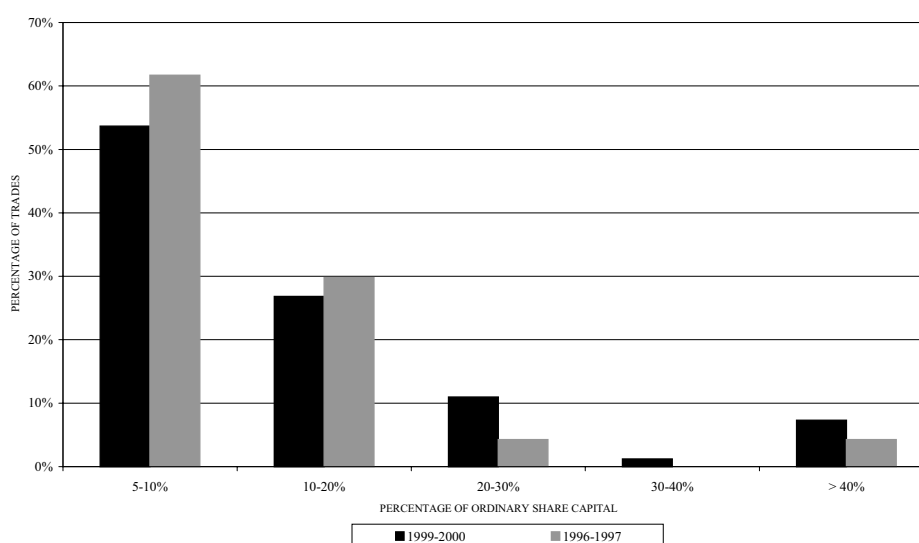
***The market for corporate control and the changes to the regulatory framework introduced by the Consolidated Law on Financial Intermediation***

One of the most important changes introduced by the Consolidated Law on Financial Intermediation compared with the earlier legislation in this field (Law 149/1992) concerns the elimination of mandatory bids in the event of the purchase of holdings of shares that, even though in some cases they might result in de facto control or the ability to exercise a dominant influence in shareholders' meetings, amounted to less than 30 per cent of the ordinary share capital.

Analysis of block trades in shares of listed companies makes it possible to verify the hypothesis that the change in the regulatory framework led to an increase in the frequency with which shareholdings just below the threshold of 30 per cent of the ordinary share capital changed hands. One difficulty encountered in the empirical testing of this hypothesis is that there is probably a tendency for the parties to divide such transactions into several tranches for the purpose of notifying them to the Italian Stock Exchange spa in accordance with the Consob rules on the concentration of trading on the stock exchange. In order to overcome this problem, it is necessary to assume that where several block trades involving a particular share were carried out on the same day and at the same price, they were actually tranches of one and the same operation and hence it is appropriate to sum the various quantities.

The frequency distribution of block trades that, as defined above, exceeded 5 per cent of the ordinary share capital of the company whose shares were the subject of the operation changed somewhat over time, as can be seen by comparing two years before the entry into force of the Consolidated Law on Financial Intermediation (1996-97) with two years after its entry into force (1999-2000). In the latter period the percentage of block trades in the size class immediately below the 30 per cent threshold (i.e. those involving between 20 and 30 per cent of the total capital) and that of the block trades well above the threshold (i.e. those involving more than 40 per cent of the capital) were significantly higher than in the earlier period. By contrast, the percentages of block trades involving less than 20 per cent of the capital were significantly lower. Similar results were obtained by examining the data on block trades without summing them in the manner described above.

DISTRIBUTION OF BLOCK TRADES EXCEEDING 5 PER CENT OF THE ORDINARY SHARE CAPITAL



**Box 2**

Another change in the market for corporate control that appears to have been encouraged by the new rules on public offers introduced by the Consolidated Law on Financial Intermediation concerns the large increase in takeover bids, i.e. the offers in which the bidder started with a small interest (or in any case less than 30 per cent of the ordinary share capital) in the target company. One of the changes in the law that has had an effect in this respect is the right given to participants in a shareholders' agreement to withdraw without notice in the event of a public offer, although this provision was only invoked in two cases.

In the two and a half years since the entry into force of the Consolidated Law on Financial Intermediation, there have been 18 takeover bids, for a total value of nearly 60 billion lire, compared with only 10, for a total value of around 3 billion lire, in the roughly 6 years that Law 149/1992 was in force.

In reality most of these operations were made possible by the special nature of the ownership structures of the target companies or by changes in their ownership structures connected with their privatization. In some cases the companies had been listed only a short time before and their free floats were in excess of 50 per cent.

The rises in the prices of shares of the companies subject to takeover bids (after the entry into force of the Consolidated Law on Financial Intermediation) in the days immediately preceding and following the launch of the bid, and hence the gains recorded by the minority shareholders of the target companies, averaged around 25 per cent, excluding the movement in the market index, and accordingly in line with what takeovers typically produce in countries where the model of the public company is more prevalent and ownership structures less concentrated than in Italy.

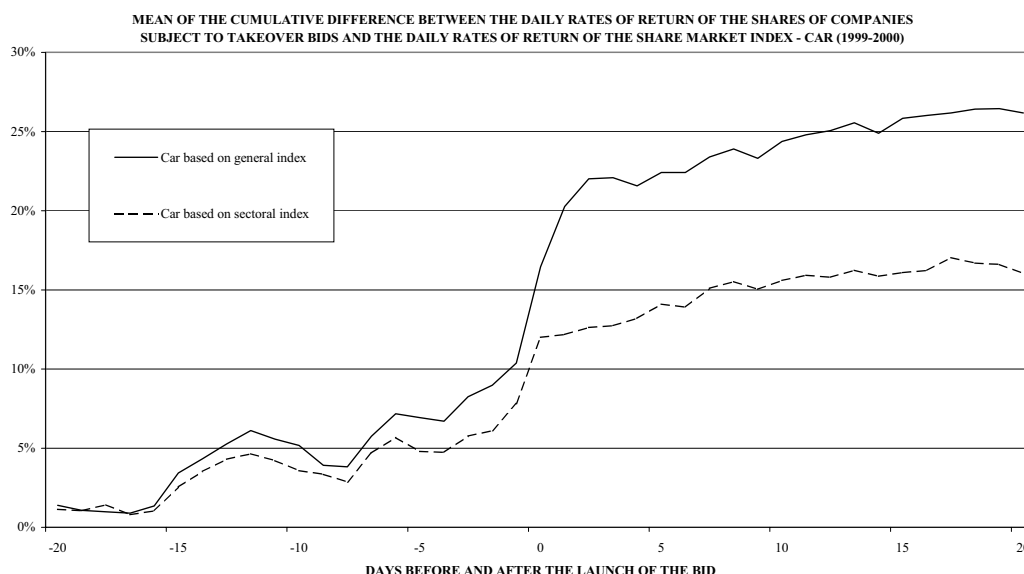


TABLE I.7

**PUBLIC OFFERS TO BUY AND/OR EXCHANGE  
SHARES OF LISTED COMPANIES**

	NUMBER OF OPERATIONS				VALUE <sup>1</sup>			
	1992-97	1998	1999	2000	1992-97	1998	1999	2000
TENDER OFFERS	23	2	4	7	2,222	96	631	4,299
TAKEOVER BIDS <sup>2</sup>	10	2	8	8	2,937	1,658	53,292	4,878
INCREMENTAL BIDS <sup>3</sup>	2	1	—	—	57	126	—	—
MANDATORY BIDS	40	6	8	6	2,369	102	640	2,734
RESIDUAL BIDS	38	3	2	7	97	23	5	218
<i>TOTAL</i>	<i>113</i>	<i>14</i>	<i>22</i>	<i>28</i>	<i>7,682</i>	<i>2,005</i>	<i>54,568</i>	<i>12,129</i>

Sources: Consob archive of offer documents and Borsa Italiana spa notices. <sup>1</sup> In millions of euros. The securities offered in exchange are valued at the market prices of the day preceding the announcement of the operation. <sup>2</sup> The number of operations includes competitive bids. <sup>3</sup> Type of bid provided for in Law 149/1992 but not envisaged by the Consolidated Law on Financial Intermediation.

The total value of the mandatory bids made following the agreed transfer of a controlling interest was much higher than in the preceding years. The largest individual bids were those made in connection with the acquisitions of Banco di Napoli, Aeroporti di Roma and Falck by respectively SanPaolo Imi, Leonardo and Compart. In one case (Compart-Falck), the tender offer gave rise to the first application of the rules on “cascade” bids and the bidder was required to make an offer for a listed subsidiary of the target company (Sondel).

The very high value of the tender offers made in 2000 (about 4 billion euros) was mainly due to the operations carried out by three leading listed companies (Compart, Fiat and Ina) with a view to delisting the shares of subsidiaries (respectively Montedison, Toro and Magneti Marelli, and Assitalia) as part of plans for the simplification of their group structures.

Last year saw the Commission called upon to respond to a number of important questions regarding the interpretation of the rules on takeover bids.

*One question was raised by SanPaolo Imi and concerned the applicability of the rules on mandatory bids to its planned acquisition of 51 per cent of Banco di Napoli Holding spa, which in turn held 56 per cent of the listed company Banco di Napoli spa, following the partial division of the holding company in favour of SanPaolo Imi.*



*The Commission clarified that the operation in question would have resulted in SanPaolo Imi making a purchase under Article 106.3a) of the Consolidated Law on Financial Intermediation because Banco di Napoli Holding owned the controlling interest (56 per cent) in Banco di Napoli and because its assets consisted prevalently of this interest, taking into account the criteria laid down in Article 45 of Consob Regulation 11971/1999 on issuers. The problem lays, however, in the possibility of the indirect acquisition in question being eligible for the application of the exemption provided for in Article 106.5c) of the Consolidated Law on Financial Intermediation and Article 49.1f) of Consob Regulation 11971/1999.*

*On this specific point the Commission considered that the characteristics of a merger or division that justified exemption from the obligation to make a bid were not present in the case in question. In the first place the operation did not directly involve the listed company the control of which was to be transferred (Banco di Napoli) or its shareholders. In fact, the shareholders of Banco di Napoli would not be called upon to express an opinion nor would they receive information documents, reports of experts or any form of consideration. The decision on the operation was to be taken, instead, by the present and future controlling companies and the operation itself would involve the transfer of the controlling interest in a company whose assets consisted prevalently in a controlling interest in the listed company, Banco di Napoli, whose assets would not be affected in any way.*

*In the second place the transfer of the controlling interest from the holding company to another company would not in itself meet the needs of rationalizing the listed company's assets and liabilities, the condition for exemption.*

*Another question concerned the existence of an obligation for Compart spa to make a public offer for shares of Edison spa following the completion of its offer for shares of Montedison spa. In particular, the Commission was asked whether the indirect purchase of Edison ordinary shares Compart had made because Edison was controlled by Montedison was to be considered as a consolidation of a shareholding for the purposes of Article 46 of Consob Regulation 11971/1999 on issuers and thus as giving rise to the obligation for Compart to make an offer for Edison shares as well.*

*The Commission stressed that the case in question was not explicitly covered by the regulations implementing the provisions of the Consolidated Law on Financial Intermediation on takeover bids. It noted that, on the one hand, the obligation to make a bid for a shareholder with an interest of more than 30 per cent and less than 50 per cent that increased its holding by more than 3 per cent arose only in the case of direct purchases, while, on the other hand, the case of indirect purchases was considered only in relation to the obligation to make an offer on exceeding the 30 per cent threshold. According to the Commission, consideration was therefore not given explicitly to the case in which a shareholder that already held an indirect interest of more than 30 per cent consolidated its position (indirectly) by buying additional shares of the controlling company.*

*The Commission deemed that the literal interpretation of the provisions referred to above necessarily led to a negative answer to the question raised and that analysis of the reasons underlying the provisions suggested the same conclusion. The Commission recognized that the operation described might have the effect of reducing the contestability of the group as a whole, in view of the consolidation of the position of the shareholder at the head of the chain of participating interests and the fact that this weakened the hopes of the shareholders of the investee company of benefiting from hypothetical takeover bids that third parties*

*might launch against the company at the head of the chain, but argued that this was no more than an expectation of a future gain and a mere eventuality and as such was not protected by the law.*

*The Commission also ruled on two other cases concerning the obligation to make a public offer in connection with a merger. The Commission reaffirmed that on a general basis the rules on takeover bids were not applicable to mergers and divisions since these were particular transactions with an economic justification of their own that could not be identified with the intention to acquire control of a listed company but which lay rather in the aim of achieving industrial synergies and rationalizing companies' organizations. Accordingly, in such cases the acquisition of an interest falling within the scope of the rules on takeover bids was only an indirect and automatic effect of the transaction. In assessing whether the exemption referred to in Article 106.1e) of the Consolidated Law on Financial Intermediation and Article 49.1f) of Consob Regulation 11971/1999 on issuers was applicable, the Commission examined the overall context of the transactions on a case-by-case basis with a view to verifying the existence of the elements needed to exclude the possibility of the merger mechanism being used to acquire a significant interest in a listed company while eluding the rules on mandatory takeover bids. On this basis the exemption provided for in Article 49.1f) of Consob Regulation 11971/1999 on issuers was applied to the transaction involving Tin.it and Seat Pagine Gialle but not to a transaction in which the relevant threshold was exceeded by shareholders of a listed company not only as a result of a merger but also because they simultaneously entered into a shareholders' agreement (in fact in this case the obligation to make a bid derived from the application of Article 109 of the Consolidated Law on Financial Intermediation).*

## II. CONTROLS ON LISTED COMPANIES

### *Conflicts of interest, transparency and the activity of corporate officers*

During the year the Commission carried out its customary monitoring of the activity of boards of auditors on the occasion of transactions that by virtue of their impact on the profitability, assets and liabilities and financial position of the company and the group it belonged to raised problems for the protection of minority shareholders. Particular attention was paid to atypical or unusual transactions with related parties, which entailed the need for complete disclosure of the issuer's effective interest in carrying out the operation.

Checks on a sample of annual accounts of 70 companies listed at the end of 1999 revealed the same shortcomings in compliance with Consob's recommendations as had been found in previous years.

*In particular, disclosure in the report of the board of auditors concerning the results of the activity carried out was acceptable in only about 20 per cent of the cases; the tendency to use set formulae and summary attestations was still prevalent. Where there were atypical and/or unusual transactions, which were found for 16 per cent of the issuers of the sample, independent evaluations of the economic reasons for the transaction were lacking.*

*The reports also did not contain explicit information on any action taken or reports made by the board of auditors concerning transactions potentially involving a conflict of interest, even though the communication Consob issued in February 1997 laid down that such matters had to be specifically disclosed.*

Issuers also showed little inclination to accept some of the most important provisions of the Code of conduct issued in 1999 by the Committee for the Corporate Governance of Listed Companies concerning conflicts of interest, such as that envisaging the delegation of powers to individual directors for significant transactions or transactions with parties with which individual directors were related. The same attitude applied to most of the rules of the Code, as shown by a survey on the communications sent up to 30 October 2000 by companies listed on regulated markets managed by Borsa Italiana SpA notifying the extent of their implementation of the Code's recommendations (Box 3).

*This finding is partial, since Borsa Italiana established that such communications were to be prepared by the date of the shareholders' meeting to be held in 2001 to examine and approve the annual accounts. Moreover, the analysis excluded some provisions of the Code that are of scant relevance for governing conflicts of interest between shareholders and directors, such as the adoption of rules for the shareholders' meeting, the definition of procedures for the treatment of confidential and price-sensitive information, the provisions concerning the role of the chairman of the board of directors and the system for appointing members of the board of auditors.*

***Adoption of the Code of conduct issued by the Committee for Corporate Governance of Listed Companies***

The amendments to the rules of Borsa Italiana s.p.a. that took effect at the beginning of March 2000 require all companies seeking listing on the Official List and the Nuovo Mercato to analyze their corporate governance model against the recommendations of the Code of conduct issued in 1999 by the Committee for Corporate Governance of Listed Companies. A similar requirement applies to companies already listed on the Official List and the Nuovo Mercato, which have to supply information on their system of governance and their adoption of the Code (or their reasons for not doing so in whole or in part) in communication to be prepared not later than the date of the shareholders' meeting to be held in 2001 to examine and approve the company's annual accounts. These requirements do not extend to companies applying for listing or already listed on the Mercato Ristretto.

As of 30 October 2000 around 65 per cent of the 263 companies listed on the Official List and the Nuovo Mercato had not yet decided whether to adopt the Code. Around 9 per cent had presented a generic communication declaring their general willingness to conform with the Code but not specifying which of the Code's provisions they intended to adopt or their intention of initiating a project for its implementation.

Only 70 companies, or around 27 per cent of all those listed on the Official List and the Nuovo Mercato, had submitted a detailed communication. In some cases the information these companies provided consisted only of the press release generically informing the public of the extent to which the Code had been implemented; in others the release was accompanied by a report describing in more detail the way in which the Code had been applied. Implementation consisted essentially in the approval of rules governing the functioning of the board of directors based on one or more recommendations of the Code. The rules had usually not been submitted to the shareholders' meeting for approval of amendments to the instrument of incorporation; the sole exception in this respect concerned the adoption of the rules "governing the orderly and functional holding" of the shareholders' meeting, whose approval had been left to the shareholders' meeting and usually entailed amendments to the corporate charters.

The incidence of adoption of the Code is substantially higher among companies listed on the Nuovo Mercato than among those listed on the Official List. This is largely due to the use of moral suasion by Borsa Italiana in frequently requesting newly-listed companies, which constitute the majority of those listed on the Nuovo Mercato, to adopt some of the Code's main provisions (particularly those regarding independent directors, the internal control committee and the investor relations officer). The data therefore do not necessarily signal a higher degree of "spontaneous" adoption of the Code by the companies of the Nuovo Mercato.

**Box 3**

The 48 companies listed on the Official List that adopted at least one of the provisions of the Code were medium-sized and large firms for the most part and accounted for nearly half of the segment's total capitalization. The rules adopted with the greatest frequency were those concerning the establishment of a compensation committee and an internal control committee (38 cases), followed by the recommendations concerning the introduction of independent directors (27 cases) and measures to ensure adequate disclosure by the executive committee or the managing directors to the full board of directors (26 cases).

Among the 22 companies listed on the Nuovo Mercato that adopted at least one of the Code's provisions, the most frequently adopted measure by far was the introduction of independent directors (21 cases), often the focus of moral suasion by Borsa Italiana, followed by the recommendations concerning the internal control committee (18 cases) and the compensation committee (15 cases).

Only 8 companies listed on the Official List and 2 on the Nuovo Mercato adopted one of the key provisions regarding conflicts of interest, namely, that the powers delegated to individual directors should not cover the most important transactions, especially those involving related parties (which should therefore remain the responsibility of the entire board, enabling all the directors, and the independent directors in particular, to express their opinion).

**ADOPTION OF THE CODE OF CONDUCT BY LISTED ITALIAN COMPANIES**  
(SITUATION AT 30 OCTOBER 2000)

	COMPANIES THAT HAD ADOPTED AT LEAST ONE OF THE CODE'S RECOMMENDATIONS	RECOMMENDATIONS						
		ID	NC	RC	ICC	EDP	INF	IRO
<b>NUMBER</b>								
- OFFICIAL LIST	48	27	8	38	38	8	26	21
- NUOVO MERCATO	22	21	3	15	18	2	4	12
<b>PERCENTAGE OF TOTAL LISTED COMPANIES</b>								
- OFFICIAL LIST	20.9	11.7	3.5	16.5	16.5	3.5	11.3	9.1
- NUOVO MERCATO	66.7	63.6	9.1	45.4	54.6	6.1	12.1	36.4
<b>PERCENTAGE OF TOTAL MARKET CAPITALIZATION</b>								
- OFFICIAL LIST	54.5	41.6	7.0	50.8	50.4	29.2	40.7	23.0
- NUOVO MERCATO	34.4	33.1	2.4	16.6	21.4	2.8	5.2	14.6

Source: Based on Borsa Italiana data. Legend: ID = independent directors; NC = nomination committee; CR = remuneration committee; ICC = internal control committee; EDP = exclusion of delegated powers for important transactions; INF = executive committee disclosure to the board; IRO = investor relations officer.

In supervising boards of auditors, the Commission exercised its power under Article 152.2 of the Consolidated Law on Financial Intermediation to report the facts to the courts in two cases where it suspected members of boards of auditors of serious irregularities in the performance of their duties pursuant to Article 2409 of the Civil Code (Table aII.1).

*In one case, the investigation was opened by Consob to check the activity performed by the board of auditors with regard to the adequacy of the company's structure and internal control system, in view of the major doubts that had arisen beginning immediately after the company's admission to listing.*

*In the other case, the board of auditors was asked to clarify the events that had led to the establishment of a company admitted to listing in 2000. The company was the result of a reorganization that raised important problems from the point of view of conflicts of interest. In particular, the directors had acquired equity interests from companies related to the major shareholder at values unsupported by an expert evaluation. The manner in which these transactions had been carried out had given rise to serious disagreements between shareholders and members of the board of directors.*

The Commission opened a sanction procedure against a board of auditors for failing to perform its supervisory duty in respect of some formalities required of the company by the Consob Regulation on issuers. In the event, the procedure was closed by means of early payment of a reduced fine.

Consob sent letters of reprimand to 12 boards of auditors at the end of investigations mainly concerning transactions within the group and with related parties.

*On these occasions the board of auditors was asked to provide a reconstruction of the transactions or significant financial transfers in order to check, on the one hand, the control activity performed by the board of auditors and the completeness of the information disclosed by the directors and, on the other, the correctness of the activity of the directors. Among the most important problem areas involving transactions in which the issuer's financial resources were used on behalf of companies belonging to the major shareholder, the Commission identified the presence of unified treasury management for a group of listed companies with different minority shareholders.*

*Supervisory controls also concerned the valuations of several balance sheet items by the directors of two listed banks; it was necessary to involve the members of the respective boards of auditors in order to evaluate the reliability of the internal control systems. Finally, the Commission also requested the auditors to carry out specific examinations of problems brought to light by some referrals received during the year.*

### ***The boards of directors of listed companies***

The average size of the boards of directors of companies listed on the Official List remained unchanged between 1999 and 2000. The average board comprised about 10 directors (Table II.1). The factors affecting the size of the board were company size, degree of concentration of ownership and sector of activity.

The number of directors varied directly with company size and inversely with the concentration of ownership as measured by the percentage of the company held by the controlling group.

The average number of directors was higher for companies belonging to the banking and insurance sectors (14.3 and 13.7 respectively), whereas it was below average for other financial companies and for industrial firms (8.2 in both cases). These differences can be explained in part by the greater size and lower concentration of ownership of banks and insurance companies, and in part they reflected a sectoral pattern: service companies were larger on average than banks and insurance companies but had smaller boards (10 members on average).

An average of 35 per cent of all directors held executive office. This figure does not appear to be influenced significantly by firm size or model of corporate control.

TABLE II.1

**AVERAGE NUMBER OF DIRECTORS OF COMPANIES LISTED ON  
THE ITALIAN STOCK EXCHANGE, BY SECTOR OF ACTIVITY**

	1999			2000		
	EXECUTIVE	NON-EXECUTIVE	TOTAL	EXECUTIVE	NON-EXECUTIVE	TOTAL
INSURANCE	3.4	10.2	13.6	4.5	9.2	13.7
BANKING	5.3	8.8	14.1	5.6	8.8	14.4
FINANCE	2.6	5.5	8.1	3.0	5.2	8.2
INDUSTRIAL	2.4	5.6	8.0	2.9	5.3	8.2
SERVICES	2.5	6.9	9.4	3.2	6.8	10.0
TOTAL	3.0	6.6	9.6	3.5	6.4	9.9

Source: Consob.

Interlocking directorates, i.e. where the same person is a member of the board of more than one listed company, remain widespread in Italy. In 2000 the directors sitting on more than one board numbered almost 300 and account for around 16 per cent of the total of more than 1,800 directors (Table aII.2). They held an average of 2.7 directorships each (with a maximum of 9), for a total of 802, or more than one third of the composition of all the boards of directors of listed companies.

In reality, there are two distinct types of interlocking directorate, depending on whether the companies concerned belong to the same group (intra-group interlocking) or are not linked by a control relationship (non-group interlocking).

In the case of intra-group interlocking multiple directorships reflect the strategic unity of a pyramid-shaped group composed of listed companies, whereas in the case of non-group interlocking they are connected with the creation of “horizontal” ties between the companies.

*The directors involved in non-group interlocking relationships in 2000 numbered 135 and held a total of 312 directorships in 87 listed companies.*

The balance of duties within boards can be influenced by separation between the functions of chairman and managing director. Several important international associations of institutional investors have emphasized that separating the two roles ensures a better balance between the demands of operational effectiveness and the need to provide the maximum guarantees to shareholders. At the end of 2000 the two roles were performed jointly in 52 Italian listed companies, or 22 per cent of the total. Separation between the roles is more marked among large companies (in the last quintile of the distribution of capitalization the roles coincide in only 11 per cent of the cases) and banks (just 2.4 per cent).

As regards the composition of boards of auditors, there was a prevalence of boards made up of the legal minimum number of members: More than 90 per cent of listed companies had a board of auditors composed of 3 members (Table II.2); only 21 companies had a board with a greater number of members (5 in every case).

TABLE II.2

**COMPANIES WITH A BOARD OF AUDITORS OF MORE THAN 3 MEMBERS<sup>1</sup>**  
(SITUATION AT 31 DECEMBER 2000)

	QUINTILES OF CAPITALIZATION					TOTAL
	1	2	3	4	5	
INSURANCE	--	--	--	--	--	--
BANKING	333	--	143	231	412	293
FINANCE	--	--	--	--	--	--
INDUSTRY	--	--	--	--	182	19
SERVICES	--	143	--	125	313	175
<i>TOTAL</i>	<i>2</i>	<i>24</i>	<i>26</i>	<i>8</i>	<i>255</i>	<i>89</i>

<sup>1</sup> Number of companies with a board of auditors of more than 3 members as a percentage of the total number of companies, by sector and quintile of capitalization.



*Five-member boards of auditors were more common among large companies (17 per cent among companies in the fifth quintile of the distribution of market capitalization) and banks (29.3 per cent).*

The size of the board of auditors is a matter of some importance in view of the provisions of the Consolidated Law on Financial Intermediation for the protection of minority shareholders. Where the board is composed of more than 3 members, the Consolidated Law gives the members elected by the minority shareholders the possibility to call shareholders' meeting and meetings of the board of directors or the executive committee and allows them to use employees of the company in performing their duties. This is because of the combined effect of the provisions of the Consolidated Law establishing that the power to call meetings and request the cooperation of employees may be exercised by 2 members of the board of auditors (Article 151.2), and that, where the board has more than 3 members, 2 must be elected by the minority shareholders (Article 148.2).

Setting the number of members of the board of auditors is therefore an indirect means of applying the provisions for the protection of minority shareholders, implementation of which is left to listed companies to determine in their corporate charters. It is worth noting in this respect that since this option became effective only 1 company has increased the number of auditors from 3 to 5, whereas 9 companies have reduced it to 3.

In general, listed companies appear little inclined to adopt voluntary amendments to their corporate charters aimed at enhancing the protection of minority shareholders pursuant to, *inter alia*, Part IV, Title III, Chapter II, Section II (Protection of minority shareholders) of the Consolidated Law on Financial Intermediation (Box 4).

The total remuneration paid to executive directors in 1999, surveyed for a sample of 53 companies included in the Mib30 and Midex indexes, shows a weak correlation with companies' capitalization. This is in line with the findings of a survey of compensation for a similar sample of firms in 1998. Only for companies in the last quartile was executive directors' remuneration substantially higher than for those included in the first three quartiles (Table aII.3).

*Analysis of the components of remuneration shows that this difference was attributable both to directors' emoluments, the average value of which rose from 1.3 billion lire for companies of the first quartile to 2.6 billion for those of the last, and to "other remuneration", which rose from an average of 0.4 billion in the first quartile to 4 billion in the last. "Bonuses" were also important among companies belonging to the second and fourth quartiles of capitalization, accounting for around 41 and 15 per cent, respectively, of total remuneration.*

Similar results were found for non-executive directors, who received average total emoluments of around 1.5 billion lire from companies in the first quartile and 3 billion from those of the last.

Total remuneration paid to executive directors and non-executive directors was basically similar for companies in the first three quartiles of capitalization, whereas among the largest companies (fourth quartile) there was a gap of around 50 per cent between the two groups.

**Box 4*****Discretionary amendments to corporate charters envisaged by the Consolidated Law for the protection of minority shareholders***

The Consolidated Law on Financial Intermediation allows issuers to adopt measures to enhance the protection of minority shareholders (Part IV, Title III, Chapter II, Section II - Protection of minority shareholders). However, an examination of the corporate charters available at the end of October 2000 for a sample of 219 listed companies (of which 196 listed on the Official List, 11 on the Mercato Ristretto and 12 on the Nuovo Mercato), representing around 73 per cent of all listed companies and accounting for 93 of the total capitalization of the stock market, found that companies had made little or no use at all of the opportunity to adopt the discretionary amendments to their corporate charters explicitly contemplated by the Consolidated Law.

None of the companies examined had lowered its thresholds for reporting matters to the board of auditors and the courts and bringing liability actions against directors, members of the board of auditors or general managers. Voting by mail had been introduced in only 7 cases. Only 5 (medium-sized and small) companies had amended the quorum for the due constitution of the extraordinary shareholders' meeting and voting therein, while 5 had lowered the threshold for shareholders to convene the shareholders' meeting to 10 per cent of the share capital.

**MAIN DISCRETIONARY BYLAW AMENDMENTS PROVIDED FOR IN THE CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION ADOPTED BY A SAMPLE OF 219 LISTED COMPANIES**  
(SITUATION AT 30 OCTOBER 2000)

BYLAW AMENDMENTS	NUMBER OF COMPANIES THAT HAVE ADOPTED THE AMENDMENT	PERCENTAGE OF SAMPLE	PERCENTAGE OF MARKET CAPITALIZATION
REDUCTION OF THRESHOLD TO 10 PER CENT FOR CALLING SHAREHOLDERS' MEETING (ART. 125.1)	5	2.3	2.0
INCREASE IN QUORUM FOR DUE CONSTITUTION OF EXTRAORDINARY SHAREHOLDERS' MEETING AT THIRD CONVOCATION (ART. 126.3)	1	0.5	--
INCREASE IN QUORUM FOR VOTING IN EXTRAORDINARY SHAREHOLDERS' MEETING (ART. 126.4)	4	1.8	3.6
POSTAL VOTING (ART. 127)	7	3.2	16.3
REDUCTION THRESHOLDS FOR REPORTS TO THE BOARD OF AUDITORS AND THE COURTS (ART. 128.3)	--	--	--
REDUCTION IN THRESHOLD FOR LIABILITY ACTIONS (ART. 129.1)	--	--	--

Source: Consob.

*With regard to boards of auditors, remuneration changed little between the different classes of market capitalization. Benefits in kind and bonuses were small in relation to total emoluments.*

According to the sample of 53 companies included in the Mib30 and Midex indexes, at the end of 1999 executive directors owned an average of 2.9 per cent of their companies' ordinary shares (Table II.3). However, the figure falls to 0.23 per cent if 3 companies are excluded in which executive directors were controlling or at least major shareholders, with interests ranging from around 37 to 55 per cent. The figures for executive directors' shareholdings at the end 1998 were similar: 3 per cent for the sample as a whole and 0.24 per cent excluding the 3 companies referred to above.

Non-executive directors' shareholdings were equal to about half those of executive directors at the end of both 1998 and 1999. Excluding 2 companies in which non-executive directors were controlling or major shareholders, the average shareholding stood at around 0.13 per cent at the end of 1999, compared with 0.16 per cent a year earlier. Shareholdings of members of boards of auditors were even smaller, although they were found quite frequently in the sample.

The general summaries of trading by directors and members of boards of auditors in shares of their own companies show that purchases and disposals were of similar orders of magnitude for both executive and non-executive directors. Portfolio turnover, i.e. the ratio of the sum of purchases and disposals to the average value of the shares held, was significantly higher for non-executive directors than for executive directors (around 18 and 4 per cent respectively).

TABLE II.3

**SHAREHOLDINGS OF DIRECTORS AND MEMBERS OF THE BOARDS OF AUDITORS  
OF LEADING LISTED COMPANIES<sup>1</sup>**

	NUMBER OF COMPANIES	SHARE- HOLDINGS AT 31.12.1998 <sup>2</sup>	SHAREHOLDINGS ACQUIRED IN 1999 <sup>3</sup>	SHAREHOLDINGS SOLD IN 1999 <sup>3</sup>	SHARE- HOLDINGS AT 31.12.1999 <sup>2,4</sup>
EXECUTIVE DIRECTORS	42	3.02	0.06	0.06	2.92
NON-EXECUTIVE DIRECTORS	41	1.57	0.12	0.15	1.47
MEMBERS OF THE BOARD OF AUDITORS	30	0.05	..	0.01	0.05

Source: 1999 financial statements. <sup>1</sup> Companies included in the Mib30 e Midex indexes. <sup>2</sup> As a percentage of ordinary share capital. <sup>3</sup> As a percentage of ordinary share capital in the period 1998-1999. <sup>4</sup> Includes stock options awarded in 1999.

The data on stock options awarded to and exercised by executive directors show that the phenomenon is probably still at an early stage of development. The stock options awarded in 1999 to the directors of 31 companies included in the Mib30 or Midex indexes constituted a very small fraction both of total share capital and of the directors' holdings at the end of 1999 (Table II.4).

TABLE II.4

**STOCK OPTIONS GRANTED TO DIRECTORS  
OF LEADING LISTED COMPANIES IN 1999<sup>1</sup>**

	NUMBER OF COMPANIES	STOCK OPTIONS AWARDED <sup>2</sup>	STOCK OPTIONS EXERCISED <sup>2</sup>
EXECUTIVE DIRECTORS	18	0.04	0.02
NON-EXECUTIVE DIRECTORS	13	0.01	0.01

Source: 1999 financial statements. <sup>1</sup> Companies included in the Mib30 e Midex indexes.

<sup>2</sup> As a percentage of share capital.

*Shareholding by directors and the award of stock options are of vastly greater proportions in the United States. According to empirical studies, in a 1995 sample of 4,200 firms, directors held an average of 21 per cent. In 1988 the value of stock options at the time of award was equal to around 40 per cent of the total remuneration paid to executive directors of companies included in the S&P 500.*

### ***Controls on compliance with continuing disclosure requirements***

Supervision of disclosure by issuers was strengthened during the year in view of the growing tendency of listed companies to disclose relevant information in ways that raise problems of informational symmetry and clarity, such as meetings with selected groups of investors or over the Internet. Supervision was also intensified in the phases preceding and following the preparation by issuers of press releases concerning important events, with a consequent increase in contacts between the Commission and listed companies.

In particular, in 3 cases Consob asked listed companies to deny or confirm rumours in the market that had been accompanied by significant changes in share prices, pursuant to Article 66.7 of the Regulation on issuers.

Some of the most serious problems arose in connection with announcements of future transactions that were made to the market even in cases where there was no need to restore equal information. In this regard, Consob considered it appropriate to clarify that such announcements were likely to alter the correct functioning of the market.

*In 2000 companies submitted numerous applications to Consob for suspension of the public disclosure requirements pursuant to Article 114.4 of the Consolidated Law. In some instances the reasons adduced by the company were accepted and the requirements consequently suspended for a fixed period. Applications were rejected where the Commission found that the injury the company feared was unfounded or that the public might be misled as to essential facts and circumstances.*

With regard to interpretative guidance, Consob clarified that the requirements established by Article 66.2 of Regulation 11971/1999 concerning disclosure of significant facts were to be considered satisfied when issuers transmitted the communication to Borsa Italiana SpA over the Network Information System.

At the beginning of 2001 the Commission also issued a Recommendation setting out several rules of conduct on the manner of disseminating information via websites.

In 2000 sanction procedures were opened against 7 directors of 4 listed companies for violations of continuing disclosure requirements. The procedures concluded with early payment of reduced fines.

### ***Controls on the disclosure of accounting and periodic information***

The customary checking of the correctness of accounting information by Consob led the Commission last year to invoke its power to challenge the shareholders' resolution approving the 1999 annual accounts of one listed company. Consob also exercised this power with reference to the company's consolidated accounts, pursuant to Article 157.2 of the Consolidated Law.

*This use of the power of challenge constituted a continuation of the censure initiated by the Commission in 1999 for the accounting treatment whereby the cost of terminating an agency contract had been included in intangible fixed assets.*

In other cases falling within the scope of the Article 157.2 the Commission preferred to begin interlocutory proceedings with the issuers, deeming this a swifter and more effective solution than the option of repressive measures. In particular, in 3 cases alternative measures were used in place of legal challenge to prompt companies to conform with Consob's indications.

In one case the Commission believed that the unconsolidated and consolidated accounts for 1999 had been drawn up in a way that did not comply with the statutory provisions; the most serious problems concerned the valuation of a subsidiary's participating interest and the revaluation

in the consolidated accounts of a real-estate complex following the preliminary agreement on the conditions of sale and purchase.

*The Commission intervened by asking the control bodies and the firm engaged to audit the accounts for specific information in order to evaluate the correctness of the periodic documentation produced by the issuer. Subsequently, in the light of the Commission's indications, the company decided to submit the unconsolidated and consolidated accounts for re-approval after bringing the valuation of the items in question into line with the prescriptions of law.*

Another case, in which invoking the power of challenge had been envisaged, concerned the failure by a listed company to include in the consolidated profit and loss account deferred tax payable for financial years before 1999 (the first year in which deferred taxation was reported), with the consequent overstatement of profits.

*According to the Commission, this violated the provisions of Article 2423-bis, first paragraph, points 2 (prudence principle) and 3 (accrual principle), of the Civil Code as well as Article 9.2 of Legislative Decree 127 of 9 April 1991 (obligation to provide a true and fair view of profits and losses and assets and liabilities). Consob therefore requested further information and convened the representatives of the company and the auditing firm that signed the audit reports on the company's unconsolidated and consolidated accounts for the year ended 31 December 1999. Following these consultations the company issued a press release in which it made the Commission's objections known to the market and promised to report the adjusted data whenever the 1999 accounts were published.*

The third case in which Consob adopted alternative measures rather than invoke its power of challenge concerned a listed bank that had incorrectly classified and valued some securities as current assets in its 1999 annual accounts.

*The problem had been found during the Commission's examination of the accounting documents for the first half of 2000. The Commission took account of the supplement the Bank issued to its half-yearly report for 2000, where it explained that it did not consider it was necessary to re-approve the annual accounts since the securities in question had received the same accounting treatment as those held as financial fixed assets and should originally have been classified as such in view of their technical features, average residual maturity and liquidity. Considering this supplement and in order to make public its objection, the Commission sent the bank and the auditing firm a note setting out its evaluations of the 1999 annual accounts.*

*The Commission's controls on annual accounts also gave rise to a letter of objection and reminder to comply with the provisions governing banking that Consob sent to a listed bank whose 1999 annual accounts had incorrectly reported the cost of an assignment of claims without recourse and the allocation made to the loan loss provision for possible charges arising from future securitization transactions.*

*For a minor infraction, the Commission directed a listed company to comply with Consob's guidelines concerning the accounting treatment of transactions hedging the exchange rate risk on business turnover.*

### ***Disclosure of accounting data over the Internet***

The number of listed companies using their own Internet sites as a channel for periodic, continuing and voluntary disclosure in addition to the channels provided for in current legislation increased appreciably in 2000. At the end of the year most of the leading companies listed on the Official List had their own websites, almost all of which were also used for periodic and continuing disclosure. Many of the companies listed on the Nuovo Mercato also had sites; most of these were also used for disclosure purposes, but generally provided less information than those of companies listed on the Official List.

An analysis of 63 websites of the leading companies listed on the Official List and the Nuovo Mercato (Tables aII.4 and aII.5) showed that it was frequently possible to consult company's accounting documents (27 cases out of 31 among the companies listed on the Official List, 25 of 32 among those listed on the Nuovo Mercato). It was also common for companies to use the Internet to make available the press releases and statements required by the rules on continuous disclosure (28 of the companies listed on the Official List and 26 of those listed on the Nuovo Mercato). Websites were less frequently used for the dissemination of information on ownership structures, shareholdings and the identity of corporate officers, especially among the Nuovo Mercato companies.

Quite a few websites published their company's share price (18 and 17 for companies listed on the Official List and the Nuovo Mercato, respectively) and some allowed visitors to consult research reports by financial analysts (9 and 3 respectively); the criteria for selecting the reports and the proportion of all the reports produced were not indicated.

Around half of the sites examined had a section for investor relations (16 for the companies listed on the Official List and 22 for those listed on the Nuovo Mercato). These sections allowed visitors to send queries to the company. Some of them also contained the information supplied by the issuers during presentations reserved to analysts.

Websites still rarely post companies' corporate charters or indicate their adoption of the Code of conduct of listed companies (in both cases only 8 sites, all of them belonging to companies listed on the Official List).

### ***The activity of independent auditors***

In 2000 auditing firms examined 258 unconsolidated accounts and 222 consolidated accounts of companies listed on Italian regulated markets. In the course of their activity they called for additional disclosure in 217 cases and issued 2 qualified opinions and 2 disclaimers (Table aII.6).

*The calls for additional disclosure mainly concerned the adoption of new accounting standards, particularly with regard to the content of the notes to the accounts and to the new method of stating current and deferred income taxes in the annual accounts recommended by the Italian Accounting Profession.*

*One of the qualified opinions highlighted the lack of evidence substantiating the directors' views as to the recoverability of a significant claim, the creation of liabilities in respect of guarantees provided by the listed company and the inclusion of an investment among assets at a greater value than the consolidated shareholders' equity of the investee company. In the second case the auditing firm had first issued a disclaimer because of the substantial limitations it had encountered in carrying out audit procedures in the area of customer receivables. Subsequently, on the basis of additional audit checks, it rendered a qualified opinion, noting that the limitations of the audit in the matter of transactions with related parties were not such as to warrant a disclaimer.*

*As for the two disclaimers, one was motivated by the uncertainty of the company's actual prospects of recapitalization and continuity. In the second case, the auditing firm reported that it had encountered limitations and impediments in carrying out audit procedures concerning several investments held by the listed company and also described a situation of overall uncertainty about the group's situation from the standpoint of the assumption of continuity.*

During the year the Commission received documentation on the engagements conferred to auditing firms pursuant to the Consolidated Law on Financial Intermediation. The number of statutory engagements rose from 684 in 1998 to 1,440 in 1999 following the extension by the Consolidated Law of the rules on independent auditing to asset management companies, SICAVs, stockbrokers and, above all, companies controlled by listed issuers. Notwithstanding the increase, the degree of concentration of the sector in terms of fee income and number of engagements remained basically stable (Table aII.7).

As part of its supervisory activity Consob carried out on-site inspections of 2 auditing firms: the first in order to verify satisfaction of the requirements of Article 161 of the Consolidated Law for entry in the special register, the second to check the manner in which the audit of a listed bank's financial statements had been performed (Table II.5).

In addition, upon finding serious irregularities in the performance of several audits, the Commission, pursuant to Article 11.2a) of Presidential Decree 136/1975 ordered an auditing firm not to use the partner responsible for the audits in question in auditing activity for a period of 24 months.

*As regards engagements, the Commission found incomplete compliance on the part of both companies conferring engagements and auditing firms engaged with the statutory and regulatory provisions governing independent auditing, particularly the auditing of listed groups. This necessitated several measures to obtain correction, inter alia by shareholders' meetings, of the procedures followed in awarding engagements and supplement frequently incomplete documentation.*

*Finally, it was ascertained that 2 issuers had appointed to their own board of auditors persons belonging to entities related to the auditing firm they had engaged, in contrast with the Commission's*



communication of 18 April 1996. In both cases the companies were requested to eliminate the situations conflicting with the communication.

TABLE II.5

CONTROLS ON AUDITING FIRMS

	1997	1998	1999	2000
EXAMINATIONS FOR ENTRY IN THE REGISTER	--	--	2	--
ON-SITE INSPECTIONS	7	5	2	2
WRITTEN REPRIMAND	4	--	--	--
SUSPENSION OF PARTNERS	5	1	--	1
BAN ON ACCEPTING NEW ENGAGEMENTS	--	1	--	--
ADMINISTRATIVE SANCTIONS	2	2	--	--
DELETIONS FROM THE SPECIAL REGISTER	--	--	2	--
REPORTS TO THE LAW-ENFORCEMENT AUTHORITIES	6	--	--	--

***Rulemaking and interpretative releases***

During the year Consob provided clarifications concerning the information to be disclosed by listed companies in accounting documents.

*The Commission called attention to the fact that the pro forma financial statements referred to in the Commission's communication of 30 July 1999 had to be prepared whenever there were changes in accounting policies, whether these were decided at companies' own initiative or required by the introduction of new accounting standards.*

*With regard to half-yearly reports, the Commission clarified the meaning of Article 81.8 of the Regulation on issuers, establishing that the figures for the previous half-year could be omitted where they were not comparable or their preparation was objectively impossible or would be excessively costly. However, in such cases the half-yearly report must specify the reasons for the lack of comparison and, where possible, give appropriate indications of the prospects for the future.*

In response to a query put by a listed company, the Commission provided interpretative guidance on how to account for hedges of some future transactions and show them correctly in the annual accounts. In the absence of specific rules on the definition and accounting treatment of derivative contracts, the Commission took the view that reference had to be made to the general

principles for drawing up annual accounts as well as to international accounting principles and practices.

*In particular, the Commission emphasized that in a system in which financial instruments were valued on a historical cost basis, the classification of a financial instrument as a hedge against the risks associated with the fluctuation of a financial variable might involve the early recognition of profits or the deferral of losses that would otherwise have been recognized in the accounts. It noted that, in the light of the accruals principle, hedge accounting required fluctuations of the hedging instrument to be recognized only in conjunction with the symmetrically opposite ones that affected or were expected to affect the instrument or transaction being hedged.*

*According to the Commission, it was thus possible for some losses on a financial instrument or a transaction that was part of a hedge not to be recognized until those relating to the other part of the hedge were realized. The Commission noted that this was important where a financial instrument was used to hedge a future transaction and that, in the light of the prudence principle, this appeared admissible only when the future transaction was the subject of an irrevocable commitment or where there was reliable evidence that the transaction was highly probable.*

*In this regard, the Commission was of the view that where the future transaction was not highly probable or in the absence of a series of conditions listed in International Accounting Standard no. 39 (Financial Instruments: Recognition and Measurement) issued by the IASC, it was not possible to speak of a hedge of a future transaction. In such cases the financial instrument had to be considered as speculative. The Commission stated that it was up to the directors and the independent auditors, within their fields of competence, to verify satisfaction of the conditions permitting a financial instrument to be classified as a hedge against the risks of future transactions.*

As regards the manner of showing hedges in the annual accounts, the Commission indicated that the economic and accounting significance of the hedge had to be considered.

Following a joint notice by the Ministry of the Treasury and the Ministry of Finance announcing the suspension of the tax relief for bank restructuring operations provided for in Law 461/1998, the Commission provided guidance on the information to be disclosed in banks' annual and consolidated accounts.

*The Commission clarified that specific, detailed information should be included in the notes to the 1999 unconsolidated and consolidated accounts where tax relief under the provisions in question had a material net effect on income for the financial year.*

In matters of independent auditing, the Commission provided interpretive guidance on questions concerning the renewal of audit engagements, the model report to be used on the occasion of corporate mergers and divisions, and the possibility of auditing firms taking on intermediaries' functions of internal control.

*In response to queries by two auditing firms concerning Article 159.4 of the Consolidated Law, the Commission clarified that upon completing three three-year engagements with a company, an auditing firm could accept an engagement with the same company only after at least three years had passed and that in*

*no circumstances could this interval be shortened, not even if the engagement conferred on another auditing firm were revoked for cause.*

*In a communication issued on 5 October 2000, the Commission called on registered auditing firms to use a new model report on the occasion of mergers and divisions involving listed companies. The new report defines the scope of the activity to be performed by auditing firms, which are not required to carry out an independent valuation of the companies involved in the transaction but to render an opinion on the appropriateness and correct application of the valuation methods adopted by the directors to determine the share exchange rate.*

*In a communication issued on 27 December 2000, the Commission ruled that securities investment firms, asset management companies and SICAVs could not entrust their internal control function to registered auditing firms, since a large part of the work involved was beyond the scope of such companies' corporate object as specified in Article 6.1 of Legislative Decree 8 of 27 January 1992 and referred to in Article 161.2 of the Consolidated Law.*

### III. PUBLIC OFFERINGS, MERGERS AND SPIN-OFFS

#### *Initial public offerings*

In the course of 2000 the shares of 44 Italian companies were listed on one of the regulated markets operated by Borsa Italiana SpA following a public offering; in 13 cases the shares were listed on the Italian Stock Exchange and in 31 cases on the Nuovo Mercato. The offerings allowed the companies in question to raise around 5 billion euros of new equity capital (Table III.1), nearly twice the amount raised by companies coming to the market in the 5 preceding years. Almost 80 per cent of the total consisted of funds raised on the Nuovo Mercato.

TABLE III.1

#### INITIAL PUBLIC OFFERINGS (MILLIONS OF EUROS)

	NUMBER OF COMPANIES	CAPITALIZATION <sup>1</sup>	OFFERING		TOTAL OFFERING <sup>2</sup>
			NEW SHARES	EXISTING SHARES	
<b>OFFICIAL MARKET</b>					
1995	10	22,638	267	3,391	33.2
1996	12	5,550	721	945	26.6
1997	10	2,126	227	606	35.4
1998	15	3,831	609	1,230	41.7
1999	21	65,069	1,187	21,567	33.6
2000	13	14,296	1,130	1,379	16.3
<b>NUOVO MERCATO</b>					
1999	6	719	227	39	27.9
2000	31	14,012	3,840	554	24.6

Source: Consob. See the Methodological Notes. <sup>1</sup> Capitalization of the companies admitted to listing, calculated on the basis of the offering price and the pre-offering number of shares. <sup>2</sup> Proportion of the share capital calculated at the offering price, taking account of any increase in share capital. Percentages weighted by the amounts of the offerings. The figures for the Official Market do not include Eni in 1995 and Enel in 1999.

The companies listed on the Italian Stock Exchange showed a pronounced decline in the proportion of sales of existing shares, in relation both to their total offerings and to their pre-offering capitalization. The ratio of their total offerings to their post-offering capitalization also fell appreciably in comparison with the 5 preceding years. As in 1999, the proportion of sales of existing shares by the companies listed on the Nuovo Mercato was much lower than that for the companies listed on the Italian Stock Exchange, amounting to no more than 13 per cent of their total offerings and to 4 per cent of their pre-offering capitalization.

The ownership structure of the companies listed on the Italian Stock Exchange in 2000 was not significantly different on average from that of the companies listed in the 5 preceding years. Prior to flotation the average proportion of voting rights held by the controlling shareholder was close to 80 per cent and fell to 57 per cent after the offering (Table aIII.1). In 3 out of 14 cases the holding of the controlling shareholder fell below 50 per cent. Compared with the companies listed on the Italian Stock Exchange, the pre-offering ownership structures of the companies listed on the Nuovo Mercato were less concentrated, owing in part to the greater presence of institutional investors among their shareholders. On average, however, the holding of the controlling shareholder after the offering was similar to that found on the Italian Stock Exchange, although in 13 out of 31 cases it fell below 50 per cent (Table aIII.2).

The results of the IPOs show a reduction in the level of oversubscription (the ratio of demand to supply) compared with 1999, for both the public offering and the private placement components (Table aIII.3). On the Italian Stock Exchange the proportion of IPOs allotted to the public increased last year to around 50 per cent, while that allotted to foreign institutional investors declined. On the Nuovo Mercato the proportion allotted to the public remained stable at around 27 per cent, while that allotted to foreign institutional investors increased.

The data on bookbuilding for the placements with Italian institutional investors show, for both Italian Stock Exchange and Nuovo Mercato IPOs, that the performance of the shares on the first day of trading was worse where the top-ranking institutional investor (those who demanded the higher number of shares) belonged to the same group of the underwriters (Tables III.2 and III.3).

*In particular, on the Italian Stock Exchange, where the top-ranking investor in the Italian institutional placement was related to the underwriters, there was an average fall in the market price on the first day of trading, compared with the offering price, of 2 per cent, net of the movement in the market index; where there was no relationship, there was a rise of about 8 per cent. Analogously, on the Nuovo Mercato, the first group of shares rose on average by around 5 per cent, while the second group rose by around 20 per cent.*

*There nonetheless do not appear to be significant differences between the two groups of shares as regards the average portion requested by and allotted to the top-ranking investor in the Italian institutional placements, either on the Italian Stock Exchange or on the Nuovo Mercato. Moreover, as in 1999, in many cases the portion requested by the top-ranking Italian institutional investor was very large in relation to the company's capital, amounting in some cases to 15-20 per cent. By contrast, the portion allotted was between*

1 and 2 per cent of the post-offering capital on average, although it is worth noting that it was larger than those allotted to the other Italian institutional investors.

TABLE III.2

**BOOKBUILDING IN PLACEMENTS WITH ITALIAN INSTITUTIONAL INVESTORS  
FOR COMPANIES ADMITTED TO LISTING IN 2000  
(PERCENTAGES)**

COMPANY	UNDER-PRICING <sup>1</sup>	PORTION REQUESTED BY FIRST INVESTOR <sup>2,3</sup>	PORTION ALLOTTED TO FIRST INVESTOR <sup>2,3</sup>	AVG. PORTION ALLOTTED TO INVESTORS <sup>2</sup>	EXCESS PORTION ALLOTTED TO THE PUBLIC <sup>4</sup>
<b>FIRST GROUP<sup>5</sup></b>					
AEM TORINO	14.0	7.9	1.1	0.2	--
CALTAGIRONE EDITORE	- 15.9	0.9	0.6	0.1	7.4
CENTRALE LATTE TORINO	- 2.6	2.1	1.8	0.9	--
LAVORWASH	- 12.8	1.1	1.1	0.6	0.2
MELIORBANCA	0.8	10.2	1.0	0.1	--
SAECO GROUP	5.0	3.7	1.6	0.2	1.7
<i>AVERAGE</i>	<i>- 1.9</i>	<i>4.3</i>	<i>1.2</i>	<i>0.4</i>	<i>1.5</i>
<b>SECOND GROUP</b>					
A.S. ROMA	7.6	1.9	1.9	0.2	2.0
AEROPORTO DI FIRENZE	25.0	7.8	2.5	0.8	--
C.R. DI FIRENZE	2.1	0.9	0.6	0.1	10.9
FERRETTI	4.9	15.0	0.1	0.2	--
MARIELLA BURANI F.G.	- 4.9	5.9	3.2	0.6	..
TOD'S	16.8	4.7	0.8	0.1	--
<i>AVERAGE</i>	<i>8.6</i>	<i>6.0</i>	<i>1.5</i>	<i>0.3</i>	<i>2.2</i>

Source: Consob. See the Methodological Notes. <sup>1</sup> Percentage difference between the market price on the first day of trading and the offering price, adjusted for the movement in the Mib index. <sup>2</sup> In relation to the post-offering share capital. <sup>3</sup> The first investor is the Italian institutional investor that requested the largest number of shares; where the largest number of shares was requested by more than one institutional investor, the first investor is the one that was allotted the largest number of shares. <sup>4</sup> With respect to the minimum specified in the prospectus. <sup>5</sup> The first group shows the offerings in which the first investor was controlled by one of the Italian intermediaries that acted as global coordinator or lead manager.

TABLE. III.3

**BOOKBUILDING IN PLACEMENTS WITH ITALIAN INSTITUTIONAL INVESTORS  
FOR COMPANIES ADMITTED TO LISTING ON THE NUOVO MERCATO IN 2000**  
(PERCENTAGES)

COMPANY	UNDER-PRICING <sup>1</sup>	PORTION REQUESTED BY FIRST INVESTOR <sup>2,3</sup>	PORTION ALLOTTED TO FIRST INVESTOR <sup>2,3</sup>	AVG. PORTION ALLOTTED TO INVESTORS <sup>2</sup>	EXCESS PORTION ALLOTTED TO THE PUBLIC <sup>4</sup>
<b>FIRST GROUP<sup>5</sup></b>					
ACOTEL GROUP	46.2	11.3	0.8	0.3	--
CAIRO COMMUNICATION	- 13.0	3.9	1.0	0.2	- 1.6 <sup>6</sup>
CDC	0.3	1.6	0.2	0.1	11.7
DMAIL	0.5	2.3	2.0	0.7	- 3.4
EL.EN.	- 4.0	4.3	3.3	0.3	1.2
ENGINEERING	8.6	6.2	3.6	0.4	- 0.6
EUPHON	- 8.0	13.8	1.5	0.2	--
MONDO TV	14.7	11.0	0.6	0.1	--
TC SISTEMA	- 3.4	5.6	2.8	0.8	0.3
<i>AVERAGE</i>	<i>4.7</i>	<i>6.7</i>	<i>1.8</i>	<i>0.3</i>	<i>0.8</i>
<b>SECOND GROUP</b>					
AISOFTW@RE	1.8	1.5	1.2	0.3	1.6
ART'È	29.6	5.2	4.3	0.6	--
BIOSEARCH ITALIA	36.6	4.9	0.8	0.2	--
CAD IT	10.7	3.3	2.7	0.4	--
CHL	71.1	3.6	0.9	0.2	3.1
CTO	3.9	2.6	1.8	1.0	0.4
DADA	8.8	15.3	0.5	0.1	..
DATA SERVICE	- 2.6	13.9	0.9	0.2	--
DATAMAT	13.8	4.7	1.3	0.1	--
DIGITAL BROS	- 4.1	2.1	1.5	0.5	- 1.3
E.BISCOM	39.3	15.5	0.1	..	--
EPLANET	- 7.0	5.2	1.1	0.1	--
FIDIA	- 1.3	3.0	1.6	0.3	9.8
FREEDOMLAND-ITN	- 2.9	3.5	0.5	0.1	--
I.NET	122.9	14.6	0.1	..	--
INFERENTIA	11.3	5.9	1.8	0.4	--
NOVUSPHARMA	1.4	3.4	0.9	0.2	--
ONBANCA	9.0	5.5	0.9	0.2	--
REPLY	10.4	2.2	1.9	0.4	--
TAS	85.4	20.6	2.4	0.4	--
TXT E-SOLUTIONS	- 6.7	8.9	0.8	0.2	--
VITAMINIC	10.7	5.0	2.0	0.5	3.2
<i>AVERAGE</i>	<i>20.1</i>	<i>6.8</i>	<i>1.4</i>	<i>0.3</i>	<i>0.8</i>

Source: Consob. See the Methodological Notes. <sup>1</sup> Percentage difference between the market price on the first day of trading and the offering price, adjusted for the movement in the Nuovo Mercato index. <sup>2</sup> In relation to the post-offering share capital. <sup>3</sup> The first investor is the Italian institutional investor that requested the largest number of shares; where the largest number of shares was requested by more than one institutional investor, the first investor is the one that was allotted the largest number of shares. <sup>4</sup> With respect to the minimum specified in the prospectus. <sup>5</sup> The first group shows the offerings in which the first investor was controlled by one of the Italian intermediaries that acted as global coordinator or lead manager. <sup>6</sup> The banks in the underwriting syndicate acquired the shares that were not requested.

Comparison between the offering prices of the IPOs carried out in 2000 and the prices recorded on the first day of trading shows a reduction in underpricing. On the Italian Stock Exchange the average underpricing was equal to around 1 per cent, as against 7-13 per cent in the 5 preceding years. On the Nuovo Mercato underpricing was much more pronounced and averaged around 16 per cent, although this was less than the figure for 1999 (Table III.4).

TABLE III.4

**UNDERPRICING IN INITIAL PUBLIC OFFERINGS**

	NO. OF OFFERINGS <sup>1</sup>	AVG. UNDERPRICING <sup>2</sup>
<i>OFFICIAL MARKET</i>		
1995	11	7.8
1996	12	10.1
1997	10	7.1
1998	14	6.8
1999	17	13.2
2000	9	0.9
<i>NUOVO MERCATO</i>		
1999	6	26.9
2000	31	15.6

Source: Calculations based on Datastream data. See the Methodological Notes. <sup>1</sup> Does not include offerings of privatized companies or those of companies controlled by foundations or public entities. <sup>2</sup> Percentage difference between the market price on the first day of trading and the offering price, adjusted for the movement in the stock market index (Mib storico and Nuovo Mercato index from 2000).

***The role of intermediaries in IPOs***

The declarations sent by sponsors to Borsa Italiana SpA and the information contained in prospectuses concerning potential conflicts of interest provide a picture of the credit and equity relationships existing between these intermediaries and newly-listed companies (Table III.5).

Of the 44 Italian companies that were listed in 2000 following an IPO, 23 had credit relationships with their sponsor or underwriter (or other companies belonging to the same group).



On average some 30 per cent of the financial debts of the newly-listed companies were towards the sponsor, the underwriter or companies related to them.

In 11 cases, instead, the sponsor, the underwriter or companies related to them were shareholders of the newly-listed companies, with an average holding equal to 18 per cent of the total capital.

TABLE III.5

**CREDIT AND EQUITY RELATIONSHIPS  
BETWEEN SPONSORS/ UNDERWRITER  
AND COMPANIES LISTED IN 2000<sup>1</sup>**

NUMBER OF COMPANIES WITH CREDIT RELATIONSHIPS WITH SPONSORS/UNDERWRITER	23
AVERAGE PERCENTAGE OF DEBT FINANCING PROVIDED BY SPONSORS/UNDERWRITER <sup>2</sup>	27.2
NUMBER OF COMPANIES WITH EQUITY RELATIONSHIPS WITH SPONSORS/UNDERWRITER	11
AVERAGE PERCENTAGE EQUITY HOLDING OF SPONSORS/UNDERWRITER <sup>3</sup>	18.1

Source: Based on Borsa Italiana SpA data. See the Methodological Notes. <sup>1</sup> Official Market and Nuovo Mercato. <sup>2</sup> In relation to total financial debt; percentages. <sup>3</sup> In relation to pre-offering share capital; percentages.

Last year saw a decrease in the degree of concentration in investment banking activity, as regards both the role of global coordinator and that of lead manager of the Italian public offering. In the first case the market share of the first five intermediaries fell from around 80 per cent in 1999 to 60 per cent in 2000, while in the second case it declined from 85 per cent to around 80 per cent (Table aIII.4). The increase in competition in this segment of the investment services industry is attributable to the increased presence of foreign intermediaries (which, alone or together with an Italian intermediary, coordinated 53 per cent of the offerings in 2000, compared with 48 per cent in 1999) and to the entry into the market of small and medium-sized Italian intermediaries.

Institutional investors specialized in the acquisition of equity interests were frequently to be found among the shareholders of the companies listed on the Nuovo Mercato in 2000. As in 1999, about half of the newly-listed companies had institutional investor as shareholders, whose holdings amounted on average to around 26 per cent of the pre-offering share capital and to 16 per cent of the post-offering capital. It was less common for companies listed on the Italian Stock Exchange

to have institutional investor as shareholders (4 out of 13), although their pre- and post-offering percentage holdings were much the same as those for the companies listed on the Nuovo Mercato (Table III.6).

TABLE III.6

**INSTITUTIONAL INVESTORS'S EQUITY HOLDINGS  
IN NEWLY-LISTED COMPANIES<sup>1</sup>**

	NUMBER OF COMPANIES <sup>2</sup>	NUMBER OF INSTITUTIONAL INVESTORS <sup>3</sup>	PRE-OFFERING EQUITY HOLDING <sup>4</sup>	POST-OFFERING EQUITY HOLDING <sup>5</sup>
<i>OFFICIAL MARKET</i>				
1995	6	2.3	27.7	8.5
1996	5	2.8	53.2	25.4
1997	2	1.5	40.9	7.1
1998	4	4.3	48.3	18.9
1999	6	1.7	20.1	5.4
2000	4	2.0	26.9	15.6
<i>NUOVO MERCATO</i>				
1999	3	2.7	42.3	19.9
2000	14	2.9	25.6	16.4

Source: Consob archive of prospectuses. See the Methodological Notes. <sup>1</sup> Institutional investors comprise closed-end investment funds, venture capital companies and commercial and investment banks, excluding foundations and savings banks. <sup>2</sup> Number of companies listed in which institutional investors held an interest at the offering date. <sup>3</sup> Average number of institutional investors holding an interest at the offering date. <sup>4</sup> Average percentage of the share capital held by institutional investors at the offering date. <sup>5</sup> Average percentage of the share capital held by institutional investors immediately after the offering.

***New equity issues by listed companies, mergers and spin-offs***

The new equity capital raised in 2000 by newly-listed and previously-listed companies amounted to around 9 billion euros (Table III.7). This was less than the amount raised in 1999, but in line with the figure for 1998. In both these years, however, the rise in share prices was much larger than in 2000.

*One of the largest equity issues was that by Banca Popolare di Lodi, which raised more than 1 billion euros by means of an offering targeted in part at existing shareholders and in part at Italian and foreign institutional investors. The proceeds were used to finance acquisitions and maintain adequate capital ratios. Other important transactions include those by Banca Intesa and Unipol, which raised in total more than 1 billion euros.*

TABLE III.7

**OFFERINGS OF SHARES AND CONVERTIBLE BONDS  
BY LISTED COMPANIES<sup>1</sup>**  
(MILLIONS OF EUROS)

	ISSUES OF NEW SECURITIES	OFFERINGS OF EXISTING SECURITIES	<i>TOTAL</i>
1995	4,370	3,391	7,761
1996	2,306	5,612	7,918
1997	5,400	18,427	23,827
1998	8,879	11,273	20,152
1999	23,171	25,795	48,966
2000	9,379	7,614	16,993

Sources: Consob archive of prospectuses and Borsa Italiana SpA notices. See the Methodological Notes. <sup>1</sup> Companies listed on the Official Market and, from 1999, on the Nuovo Mercato.

The value of the offerings of existing shares in 2000 was below the average for the three years 1997-99 owing to the decrease in offerings in connection with the privatization of public enterprises. Of the total volume of offerings of existing shares 70 per cent concerned the privatization of Finmeccanica. The listing of companies owned by municipalities or controlled by public entities (other than Iri or the Treasury) permitted disposals amounting to around 500 million euros (Table aIII.7).

During the course of the year there were numerous large-scale extraordinary corporate transactions that involved the publication of the prospectus referred to in Articles 70.3 and 71 of the Consob Regulation on issuers.

*The Pirelli group concluded an agreement with Cisco Systems concerning its optical transmission systems and components business. In particular, the group sold the assets and intellectual property rights of its terrestrial optical systems.*

*Acea drew up an information document when it spun off the divisions of its business concerned with power transmission, the distribution and sale of electricity to so-called "tied customers", and the operation of its integrated water services.*

*Another important operation concerned the shortening of the control chain within the Olivetti group and the rationalization of the group's foreign holdings. In particular, in July 2000 the extraordinary shareholders' meetings of Telecom Italia and Seat approved the partial spin-off of Telecom Italia with the contribution of 8.68% of the share capital of Tin.it to Seat and the merger of Tin.it with Seat. The aim of the operation was to bring together in Seat the divisions and equity interests of Telecom Italia and the group engaged in the management and marketing of on-line services, products and information. In addition, the boards of directors of Telecom Italia and Tim approved a plan for the restructuring of the foreign holdings of the Telecom Italia group. This involved the total spin-off of Stet International SpA and the transfer of the entire share capital to Telecom Italia and Tim, the transfer by Telecom Italia of shares of Stet Mobile Holding NV to Tim as subscription to the increase in capital approved by Tim.*

*In October the extraordinary shareholders' meetings of Tecnost and Olivetti approved the merger of Tecnost with Olivetti. The aim of the operation was to shorten the chain of control of the operating companies Telecom Italia and Tim by absorbing the subholding Tecnost into the group holding company, Olivetti. The operation involved the cancellation without exchange of the Tecnost shares and warrants owned by Olivetti and the simultaneous increase in capital by means of the assignment of Olivetti shares in exchange for the Tecnost shares held by third parties and for those held for the exercise of the Tecnost warrants owned by third parties.*

*Another major corporate action in 2000 was the merger of Montedison with Compart. The merger was preceded by Compart's tender offer on Montedison, at the end of which Compart held 93.04 per cent of Montedison's share capital. Montedison's shareholders were recognized to be entitled to exercise the right of withdrawal because the corporate objects of the merged companies were different.*

*In July 2000 a start was made on the merger of Banca Intesa with Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo. The aim of the operation was to bring together in the group holding company all the activities that were to form the business units of the group's new organizational structure. The merger of the first two companies did not involve an increase in capital since they were wholly owned by Banca Intesa. By contrast, the merger of Mediocredito Lombardo gave rise to the issue of new shares.*

*Another important operation in the banking sector was the partial spin-off of Ina by means of the transfer of the equity interest held by Banco di Napoli Holding SpA to SanPaolo Imi SpA.*

### ***Public offers involving unlisted securities and the offerings of foreign issuers***

In 2000 Consob cleared the publication of the offering prospectus or offer document for 14 public offers on unlisted securities. Of the total, 11 were made in connection with a tender offer and amounted to 1,223 million euros, which was about 46 per cent more than the figure for 1999. The other three cases concerned public offers to subscribe for new shares totaling 97 million euros (Table III.8).

TABLE III.8

PUBLIC OFFERINGS OF UNLISTED SECURITIES<sup>1</sup>

TYPE OF OFFERING	NUMBER OF OFFERINGS			VALUE (MILLIONS OF EUROS)			RATIO TO OFFERINGS OF LISTED SECURITIES <sup>2</sup>		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
SALE OF EXISTING SHARES	2	--	--	90	--	--	0.8	--	--
SUBSCRIPTION OF NEW SHARES	4	4	3	19	62	97	1.7	15.5	5.3
TENDER OFFER	13	12	11	1,695	835	1,223	84.5	3.6	10.1

Sources: Consob archives of prospectuses and offer documents. <sup>1</sup> Excludes offerings reserved to employees. <sup>2</sup> Percentages. The offerings of listed securities do not include the offering of Eni shares in 1998 and that of Enel shares in 1999. The tender offer figures for 1999 do not include the Telecom transaction.

*Nearly all the tender offers were made by banks (10 out of 11). In two cases they involved securities issued by cooperative banks and in both cases the completion of the operation was subject to the issuer being transformed into a società per azioni. One tender offer was for the entire capital of a bank that did not belong to the same group of the bidder; the others were nearly all made by companies belonging to banking groups that already held a significant or controlling interest in the target company (ranging from 20 to around 95 per cent of the share capital). The largest operation in terms of amount involved (more than 590 million euros) was the tender offer by Banca Popolare di Bergamo-Credito Varesino for 47.4 per cent of the capital of Banca Popolare di Ancona, which already belonged to the same group of the bidder.*

*The three public offers to subscribe for new shares were all made by banks. Two of these offers were in connection with the special case of the establishment of a cooperative bank. In the first place, this called for a ruling on the inapplicability of Article 96 of the Consolidated Law on Financial Intermediation, which requires the issuer of financial instruments that are the subject of a public offering to have their latest approved annual accounts audited, and, in the second place, the adaptation of the model prospectus to the particular conditions of the offering. Set up as an offer to subscribe for the shares of the bank being created, the public offering was one step in a process which provided - at the conclusion of the offering - for the convocation of the company's constituent assembly pursuant to Article 2328 of the Civil Code (in which subscribers could participate by attending in person or by granting a proxy), the issue by the Bank of Italy of the authorization to start operations in conformity with the 1993 Consolidate Law on Banking and, lastly, the clearance and entry in the company register of the resolution approving the company's establishment.*

Last year saw an increase in the number of foreign prospectuses recognized by Consob under Community law. This was primarily because the entry into force of Consob Regulation 11971/1999 led to the application of the rules on the solicitation to offerings to employees that had previously

been exempt, with the result that many foreign issuers chose to have an existing prospectus recognized rather than prepare a new one.

The examination of foreign prospectuses for the purposes of mutual recognition made it necessary for Consob to have frequent contacts with the regulatory authorities of other European countries. Under Italian law, these are required to issue a declaration attesting to the conformity of the prospectus they approved with Directive 80/390/EEC and the absence of derogations from its provisions.

Most of the offerings made by foreign issuers in 2000 were aimed at the employees of their Italian subsidiaries (Table aIII.9). In some cases, however, the Commission declined to authorize the offering on the grounds that its subject consisted ultimately of units of an investment fund which had been set up to invest exclusively in the securities being offered but which was neither authorized nor harmonized.

In three cases issuers located in European countries made a public offering in Italy as part of a pan-European offering. In order to make it possible for these offerings to start at the same time in all the countries concerned, the issuers sent the Commission a copy of the draft prospectus that was being examined by the other regulatory authorities before they had granted clearance, to allow Consob to contact them and check out the operation. There was also one case of a foreign issuer that made an offering in order to be admitted to listing on an Italian regulated market.

The offerings made by foreign issuers in 2000 raised about 1 billion euros from non-institutional Italian investors, which was equal to around 11 per cent of the total amount raised in offerings with similar characteristics made by Italian issuers.

## IV. REGULATED MARKETS

### *The stock market and derivatives markets*

After some three years of large increases, in 2000 shares prices showed only a small rise. The Mib index rose by 5.4 per cent (Table aIV.1), while on the Nuovo Mercato prices fell substantially, by nearly 30 per cent on average. The rise in the Mib index was the net result of divergent performances by the different sectors: the share prices of financial and industrial companies rose on average by 10 and 20 per cent respectively, whereas those of companies in the service sector fell by around 20 per cent.

*The number of Italian companies listed on the Nuovo Mercato increased considerably last year, rising from 6 to 39. The growth of the market was accompanied by a high degree of price volatility (equal to more than 60 per cent on an annual basis), especially during the sharp correction that occurred between March and May. The price indexes of the other European New Markets turned in widely different performances in 2000: the corrections in Italy and Germany were on the order of 30-40 per cent, whereas in France the index returned to its level at the beginning of the year.*

*Another distinctive feature of the Nuovo Mercato was that the rates of return of the shares listed on it were highly correlated, whereas this was not the case either for the securities on other markets in Italy or for those listed on the other European New Markets (Box 5).*

*The trading volume on the Italian Stock Exchange grew substantially, rising from around 500 billion euros in 1999 to around 840 billion (+67 per cent). This increase was accompanied by a rise in the turnover rate, which exceeded one for the first time in the last 25 years. The growth in the trading volume on the Nuovo Mercato was also substantial by comparison with 1999, although it was largely due to the considerable increase in the number of listed companies. The turnover rate was well above one on this market too. Considering all the regulated markets operated by Borsa Italiana together, the number of contracts concluded was about double than that recorded in 1999.*

*By contrast, the volume of trading on the markets for fixed-income securities (MOT and EuroMOT) showed a further large decrease, especially in the corporate bond segment.*

The total capitalization of the share markets (i.e. the Italian Stock Exchange, the Nuovo Mercato and the Mercato Ristretto) rose significantly, from 727 to 818 billion euros (+12.5 per cent). As in 1999, the increase was attributable almost equally to rise in prices, listing of new companies and new issues by companies already listed. The latter, valued at their respective offering prices, amounted to about 37 billion euros.

*The market capitalization of the Italian stock market was equal to around 14 per cent of the total capitalization of the euro-area stock markets, up from around 11 per cent in 1999. The Italian market ranked third, after the French and German markets, in terms of both size and number of companies listed.*

***Correlation between the daily rates of return on the shares of companies listed on the Nuovo Mercato***

The correlation between the daily rates of return on individual securities on the Nuovo Mercato was significantly higher, especially in the second half of 2000, from those observed on the other European New Markets and the Italian Stock Exchange.

The correlation between the rates of return on the Nuovo Mercato was calculated for the period from the beginning of August to the middle of December 2000. In fact it was only from the end of July onwards that there were enough securities to analyze (24) and a sufficiently long series of daily returns. The choice of the period from August to December was thus a trade-off between the size of the sample of securities and the length of the series of daily returns.

Between 1 August and 15 December the average correlation between the rates of return of each pair of shares listed on the Nuovo Mercato was equal to 0.4. This high value may have been partly due to the fact that the number of companies listed at the end of July 2000 was still relatively small and their sectoral diversification consequently insufficient. It is worth noting, however, that the average correlation between pairs of securities found in the main European markets for the banking sector — where, by definition, the degree of specialization is extremely high — was much lower (ranging from 0.13 for Italian banks to 0.02 for French banks).

The correlation between the rates of return on the Nuovo Mercato was also high compared with the figures for the French and German New Markets in the periods in which they were in their “infancy”, i.e. just a few months after they came into operation and while they still had only a few companies listed.

In France the Nouveau Marché was born in 1997 and at the end of that year there were 33 companies listed. This was not very different from the number of companies listed on the Nuovo Mercato at the beginning of the period considered, but the average correlation in the start-up phase of the Nouveau Marché was much lower since it fluctuated between 0.08 and 0.09.

In 2000 the total trading volume in derivatives on the regulated markets operated by Borsa Italiana grew by around 49 per cent. However, the increase was almost entirely attributable to trading in stock options (Table IV.1).

*In fact, while trading on the Italian futures market (Mif) decreased substantially, as in 1999, there was significant growth in trading on the Italian derivatives market (Idem), where the number of contracts concluded rose by around 44 per cent compared with the previous year. This result was mainly due to the increased interest in options - especially stock options - and the introduction on 3 July 2000 of the Mini-Fib, a new futures contract on the Mib30 index with the same features as the Fib30 contract but one fifth of its value.*



**Box 5**

The Neuer Markt in Germany was also born in 1997, but at the end of that year there were only 15 companies listed. The average correlation between the rates of return on the individual pairs of securities fluctuated between 0.15 and 0.26, which was higher than for the Nouveau Marché but much lower than for the Nuovo Mercato. In the course of 1998 the number of companies listed on the Neuer Markt rose to 58 and the average correlation declined, especially in the second half of the year.

In view of the figures for the Neuer Markt in Germany and the Nouveau Marché in France, not all of the “anomaly” represented by the high correlation found between the rates of return of the shares listed on the Nuovo Mercato can be explained in terms of the lack of sectoral diversification of the companies concerned or the conditions typical of the start-up phase of such markets.

**CORRELATION BETWEEN THE DAILY RATES OF RETURN OF SHARES  
IN THE PERIOD 1 AUGUST - 15 DECEMBER 2000<sup>1</sup>**

	NUOVO MERCATO	OFFICIAL MARKET		
		BANKS	SERVICES	INDUSTRY
ITALY	0.41	0.14	0.13	0.08
FRANCE	0.12	0.02	0.05	0.05
GERMANY	0.17	0.05	0.03	0.03

Source: Based on Datastream data.

<sup>1</sup> Average correlation media between the rates of return of each security and those of the other securities of the same branch or sector.

*Trading on Mif was at a low level for all the contracts on interest rates and government securities. The total number of contracts concluded during the year fell to just under 2 million, of which 90 per cent consisted of futures on government securities.*

The covered warrants market, which had been launched in June 1998, showed further substantial growth in 2000 in terms of products, issuers and volume of trading. The number of instruments listed doubled compared with 1999 and at the end of the year there were 3,107 covered warrants outstanding (Table IV.2). In the course of the year a total of 3,343 new covered warrants were listed, issued by 13 different intermediaries. The volume of trading more than doubled to around 31 billion euros.

TABLE IV.1

**ITALIAN DERIVATIVES MARKETS<sup>1</sup>**  
(SUMMARY DATA ON VOLUME OF TRADING - 2000)

	NUMBER OF CONTRACTS CONCLUDED <sup>2</sup>	DAILY AVERAGE <sup>2</sup>	PERCENTAGE CHANGE <sup>3</sup>
FIB30	4,260	16	- 16
MIBO30	2,842	11	+ 27
STOCK OPTIONS	5,871	23	+ 202
MIDEX FUTURES	2	..	- 60
MINI FIB <sup>4</sup>	358	2.8	—
BTP FUTURES	1.8	..	- 99
OPTIONS ON BTP FUTURES	—	—	—
EURIBOR FUTURES	0.18	..	- 99

Source: Based on Borsa Italiana spa e Cassa di compensazione e garanzia spa data.

<sup>1</sup> The data refer to the Idem and Mif markets. <sup>2</sup> In thousands. <sup>3</sup> On previous year.

<sup>4</sup> Trading started on 3 July 2000

TABLE IV.2

**LISTED COVERED WARRANTS**

	NUMBER OF ISSUES			TURNOVER <sup>3</sup>
	OUTSTANDING <sup>1</sup>	NEW <sup>2</sup>	EXPIRED	
1998	122	122	--	2.5
1999	1,565	1,660	217	14.2
2000	3,107	3,343	1,801	31.0

Source: Consob and Borsa Italiana spa. <sup>1</sup> Year-end data. <sup>2</sup> Admitted to listing during the year. <sup>3</sup> In billions of euros.

### *Supervision of regulated markets*

Last year was marked by considerable regulatory activity that led to the Commission approving a series of amendments to the rules governing the markets operated by Borsa Italiana.

In particular, the Commission approved the amendments needed for the start of trading in the market segments known as Trading After Hours (TAH) and Trading After Hours Nuovo Mercato (TAHnm).

The authorization of these new market segments required major changes to some Consob regulations, notably as regards obligations concerning the concentration of trading, disclosure and the principle of best execution.

TABLE IV.3

#### TRADING ON THE AFTER-HOURS MARKET (2000)

	OFFICIAL MARKET		NUOVO MERCATO		COVERED WARRANTS		TOTAL	
	TURN-OVER <sup>1</sup>	AS A % OF DAY SESSION <sup>2</sup>	TURN-OVER <sup>1</sup>	AS A % OF DAY SESSION <sup>2</sup>	TURN-OVER <sup>1</sup>	AS A % OF DAY SESSION <sup>2</sup>	TURN-OVER <sup>1</sup>	AS A % OF DAY SESSION <sup>2</sup>
MAY	217	1.8	39	8.8	38	10.2	294	2.4
JUNE	375	2.2	56	12.4	60	12.3	491	2.8
JULY	367	2.7	43	11.3	47	13.3	457	3.2
AUGUST	263	1.9	33	5.3	45	10.2	341	2.3
SEPTEMBER	401	2.5	43	7.1	81	12.0	525	3.0
OCTOBER	473	2.7	84	12.5	186	19.6	743	3.9
NOVEMBER	492	2.6	37	9.0	181	18.5	710	3.6
DECEMBER	330	2.6	43	10.0	126	18.0	499	3.6
<i>TOTAL</i>	<i>2,918</i>	<i>2.4</i>	<i>378</i>	<i>9.6</i>	<i>764</i>	<i>14.4</i>	<i>4,060</i>	<i>3.1</i>

Source: Borsa Italiana spa. <sup>1</sup> In millions of euros. <sup>2</sup> Percentage ratio to average volume of trading per minute.

*The amendment to the concentration obligations was necessary to avoid prejudicing competition between trading systems with price-discovery mechanisms which, even though they were not identical, were basically equivalent in terms of transparency and investor protection (such as the TAH segment) and*

*organized trading systems which were in operation in the same time band and handled the same securities. To this end the new rules allow authorized intermediaries to execute trades involving financial instruments listed on Italian regulated markets, or have them executed, in organized trading systems outside official trading hours, inter alia in the absence of the conditions for the waiving of the concentration requirement.*

*As regards the amendments concerning the manner of communicating off-market transactions, the new rules provide, exclusively for non-block transactions concluded after hours in organized trading systems, for the management company to make available without delay the information identifying the financial instrument involved, the quantity traded, the unit price, and the date and time of execution. The change in the rules was necessary to prevent such transactions being disclosed 60 minutes after their conclusion, the time limit laid down for block trades and the other categories of off-market transaction.*

Provision was also made for trading outside official hours to be presumed to comply with the principle of best execution for contracts concluded on a regulated market or in an organized trading system.

Another important innovation in 2000 was the creation by Borsa Italiana of a new segment in the electronic share market (Mta), known as the Star segment and devoted to small and medium-sized enterprises. The new segment will come into operation in the course of 2001 and will be open only to companies that satisfy certain standards of disclosure and corporate governance. Among the latter it is worth noting the requirement for Star companies to “have non-executive and independent directors whose number and standing are such that their views carry significant weight in board decisions”. In addition, Star companies will have to appoint a specialist to support the liquidity of their securities.

During the year the Commission also approved important changes to the rules governing the covered warrants market.

*In particular, in view of the considerable growth in this market, Borsa Italiana decided to create a separate segment for the trading of covered warrants, which had previously been traded on the electronic share market (Mta). This also enabled the market management company to develop a trading platform with technological features capable of handling the growing volume of business. During the year a joint Consob-Borsa Italiana working group identified a series of rule changes aimed at increasing the efficiency of the covered warrants market. This led to Borsa Italiana adopting amendments to its market rules with a view to increasing the standardization of warrants and thus enhancing the comparability of the prices of similar products issued by different intermediaries. Specifically, the changes concerned the maturity day, automatic exercise of the option at maturity, the exercise price and the multiple.*

During the year the Commission agreed to the introduction of a new futures contract on the Idem market, known as the Mini-Fib. The new contract has the same features as the Fib30 (as regards the underlying, maturities, quotation and settlement) but its value is one fifth of that of the Fib30 contract. In fact each point of the index is attributed a value of 1 euro, as against 5 euros for the Fib30 contract.

*The Commission also approved amendments to the rules of the market for derivatives based on government securities (Mif) and, in agreement with the Bank of Italy, to the rules of the wholesale market for corporate bonds and securities issued by international organizations which is operated by Mts spa. The latter changes concerned the creation of a grey market.*

In September 2000 new implementing provisions were adopted for the clearing and settlement of transactions involving financial instruments other than derivatives (Article 69.1 of the Consolidated Law on Financial Intermediation) and for the clearing and guarantee of derivatives (Article 70 of the same law).

*The implementing provisions adopted under Article 69 of the Consolidated Law provide for the settlement of non-derivative instruments, which was previously performed directly by the Bank of Italy, to be performed by a company authorized by the Bank of Italy in agreement with Consob, in accordance with the authorization procedure established in the new rules, subject to its satisfying a series of requirements. The new rules also define how the settlement service is to be operated, with special reference to risk-limiting mechanisms. The only part of the process that will continue to be handled by the Bank of Italy is the final cash settlement phase.*

*The implementing provisions adopted under Article 70 of the Consolidated Law define the subjective and organizational requirements for companies providing clearing and guarantee services. In particular, rules have been laid down for such companies concerning legal form, minimum capital, accounting and organizational separation, and risk limitation. As regards the general criteria established for the operation of such systems, the introduction of the obligation to register members' client positions on a gross basis is especially important. The introduction of this principle, which will be embodied in the rules of the clearinghouse, will make it possible to identify high-risk situations more rapidly and efficiently, to the benefit of the stability of the system as a whole.*

*The completion of the sale of the Bank of Italy's interest in Monte Titoli spa at the end of 2000 terminated the effects of Law 289/1986. Since the situation referred to in Article 214.3 of that law had arisen, Consob, in agreement with the Bank of Italy, authorized Monte Titoli to provide central depository services for financial instruments in accordance with Article 80.9 of the Consolidated Law on Financial Intermediation. The relevant measure was adopted in January 2001.*

*Lastly, acting in agreement, Consob and the Bank of Italy approved some amendments of a general nature to the corporate charters of Cassa di compensazione e garanzia spa.*

Consob's supervision of market management companies in 2000 focused primarily on the information technology systems used by Borsa Italiana. Following outages that led to delays in the start of trading on the electronic share market (Mta), Consob, pursuant to Article 74.2 of the Consolidated Law on Financial Intermediation, ordered Borsa Italiana to engage external experts to carry out an immediate audit of its information and communication technology systems and to have them audited at least once a year. Borsa Italiana engaged a company to carry out the required audit and transmitted the findings to Consob.

***Research reports on listed companies prepared by intermediaries***

In 2001 Consob continued to check the information disclosed to the public by means of research reports and statistics on listed companies prepared by persons referred to in Article 69 of Consob Regulation 11971/1999 on issuers. In carrying out this task, Consob both analyzed reports prepared by intermediaries that played a role in corporate events involving the company that was the subject of the report and scrutinized cases where intermediaries' own activity ran counter to the recommendations contained in their reports.

As in 1999, the analysis of listed companies by intermediaries continued at a high level; during the year Consob received more than 12,000 documents, of which around 20 per cent were research reports.

The companies most frequently analyzed were those with a high market value, those that applied for admission to listing and those involved in corporate events. The distribution of the analyses showed a strong bias in favour of the companies with a high market value: the top ranking 30% of companies accounted for more than 70% of the analyses carried out during the year. By contrast, the distribution by sector of activity did not show any particular bias.

TABLE IV.4

**DISTRIBUTION OF RESEARCH REPORTS BY RATING**  
(PERCENTAGES)

	1998	1999	2000
BUY	59.1	57.5	58.2
HOLD	25.5	26.7	26.1
IMPORTANT NEWS	9.9	9.1	9.6
SELL	5.5	6.6	6.1
<i>TOTAL NUMBER OF REPORTS</i>	<i>2.288</i>	<i>2.260</i>	<i>2.368</i>

Source: Consob

Special attention was paid to the problem of potential conflicts of interest in the production of research reports and statistics, especially where the intermediaries involved performed several functions.

*These issues were addressed during the year in meetings with representatives of the associations of market participants. There was general agreement on the need to ensure analysts prepared research reports in accordance with strict principles of neutrality and objectiveness. There was also consensus on the need for the conduct of business rules in this field to be based on self-regulatory Codes drawn up by market participants themselves.*

*Early in 2001 the Commission decided to take action with regard to analysts' reports in view of their importance in the process of producing and disseminating information on listed companies and in recognition of their contribution to the disclosure of price-sensitive information. Accordingly, the Commission drew the attention of intermediaries to a number of regulatory changes and issued a communication containing both interpretations and recommendations designed to ensure well-defined rules of behaviour that would result in research reports being complete, independent and clear.*

## V. INSIDER TRADING AND MARKET MANIPULATION

### *The results of Consob's investigations*

In 2000 Consob transmitted 26 reports to the judicial authorities concerning investigations it had initiated after finding anomalies during its market supervision; in 1999 it had transmitted 38 reports (Table V.1). In 21 cases (30 in 1999), the investigations found evidence suggesting an offence had been committed. In particular, 17 reports concerned suspected insider trading and 4 referred to suspected episodes of market manipulation involving financial instruments.

TABLE V.1

#### RESULTS OF INVESTIGATIONS

	1997	1998	1999	2000
REPORT OF SUSPECTED CRIME <sup>1</sup>	19	21	30	21
CASE CLOSED AT END OF PRELIMINARY INVESTIGATION <sup>2</sup>	18	3	1	--
CASE CLOSED AT END OF FULL INVESTIGATION <sup>2</sup>	15	12 <sup>3</sup>	7	5
<i>TOTAL</i>	52	36	38	26

<sup>1</sup> For 1997 and in 10 cases in 1998, the reports were transmitted under Article 8.3 of Law 157/1991, which was repealed by the Consolidated Law on Financial Intermediation. <sup>2</sup> Article 186 of the Consolidated Law requires Consob to transmit a report on every investigation it carries out to the public prosecutor. <sup>3</sup> Of which 9 cases in which the investigation was closed before the entry into force of the Consolidated Law.

The reduction in the number of reports transmitted to the judicial authorities compared with 1999 was related to the greater complexity of investigations, owing, among other things, to the growing number of foreign customers and authorized intermediaries operating on Italian regulated markets. Evidence of this greater complexity is to be found in the large increase, from 507 in 1999 to 570 in 2000, in the number of requests for data and information sent to intermediaries, listed companies and foreign authorities (Table aV.1).

As in 1999, the inside information most frequently used (in 6 out of the 17 investigations reported) concerned changes in the control of listed companies; in 3 cases the information concerned corporate events; in the remaining cases it concerned the company's assets and liabilities or financial position, cooperation agreements between firms or the introduction of innovative products. There were also two cases of probable front running, where the suspected offence



involved persons who took advantage of the impact on prices of large transactions carried out by leading intermediaries (Table V.2).

TABLE V.2

## TYPES OF INSIDE INFORMATION

	1997	1998	1999	2000
CHANGE OF CONTROL - TENDER OFFER	7	13	13	6
PROFITABILITY - ASSETS AND LIABILITIES OR FINANCIAL POSITION	4	1	4	1
CORPORATE EVENTS	2	3	3	3
OTHER	3	--	2	7 <sup>1</sup>
<i>TOTAL</i>	<i>16</i>	<i>17</i>	<i>22</i>	<i>17</i>

<sup>1</sup> Of which 2 cases of suspected front running.

The number of cases of suspected market manipulation reported to the judicial authorities fell by half, from 8 to 4. Three cases involved the spreading of false or misleading information (informational manipulation), while the fourth involved sham transactions intended to alter the price of the security in question (operational manipulation).

A total of 218 persons were reported to the judicial authorities for suspected insider trading and 5 for suspected market manipulation (Table aV.2).

The insider trading cases reported in 2000 showed the same trends as in 1999. There was a slight increase in the number of intermediaries reported, from 21 to 24, and a substantial decrease in the number of institutional insiders, from 26 to 11. The number of other insiders, persons who obtained the inside information directly or indirectly from institutional insiders, rose considerably, from 56 to 149 (an increase of 166 per cent, compared with a rise of 44 per cent in the total number of persons reported). The substantial rise in the number of tippees and the decline in the number of institutional insiders are undoubtedly related. The *modi operandi* of insiders are becoming increasingly subtle and sophisticated, with growing recourse made to persons who cannot be directly linked to the source of the inside information in order to minimize the risk of detection. In addition, the number of foreign operators involved in investigations is on the rise, and the fact that they are frequently domiciled in a financial paradise makes it all the more difficult to carry out investigations and identify the persons to be incriminated.

As regards the cases of suspected market manipulation, the data for 2000, although limited, indicate a uniform distribution of offences among the various categories of manipulator. The data nonetheless confirm the pattern, already observed in 1999 and in contrast with that for persons reported for insider trading, whereby the prevalent categories are institutional investors and institutional insiders. There are two possible reasons for this: in the first place manipulation strategies require technical expertise concerning the working of markets and considerable financial resources for their implementation, requirements that institutional investors satisfy; in the second place the fact that institutional insiders belong to a company puts them in a better position to implement manipulation strategies by disseminating price-sensitive information that is likely to cause significant price movements.

### ***Outcome of the reports transmitted to the judicial authorities***

In 2000 the judicial authorities dismissed 10 reports (4 partially) of suspected violations of the law on insider trading and market manipulation, one of which had been transmitted during the year (Table V.3).

TABLE V.3

#### **OUTCOME OF THE REPORTS TRANSMITTED TO THE JUDICIAL AUTHORITIES**

	1991-1998	1999	2000
DISMISSAL	11	10	6
PARTIAL DISMISSAL	--	1	4
INDICTMENT	6	2	2
PLEA BARGAIN	3	1	3
CONVICTION	2	--	--
ACQUITTAL	--	1	--
SENTENCE OF NO GROUNDS	--	1	--
SENTENCE OF LIMITATION OF ACTIONS	--	--	1
<i>TOTAL</i>	<i>22</i>	<i>16</i>	<i>16</i>

Last year also saw two reports lead to indictments, of which one for the suspected violation of Article 180 of the Consolidated Law on Financial Intermediation (the inside information concerned the restructuring of a company) and the other for the suspected violation of Article 181 of the Consolidated Law (the spreading of false or misleading information).

Lastly, three judgements involved plea bargaining in penal proceedings in which the inside information concerned the collapse of two companies.

### ***Some types of insider trading and market manipulation***

The following are brief descriptions of four of the investigations carried out by Consob into suspected violations of Articles 180 and 181 of the Consolidated Law on Financial Intermediation. Two of the reports concerned insider trading (front running in one case), one sham transactions and the last the spreading of false or misleading information.

The first case of insider trading concerned a total-acquisition tender offer for a listed company by an unlisted company set up for the purpose. The offer price was about 60 per cent above the market price on the day preceding the announcement of the tender.

*Consob's investigation showed that the alleged insiders had put in place a variety of strategies: some made their purchases the day before the announcement, others had bought the security one or two months earlier. In particular, Consob identified anomalous transactions that were traced to a company related to the bidder and others that were traced to some employees of an intermediary and their clients. All the persons involved sold their shares after the announcement of the bid without accepting the offer.*

The second case of insider trading involved suspected front running. An intermediary placed a very large buy order on behalf of an asset management company that caused the price of the security to rise by 4.4 per cent.

*Consob identified a market participant who had bought a substantial quantity of the security roughly one hour before the arrival on the market of the asset management company's order. The same person subsequently put the same quantity up for sale and was able to close the position thanks to the arrival of the asset management company's order. The operation enabled the market participant to make a large capital gain.*

*Consob's investigation revealed that the suspected insider's purchases in advance of the asset management company's very large order were made on the basis of knowledge of its imminent placement. The purpose of the purchases was confirmed by the fact that the insider acted as a seller in the execution of the asset management company's order on the market.*

As regards the cases of suspected market manipulation, the subject of one of the reports to the judicial authorities was an operational manipulation of the type known as marking the close.

*The case concerned the anomalous transactions carried out by an intermediary in two end-of-quarter sessions in 1998 with a view to artificially raising the price of a security. The transactions served to produce a sudden rise in the price of the security in the last minute of trading.*

*The increase in the price of the security in both sessions was significant but not large enough to trigger the suspension of trading. The transactions showed all the characteristics of the strategy known as*

### ***Search for a method of identifying market manipulation***

In February 2000 the Commission set up an inter-divisional working group to determine whether a given person's behaviour fell within the scope of Article 181 of the Consolidated Law on Financial Intermediation. The aim was to verify whether a series of actions, taken over a period of time, could be considered as manipulative behaviour. In other words, the group tested the hypothesis that a series of actions, none of which in itself was illegal, could, in view of the way they were linked and repeated, constitute a modus operandi that fell within the scope of Article 181 of the Consolidated Law.

In order to study the investment methods typically used by the person under investigation, the group reconstructed all the transactions he had carried out in a period of four years and identified twelve investment transactions, three of which were still open.

The following aspects of the nine transactions that had been closed were examined: size of the holding acquired, comparison of the size of the holding with the control structure of the investee company, and the correlation with the press releases issued in the period by other persons under Article 120 of the Consolidated Law.

The analysis revealed a clear distinction between the the investments of a medium-long term nature (1-2 years) and those of a short or very-short-term nature (from 5 days to 2 months). There were fewer of the first type (3) and they were marked by the large size of the holdings acquired (around 20 per cent of the investee companies' share capital) and the fact that they potentially impacted on the control of the companies. The short-term investments (6) were smaller (around 2-3 per cent of the share capital, regardless of the investee company's market value). The group also found that in nearly every case the announcements of the transactions were accompanied and amplified by articles in the press that ventilated the possibility of an attempted takeover. In many of these articles there was an interview with the person who had made the investment.

As regards the performance of the securities in question, the longer-term operations were accompanied by a prolonged period in which the prices rose, presumably in part owing to the purchases made by the persons who controlled the companies and presumably feared that the investments might be the first step in an attempt to take over the companies in question. It is plausible to assume that these cases contributed to increasing the investor's reputation as a speculator.

*marking the close, which is designed to manipulate the closing price and thus send a false signal to the market.*

*The investigations revealed that the Italian intermediary that carried out the transactions was acting on behalf of a US intermediary belonging to the same group, which, in turn, was probably executing orders given by an institutional investor client already incriminated for similar behaviour in other European stock markets.*

**Box 6**

Turning to the short-term investments, the group found large and significant increases in the prices and quantities traded of the securities of the companies in which the person under investigation had acquired an interest in the days immediately following the first announcement of his purchase. This rise was followed in the subsequent period by a gradual decline in the price, owing in part to the investor's own sales.

In the light of these results, the group made a detailed analysis of the last investment made by the person under investigation (February 2000), which was marked by the nature of the declarations made in interviews published by two daily newspapers.

In particular, the declarations made in the interviews concerning the size of the investment were found to have been ambiguous, gratuitous (i.e. voluntary, in that they were not required by law) tendentious (in that they evoked the possibility of an attempt to take over the company), likely to have a significant influence on the price of the security and the quantity traded, in contrast with the information given to Consob and the transactions the investor actually effected subsequently in the market, made deliberately, and capable of permitting the investor to make large gains.

On the basis of these elements the Commission decided to open an official investigation of suspected market manipulation that led to the case being reported to the judicial authorities.

In conclusion, the case examined appears to exemplify the theoretical hypothesis that a person with a reputation in the market can exploit it improperly without diminishing it. In principle, in a mature market in which participants embrace codes of professional conduct such tendentious declarations should be sufficient to cause the person making them to lose his reputation. Experience shows, however, that this is not always so.

It is worth noting, in fact, the importance, in nearly all the investments examined by the group, of the spontaneous and voluntary declarations made concerning the acquisition of holdings in listed companies. This raises the problem of the disparity between persons who are required to comply with the law on the disclosure of price-sensitive information and those whose only obligation in voluntarily disclosing information is to refrain from manipulating the market. The disparity is reflected in the manner of issuing declarations, their timing and the responsibility for their content, and in the definition of a borderline between correct behaviour and manipulative behaviour within the grey area that exists, especially where information is disclosed via the press.

*The fees received by this institutional investor depended on the value of its customers' portfolios at the end of each quarter. Consequently, the upward manipulation of the end-of-quarter prices of the securities in these portfolios was designed to permit it to earn higher fees.*

Another report on market manipulation concerned a case of informational manipulation that is described in detail in Box 6.

### ***Seminars organized with judicial authorities***

Two seminars with the participation of judicial authorities were organized in 2000. The participants in the first were magistrates from Milan and Turin specialized in financial crimes and the recipients of the bulk of the reports transmitted by Consob pursuant to Article 186 of the Consolidated Law on Financial Intermediation. The second seminar was sponsored jointly by Consob and the Consiglio Superiore della Magistratura, (CSM) and was aimed at a broader audience of magistrates from all over the country.

The main aim of the two seminars was to share Consob's experience and reflections regarding the highly technical and complex problems involved in insider trading and market manipulation, in order to foster the profitable cooperation between judicial authorities and Consob in the repression of these offences provided for in Articles 185 and 186 of the Consolidated Law.

*The seminars were divided into two sessions. With the aim of fostering an approach focusing on the key issues, the first session was devoted to a description from an economic standpoint of the Italian financial market, in the sense of the whole made up of the individual regulated markets, the financial instruments traded, and the intermediaries and investors involved. Special attention was paid to the working (phases, entry and execution of orders) of Italy's leading share market (MTA), the features of financial derivatives (futures and options), the price formation process and the substance of the services provided by intermediaries.*

*The second session started with a description of the economic and legal debate on the reasons for seeking to repress insider trading and market manipulation and of the methods available for measuring the profits deriving from these offences, an aspect whose importance is enhanced by the provision made in Article 180 of the Consolidated Law for the confiscation of the goods representing the profit from insider trading. Subsequently, the session addressed the key issues involved in insider trading and market manipulation, with special attention paid to the most problematic aspects, such as the derogation from the principle of the national jurisdiction of Italian penal law, the identification of the locus commissi delicti and consequently of the competent judicial authority, and cooperation between magistrates and Consob. The seminar closed with an outline of some typical forms of market manipulation and a description of the procedures followed by Consob in its investigations.*

## VI. SECURITIES INTERMEDIARIES

### *Development and structure of the sector*

The ratio of managed assets to households' total financial wealth has risen considerably in the last few years. In particular, the ratio of the portfolios of individual and collective investment services to households' total financial wealth rose from around 10 per cent in 1995 to more than 30 per cent at the end of 1999 (Table VI.1).

TABLE VI.1

#### ASSETS MANAGED BY INDIVIDUAL AND COLLECTIVE INVESTMENT SERVICES (PERCENTAGE COMPOSITION)

	ITALIAN FUNDS	FOREIGN AND LUXEMBOURG FUNDS	OTHER FOREIGN COLLECTIVE INVESTMENT UNDERTAKINGS	INDIVIDUAL PORTFOLIO MANAGEMENT SERVICES <sup>1</sup>	ASSETS UNDER MANAGEMENT	
					TOTAL <sup>2</sup>	AS A PERCENTAGE OF HOUSEHOLDS' TOTAL FINANCIAL ASSETS
1995	38.9	2.1	....	59.0	168.4	10.1
1996	42.7	2.9	....	54.4	239.1	13.3
1997	52.6	3.5	....	43.9	361.9	18.6
1998	63.9	3.9	....	32.2	582.6	26.5
1999	65.1	8.5	....	26.4	730.0	30.5
2000 <sup>3</sup>	53.8	11.3	12.8	22.0	835.5	....

Sources: Based on Assogestioni and Bank of Italy data. <sup>1</sup> Net of investments in investment fund shares/units. <sup>2</sup> In billions of euros. <sup>3</sup> The figure for individual portfolio management services refers to the first half of 2000.

*The phenomenon is nonetheless not on the same scale as in the United Kingdom or the United States, where the proportion of financial assets managed by institutional investors in the third quarter of 1999 was respectively 46 and 59 per cent.*

With respect to the total assets of Italian and foreign individual and collective portfolio management services entrusted to Italian savers, the proportion of Italian investment funds and individual portfolio management services declined, while that of foreign collective investment undertakings increased substantially.

After 4 successive years of positive results, in 2000 Italian mutual funds performed poorly. An increase of 18 per cent in the number of funds and a rise in the number of management companies from 54 to 55 were accompanied by net redemptions amounting to 6.8 billion euros as a consequence of the massive outflow from bond funds (Table aVI.1), which was not offset by the net subscriptions of the other categories of funds. Furthermore, the assets managed by Italian mutual funds declined by 5 per cent, from 475.2 to 449.9 billion euros.

The loss of market shares by Italian individual and collective portfolio management services was matched by an increase to around 20 per cent at the end of 2000 in the shares of foreign collective investment undertakings, with products marketed either directly or indirectly via Italian intermediaries. This trend is confirmed by the further increase in the number of foreign collective investment undertakings, which rose over the year from 123 to 193; the number of foreign funds and sub-funds grew from 1,134 at the end of 1999 to 2,346 at the end of 2000 (Table aVI.2).

The ownership structures of management companies continue to be dominated by banking groups; at the end of 2000 they controlled 92 per cent of the market in terms of assets under management (Table VI.2). The share of management companies not controlled by banking or insurance groups has nonetheless grown, rising from just over 1 per cent at the end of 1998 to 4.6 per cent at the end of last year.

TABLE VI.2

**OWNERSHIP STRUCTURE OF INVESTMENT FUND  
MANAGEMENT COMPANIES<sup>1</sup>**  
(AS A PERCENTAGE OF TOTAL ASSETS UNDER MANAGEMENT)

CONTROLLER	1997	1998	1999	2000
BANKING GROUP	83.8	93.9	94.0	91.6
INSURANCE GROUP	7.9	5.1	4.9	3.8
JOINT VENTURE	6.0	0.1	0.2	--
NON-BANK FINANCIAL INTERMEDIARIES	1.2	0.2	0.2	4.3
INDIVIDUALS	1.0	0.8	0.7	0.2
<i>TOTAL</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: Consob archive of prospectuses. See the methodological notes. <sup>1</sup> Situation at 31 December with reference to the management companies of Italian mutual funds.



Turning to individual portfolio management services, the total assets under management by banks and investment firms fell by 14 per cent to 274 billion euros between 30 June 1999 and 30 June 2000. By contrast, the average size of the portfolios under management rose over the same period by around 10 per cent, to 189,000 euros.

*The percentage composition of the portfolios managed by banks and investment firms changed somewhat compared with the preceding years and the differences that had marked their investment choices with regard to government securities and units of collective investment undertakings narrowed. The percentage of total assets under management of government securities was just over 20 per cent for both types of manager, compared with around 50 per cent for investment firms and 60 per cent for banks in 1997. This shift was matched by an increase in the proportion of units of collective investment undertakings from less than 20 per cent in 1997 to around 60 per cent in June 2000, for both investment firms and banks. On the other hand, investment firms continued to show a greater propensity to invest in equities (Table aVI.3).*

The securities intermediation business of investment firms and banks grew significantly in the last five years, and the related fee income increased by 37 per cent for investment firms and more than tripled for banks (Table VI.3).

Comparison of the first half of 2000 with the first half of 1999 shows that investment firms' revenues from securities intermediation grew less than that of banks, by around 29 per cent as against around 49 per cent. Moreover, for investment firms the contribution of fee income to total revenues amounted to 74 per cent in the first half of 2000, basically unchanged compared with the first half of the previous year (70 per cent). The pattern for banks was similar, with fee income accounting for 90 per cent of total income from services in the first half of 2000, as against 89 per cent in the first half of 1999.

The shift in the composition of revenues from securities intermediation was more pronounced for investment firms, where income from portfolio management fell from 18 per cent of the total in 1999 to around 8 per cent, while the shares of the other items, except placement, increased. The figures for banks were more stable.

*In the first half of 2000 the fees earned by investment firms from dealing on customer account and the reception of orders were respectively 46 and 96 per cent higher than in the corresponding period of 1999; the increase in dealing fees marked a reversal of the decline recorded in 1999. Considering the same two half years, the fees earned by banks from dealing on customer account and the reception of orders both increased, by around 77 and 96 per cent respectively.*

*Compared with the first half of 1999, the placement fees earned by banks rose by 36 per cent in the first half of 2000, while those earned by investment firms fell by 6 per cent. This pattern confirms the greater growth of the banking industry in this field, partly as a consequence of the increase in the number of initial public offerings.*

*Between the first half of 1999 and the first half of 2000 the fees earned on portfolio management by investment firms fell by 41 per cent, while those earned by banks rose by 28 per cent, which was nonetheless less than the increase of 52 per cent they had recorded in 1999. The disparity between these results reflected*

the fact that the assets managed by investment firms contracted by 43 per cent between 30 June 1999 and 30 June 2000 while those managed by banks remained stable.

TABLE VI.3

**FEES FROM SECURITIES INTERMEDIATION**  
(MILLIONS OF EUROS)

FEE INCOME	1996	1997	1998	1999	1999 <sup>1</sup>	2000 <sup>1</sup>
<b>INVESTMENT FIRMS</b>						
DEALING	283	407	654	581	323	473
UNDERWRITING	107	86	149	229	107	101
PORTFOLIO MANAGEMENT	189	253	451	328	231	136
RECEPTION OF ORDERS	29	40	67	395	47	92
DOOR-TO-DOOR SELLING	582	804	1,113	980	550	824
<i>TOTAL</i>	<i>1,190</i>	<i>1,590</i>	<i>2,434</i>	<i>2,513</i>	<i>1,257</i>	<i>1,626</i>
<b>BANKS</b>						
DEALING	201	363	915	807	358	632
UNDERWRITING	646	1,389	2,682	4,157	1,921	2,663
PORTFOLIO MANAGEMENT	358	559	851	1,236	542	696
RECEPTION OF ORDERS	314	510	967	948	458	897
DOOR-TO-DOOR SELLING	178	273	463	529	228	346
<i>TOTAL</i>	<i>1,697</i>	<i>3,094</i>	<i>5,878</i>	<i>7,677</i>	<i>3,506</i>	<i>5,235</i>
<b>BANKS AND INVESTMENT FIRMS</b>						
DEALING	484	770	1,569	1,388	680	1,105
UNDERWRITING	753	1,475	2,831	4,386	2,028	2,765
PORTFOLIO MANAGEMENT	547	812	1,302	1,564	772	832
RECEPTION OF ORDERS	343	550	1,034	1,343	506	990
DOOR-TO-DOOR SELLING	760	1,077	1,576	1,509	778	1,169
<i>TOTAL</i>	<i>2,887</i>	<i>4,684</i>	<i>8,312</i>	<i>10,190</i>	<i>4,764</i>	<i>6,861</i>

Source: Based on Bank of Italy data. <sup>1</sup> The figures refer to the first half of the year. The figures for the first half of 2000 are provisional.

Door-to-door selling generated revenues totaling 1.2 billion euros in the first half of 2000, of which 30 per cent was attributable to banks. Compared with the first half of 1999, both investment firms and banks experienced an increase in door-to-door selling fees by around 50 per cent.

The number of registered investment firms decreased in 2000, thereby continuing the trend towards consolidation that had been a feature of the sector for several years (Table aVI.4). Turnover in the industry, defined as the ratio of the change in the number of registered firms between 1999 and 2000 to the number of registered firms in the former year, was equal to 24 per cent, compared with around 17 per cent in 1999.

Analysis of deletions provides some insights on the sector's current reorganization (Table VI.4). In particular, 7 of the 14 deletions of investment firms that were transformed, merged or spun off followed from the decision by an equal number of financial groups to adopt the so-called single-manager model provided for in the Consolidated Law on Financial Intermediation and have all their asset management business handled by an asset management company.

As for investment firms, the number of banks authorized to provide investment services also declined (Table aVI.5).

TABLE VI.4

INVESTMENT FIRMS: DELETIONS FROM THE REGISTER<sup>1</sup>

REASON	1992-1997	1998	1999	2000
CRISIS OF THE INTERMEDIARY <sup>2</sup>	37	2	1	1
MERGERS AND DIVISIONS	29	7	9 <sup>3</sup>	3
VOLUNTARY LIQUIDATION	49	11	4	9
CHANGE IN ACTIVITY	51	5	--	2
TRANSFORMATION INTO A BANK	5	4	--	3
TRANSFORMATION INTO AN ASSET MANAGEMENT COMPANY	—	--	4	7
TRANSFORMATION FROM A TRUST COMPANY INTO AN INVESTMENT FIRM	2	--	2	1
NON-OPERATIONAL <sup>4</sup>	38	—	—	—
FAILURE TO PERFORM AUTHORIZED SERVICES	--	1	--	1
<i>TOTAL</i>	<i>211</i>	<i>30</i>	<i>20</i>	<i>27</i>

<sup>1</sup> The figures refer to the total number of resolutions deleting a firm from the register, including those deleting trust companies from the special section of the register. <sup>2</sup> Includes Treasury Ministry decrees, measures adopted by Consob and failures. <sup>3</sup> Includes an investment firm that transferred a line of business to another company belonging to the same group. <sup>4</sup> At the entry into force of Legislative Decree 415/1996 (Article 60).

### *Supervisory activity*

Last year the Commission decided to carry out 18 inspections (Table VI.5), of which the majority (10) concerned investment firms. The remainder concerned 4 stockbrokers, one asset management company, one Sicav, one financial salesman and one bank. A total of 19 inspections were started during the year and 18 were concluded.

TABLE VI.5

#### ON-SITE INSPECTIONS

	1997	1998	1999	2000
<i>INSPECTIONS</i>				
DECIDED	16	24	21	18
STARTED	25	18	22	19
CONCLUDED	31	22	23	18
<i>INSPECTIONS STARTED BY TYPE OF INTERMEDIARY</i>				
INVESTMENT FIRMS <sup>1</sup>	12 <sup>2</sup>	6	8	5
BANKS	5	9	--	1
STOCKBROKERS	6	3	3	6
ASSET MANAGEMENT COMPANIES	1	--	--	6
FINANCIAL SALESMEN	1	--	11	1
<i>TOTAL</i>	<i>25</i>	<i>18</i>	<i>22</i>	<i>19</i>

<sup>1</sup> Includes trust companies. <sup>2</sup> Includes one EU investment firm.

*By far the greater part of the inspections decided, 16 out of 18, were concerned with specific aspects of the intermediary's business, such as the organizational arrangements and procedures, the performance of some investment services, and transactions involving certain categories of bonds. In the remaining cases the scope of the investigations was broadened in order to verify the overall reliability of the intermediary and the level of compliance with the statutory and regulatory provisions governing the sector.*

A survey of the offences with which intermediaries have been accused since the entry into force of the Consolidated Law on Financial Intermediation provides a picture of the types of irregularity most frequently found in the provision of investment services (Box 7).

Last year Consob's on-site inspections also covered the provision of investment services over the Internet, with special reference to online trading. In this activity the Internet is used as a means of communication with customers for the provision of dealing services and the reception and transmission of orders.

**Box 7*****The most common violations in the provision of investment services***

In the course of 2000 Consob analyzed a sample of the violations that 9 investment firms and banks were alleged to have committed on the basis of the findings of on-site inspections. The alleged offences were grouped into homogeneous categories according to the fundamental distinction between violations concerning procedures and conduct.

The violations concerning procedures were the most frequent; all the intermediaries in the sample had committed more or less serious irregularities both in the implementation of the procedures and with regard to their actual application and the control thereof.

As for the alleged violations concerning conduct, it is worth noting that in 19 cases services were provided without the intermediary complying with the rules on the information to be obtained from and given to customers in advance, the fulfilment of contractual conditions or the information to be provided ex post. Although these violations were sometimes purely formal, they can still impair investors' ability to make informed decisions. In 8 cases irregularities were found concerning the fair and transparent provision of services and in another 8 cases the alleged violations concerned the failure to safeguard the assets customers had entrusted to the intermediary. In 7 cases the provision of the service had violated the principles of equal treatment or best execution, and/or had involved a conflict of interest. Lastly, in 6 cases the intermediary had failed to notify customers that the limit for significant losses had been exceeded.

**VIOLATIONS FOUND IN A SAMPLE OF INSPECTIONS OF BANKS AND INVESTMENT FIRMS  
(1999-2000)**

	BANKS	INVESTMENT FIRMS
<b><i>VIOLATIONS CONCERNING PROCEDURES</i></b>		
INADEQUATE RESOURCES AND PROCEDURES	2	9
INTERNAL CONTROL FUNCTION	2	8
RECORD-KEEPING	2	7
RECORDING OF CUSTOMER PHONE CALLS	1	4
<b><i>VIOLATIONS CONCERNING CONDUCT</i></b>		
DILIGENCE, CORRECTNESS AND TRANSPARENCY IN PROVIDING SERVICES	2	6
COMPLIANCE WITH MARKET RULES	--	2
PRELIMINARY INFORMATION	--	5
CONTRACTUAL IRREGULARITIES	1	7
SAFEGUARDING OF CUSTOMERS' ASSETS	2	6
TIMELY EXECUTION OF ORDERS	--	1
UNEQUAL TREATMENT	--	3
UNSUITABLE TRANSACTIONS	--	3
CONFLICT OF INTEREST	1	3
BEST EXECUTION	1	1
NOTIFICATION OF SIGNIFICANT LOSSES	--	6
FOLLOW-UP INFORMATION	2	4

*In Communication DI/30396 of 21 April 2000, the Commission required intermediaries that engage in intermediation business over the Internet to draw up operational and technical procedures conforming with the rules of conduct laid down in the Consolidated Law on Financial Intermediation and the related implementing regulations. Accordingly, the aim of the examinations carried out in this field was to check, in particular, the manner of signing up for on-line trading services, the information provided to customers before the conclusion of contracts, automatic techniques for signaling transactions involving a conflict of interest and assessing the suitability of orders entered by customers, the manner of confirming the receipt of orders and the conclusion of contracts, and, more generally, the adequacy of electronic systems in relation to the performance of the services offered.*

Turning to the supervision of collective investment undertakings, the Commission focused primarily on control of the standards for the preparation of material to be distributed to investors. Within this framework, the emphasis was placed on aspects such as: the time horizon of the proposed investment; the level of risk; the identification of the markets, issuers and currencies involved; the characteristics of the securities making up portfolios; the management style used; and whether the manager made recourse to derivative instruments, warrants or structured securities.

*The analysis of the prospectuses issued by collective investment undertakings subject to investigation revealed recurrent informational shortcomings concerning the investment policies of individual funds. In some cases the description of a fund's investment policy contained no more than a general indication of the proportions of the different types of financial instrument in which the portfolio was invested, often aligned with those established by Assogestioni for the category of the fund in question, and of the reference markets. Moreover, the description of the objectives of funds contained in their operating rules was often not such as to give a clear indication of the risk-return profile of the investment. It was also found that prospectuses frequently failed to provide information on the characteristics of bonds (rating of the issuer, duration, liquidity) and equities (market capitalization, economic sector, geographical area), the importance of investments in financial instruments of emerging markets, and the policy followed for dealing with exchange rate risk.*

Consob's supervisory activity also extended to the examination of asset management companies' advertisements. Attention was focused here on checking the methods used to show rates of return in view of the need to prevent funds' performance from being presented incorrectly. In fact in some cases funds were found to have used misleading terms, chosen intervals of time that flattered the performance, or failed to indicate the benchmark. The Commission nonetheless considered it was desirable to permit the use of advertisements containing up-to-date information on rates of return, provided this was based on periods of time defined ex ante, so as to avoid cherry picking and ensure the comparability of the performance data over time.

As in the preceding years, supervisory activity also took into account the complaints lodged by investors. In 2000 Consob received 363 complaints, 71 per cent of which concerned banks, while the remainder concerned investment firms, asset management companies and stockbrokers (Table VI.6).

Compared with the previous year, both the total number of complaints and their distribution by category of intermediary remained virtually unchanged but there was an increase in the share of those regarding the services of dealing and the reception of orders, which rose from 42 per cent of the total in 1999 to 66 per cent.

TABLE VI.6

COMPLAINTS LODGED BY INVESTORS

	BANKS		INVESTMENT FIRMS <sup>1</sup> AND STOCKBROKERS		TOTAL	
	1999	2000	1999	2000	1999	2000
<b>DEALING AND RECEPTION OF ORDERS</b>						
PRIOR INFORMATION ON FINANCIAL INSTRUMENTS	16	45	7	1	23	46
FEES	3	2	--	3	3	5
UNSUITABLE TRANSACTIONS WITHOUT CUSTOMER'S PRIOR CONSENT	23	21	10	5	33	26
EXECUTION OF ORDERS	66	72	11	21	77	93
OTHER	1	41	8	27	9	68
<b>PORTFOLIO MANAGEMENT</b>						
PRIOR INFORMATION ON CHARACTERISTICS OF MANAGEMENT SERVICE	--	7	--	2	--	9
FAILURE TO OBSERVE CONTRACTUAL PROVISIONS	76	20	51	15	127	35
UNSATISFACTORY RATES OF RETURN	6	4	5	3	11	7
OTHER	2	14	6	13	8	27
<b>PLACEMENT AND DOOR-TO-DOOR SELLING</b>						
ALLOTMENT OF QUANTITY BOOKED/ORDERED	--	6	--	1	--	7
DESCRIPTION OF PRODUCTS/SERVICES	34	22	6	--	40	22
EXECUTION OF INSTRUCTIONS	1	2	--	2	1	4
SUSPECTED UNAUTHORIZED ACTIVITY	--	1	--	--	--	1
OTHER	8	6	8	7	16	13
<i>TOTAL</i>	<i>236</i>	<i>263</i>	<i>112</i>	<i>100</i>	<i>348</i>	<i>363</i>

<sup>1</sup> Includes trust companies.

Some 58 per cent of the complaints about dealing and reception of orders concerned the ex ante provision of information and the execution of orders. As in 1999, complaints about portfolio management results and fees were infrequent. Turning to placement and door-to-door selling, there was a further increase in the share of complaints about the descriptions of products and services, especially with reference to the placement of structured bonds.

Lastly, it is worth noting that the most frequent complaints in connection with business conducted over the Internet were those concerning the execution of orders (59%) and suspected cases of unauthorized provision of investment services.

### ***Penalties and precautionary measures***

Last year the Commission concluded 13 proceedings under Articles 190 and 195 of the Consolidated Law on Financial Intermediation for the imposition of penalties on corporate officers of intermediaries for breaches of the legislation governing the sector. It submitted proposals for fines to be imposed on a total of 159 persons performing administrative, management and supervisory functions, as well as employees, of 9 investment firms and 4 banks (Table VI.7). Some of these intermediaries were also the subject of proposals for fines in connection with events that occurred while Law 1/1991 was in force.

TABLE VI.7

#### **FINES PROPOSED BY CONSOB FOR CORPORATE OFFICERS OF INTERMEDIARIES (2000)**

	INVESTMENT FIRMS		BANKS	
	NUMBER	AMOUNT <sup>1</sup>	NUMBER	AMOUNT <sup>1</sup>
DIRECTORS	46	1,128	44	1,396
MEMBERS OF THE BOARD OF AUDITORS	26	453	8	174
GENERAL MANAGERS	3	47	2	126
HEADS OF INTERNAL CONTROL	7	77	4	65
OTHER	6	39	13	148
<i>TOTAL</i>	<i>88</i>	<i>1,744</i>	<i>71</i>	<i>1,909</i>

<sup>1</sup> In millions of lire.



During the year Consob concluded the task of reformulating, in accordance with the indications contained in Council of State opinion 1317 of 3 December 1998, proposals for penalties submitted to the Ministry of the Treasury in connection with events that had occurred while Law 1/19991 was in force. In particular, penalty proceedings involving 21 intermediaries (12 investment firms and trust companies and 9 banks) were concluded on the basis of the procedure governed by the Consolidated Law on Financial Intermediation with the application of the principle of favor rei.

The Commission also submitted proposals to the Ministry of the Treasury for 14 stockbrokers to be fined and for fines to be imposed, under Article 188 of the Consolidated Law on Financial Intermediation, on the members of a company's governing bodies for the unauthorized use of reserved terms in its name.

In the light of the findings of an inspection, the Commission suspended the administrative bodies of an investment firm under Article 53 of the Consolidated Law, with the simultaneous appointment of a provisional administrator (Table VI.8). At the close of the period of provisional administration, the Ministry of the Treasury, acting on a proposal from the Commission, issued a decree dissolving the governing bodies and placing the firm in special administration under Article 56 of the Consolidated Law. Early in 2001 the crisis management procedure was closed following the action taken to remedy the serious irregularities found in the operations of the intermediary.

TABLE VI.8

**PENALTIES AND PRECAUTIONARY MEASURES IMPOSED OR PROPOSED BY CONSOB**

	INVESTMENT FIRMS			BANKS			STOCKBROKERS		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
REPRIMAND	—	—	—	—	—	—	1	1	--
FINE	20	25	21	10	23	13	5	3	14
SUSPENSION	—	—	—	—	—	—	2	1	2
APPOINTMENT OF A SPECIAL ADMINISTRATOR	—	—	—	—	—	—	1	1	2
DELETION FROM THE REGISTER	—	—	—	—	—	—	1 <sup>1</sup>	--	2
EXCLUSION FROM THE STOCK MARKET	--	--	--	--	--	--	1	1	--
INJUNCTIVE REMEDIES	--	1	--	--	--	--	--	--	--
SUSPENSION OF GOVERNING BODIES	1	1	1	—	—	—	—	—	—
SPECIAL ADMINISTRATION	3	1	1	—	—	—	—	—	—
COMPULSORY ADMINISTRATIVE LIQUIDATION	1	--	--	—	—	—	—	—	—

See the methodological notes. <sup>1</sup> Refers to a case of deletion from the single roll of stockbrokers.

Again following inspections, the Chairman of Consob suspended 2 stockbrokers on precautionary grounds and simultaneously appointed provisional administrators under Article 201.14 of the Consolidated Law. The period of suspension of 60 days was concluded in both cases with the return of the intermediary to ordinary administration since the serious irregularities that had led to the application of the crisis procedure had been remedied.

As regards the reports of suspected crimes concerning securities intermediation, during the year Consob sent the judicial authorities 7 reports on suspected cases of unauthorized provision of investment services as defined in Article 166 of the Consolidated Law, of which 3 cases involved the use of means of distance communication, one report on a suspected case of unauthorized fund-raising as defined in Article 130 of the 1993 Banking Law and 6 reports on cases of suspected commingling of assets by stockbrokers in violation of Article 168 of the Consolidated Law (Table VI.9).

TABLE VI.9

**SUSPECTED CRIMES CONCERNING SECURITIES INTERMEDIATION  
REPORTED TO THE JUDICIAL AUTHORITY<sup>1</sup>**

	1997	1998	1999	2000
UNAUTHORIZED INVESTMENT SERVICES	28	6	10	7
BREACH OF DUTY	2	--	--	--
COMMINGLING OF ASSETS	2	5	1	6

<sup>1</sup> Excludes suspected crimes by financial salesmen.

### ***Compensation systems***

The compensation system operating in Italy for claims deriving from the provision of investment services and for those deriving from the custody and administration of financial instruments is the National Guarantee Fund, which was established by Article 15 of Law 1/1991, given legal recognition by Article 62 of Legislative Decree 415/1996 and subsequently by the relevant provisions of the Consolidated Law on Financial Intermediation.

During the year amendments were made to some articles of the Fund's bylaws and the operational rules. The amendments were approved by the Ministry of the Treasury after it had received the positive opinions of the Bank of Italy and Consob.

The most important amendment to the bylaws concerned the methods to be used in determining the contribution base for members of the Fund. The change, solicited by a number of intermediaries' trade associations, provided for the exclusion from the computation of members' contribution base of aggregates related to all the investment services provided to persons whose claims were not covered by the Fund.

*The persons not covered by the compensation system are those specified in Articles 4.1a), 4.1b) and 4.1c) of the bylaws, i.e. intermediaries, institutional and professional investors, supranational organizations, central and local government departments and companies belonging to the same group as a member of the Fund. The amendment does not impinge on the raising of the resources needed to finance the Fund's interventions since it affects only the quota payable by each member and not the contribution base as a whole.*

TABLE VI.10

**INTERVENTIONS OF THE NATIONAL INVESTORS COMPENSATION FUND**  
(SITUATION AT 31 DECEMBER 2000)

		INVESTMENT FIRMS	STOCK- BROKERS	TOTAL
INSOLVENCIES <sup>1</sup>	1997	4	1	5
	1998	2	3	5
	1999	1	1	2
	2000	--	--	--
	<i>TOTAL INSOLVENCIES</i>	7	5	12
<i>OF WHICH WITH STATEMENT OF LIABILITIES FILED</i>		7	5	12
NUMBER OF CREDITORS ADMITTED		773	624	1,397
AMOUNT ADMITTED <sup>2</sup>		39,564	40,915	80,479
<i>INTERVENTIONS OF THE FUND</i> <sup>3</sup>		7,247	15,673	22,920 <sup>3</sup>

Source: Based on National Guarantee Fund data. <sup>1</sup> With statement of liabilities filed from 1 February 1998 onwards. <sup>2</sup> In millions of lire. <sup>3</sup> Interventions correlated with claims entered, of which 265 million lire set aside in respect of claims subject to objection proceedings. <sup>3</sup> Interventions correlated with claims entered, of which 254 million lire set aside in respect of claims subject to objection proceedings.

Other amendments to the bylaws suggested by experience with the application of the system basically concerned the operational procedures for the payment of contributions and any monetary penalties imposed, the time limits associated with the obligations to communicate data on the contribution basis, and the consequences of late communication of such data.

The two most important changes to the operating rules responded respectively to the need to circumscribe more accurately the scope of Fund intervention, which is now restricted to claims deriving from investment transactions carried out by members that are authorized to undertake them, and to the desirability of specifying the conditions for claims to be eligible in the event of an intermediary's insolvency where recourse is made to the ordinary bankruptcy procedure rather than the compulsory administrative liquidation procedure (as is the case for stockbrokers).

No investment firms or stockbrokers were declared insolvent in 2000. The Fund continued to manage the accounts set up under Article 59 of the Consolidated Law on Financial Intermediation for bankruptcy proceedings for which the statement of liabilities was filed on or after 1 February 1998 (Table VI.10). This activity was supplemented by the management, with provision for a contribution from the Ministry of the Treasury, of the so-called special accounts, which are governed by the provisions applicable prior to the entry into force of the Consolidated Law (Table aVI.7). The activity refers to 25 insolvencies for which the statement of liabilities was filed before 1 February 1998.

### ***The supervision of financial salesmen***

Last year saw a continuation of the upward trend of the number of registered financial salesmen, which rose from 42,810 at the end of 1999 to 49,856 at 31 December 2000 (Table aVI.8).

*The slight reduction in the number of new registrants, from 10,383 in 1999 to 8,774 in 2000 was offset by the fall in the number of deletions, both imposed by the authorities and requested by the interested parties, from 1,278 to 1,085. Of the registrations, 1,902 were by right under Articles 3.3 and 3.4 of Ministerial Decree 472/1998; of the deletions, 458 were imposed by the authorities, in the majority of cases (351) for failure to pay the supervision fee to Consob (Table aVI.9).*

The supervision of financial salesmen was triggered both by complaints from customers and intermediaries (423 cases) and by anomalies found in on-site inspections of intermediaries (74 cases).

The Commission imposed 169 penalties and 39 precautionary suspensions (Table VI.11); in 289 cases the proceedings were dropped.

*The violations most frequently found concerned: failure to comply with the rules regarding diligence, correctness and transparency; the acquisition of cash and valuables from investors; the reception from customers of means of payment other than those specified in the current regulations; the acceptance from customers of financing or compensation that was not due; the transmission of orders not given personally by customers or the carrying out of unauthorized investment transactions; the unauthorized performance of the service of individual portfolio management; giving investors incomplete or misleading descriptions of the financial products offered; and the conclusion of unsuitable transactions, in terms of type or frequency, in relation to individual investors' wealth and investment objectives.*

Compared with the previous year, there was a change in the composition by type of penalty imposed: while fewer persons were struck off the register (49 as against 70), penalty suspensions rose from 51 to 73, fines from 4 to 26 and reprimands from 2 to 21. The increase in penalty measures such as fines and reprimands was in line with the larger proportion of cases involving relatively minor irregularities. On the other hand, the reduction in the number of cancellations from register suggests that intermediaries own controls were more effective and that investors were better able to defend themselves from the more obvious forms of illicit behaviour by financial salesmen. As regards the criteria adopted in determining penalties, the Commission decided to take into account any disciplinary action taken by the intermediaries concerned, so as to avoid double punishments of financial salesmen.

TABLE VI.11

**MEASURES CONCERNING FINANCIAL SALESMEN  
AND REPORTS TO THE JUDICIAL AUTHORITY**

	1997	1998	1999	2000
<i>PENALTIES</i>				
REPRIMAND	8	11	2	21
CANCELLATION FROM REGISTER	39	86	70	49
SUSPENSION FROM REGISTER	5	73	51	73
FINE	--	--	4	26
<i>PRECAUTIONARY MEASURES</i>				
SUSPENSION FROM ACTIVITY	64 <sup>1</sup>	76 <sup>1</sup>	74	39
<i>TOTAL</i>	<i>116</i>	<i>246</i>	<i>201</i>	<i>208</i>
<i>REPORTS TO THE JUDICIAL AUTHORITY</i>	<i>58</i>	<i>137</i>	<i>106</i>	<i>134</i>

<sup>1</sup> Includes measures adopted under Article 45.4 of Legislative Decree 415/1996 and, from 1 July 1998 onwards, under Article 55.2 of the Consolidated Law on Financial Intermediation.

The Commission transmitted 134 reports of suspected crimes to the judicial authorities involving the unauthorized appropriation of investors' cash or valuables, the unauthorized performance of the service of individual portfolio management and the unauthorized engagement in the activity of financial salesmen. In addition, Consob reported 4 cases of suspected violation of anti-money-laundering provisions to the Italian Foreign Exchange Office (UIC).

### ***Rulemaking and interpretative releases***

During the year the consultation procedure for the revision of Consob Regulation 11522/1998 on intermediaries was completed. The main innovations, which were adopted in Resolution 12409 of 1 March 2000, concerned door-to-door selling and the subjecting of covered warrants to the same obligations with regard to transparency and the correctness of intermediaries as derivative financial instruments.

Further amendments were made to Consob Regulation 11522/1998 in Resolution 12498 of 20 April 2000, which adapted the presumption of best execution to the amendments made to Consob Regulation 11768/1998 on markets following the introduction of the After-Hours segments of the electronic share market and the Nuovo Mercato managed by Borsa Italiana spa.

Consob's interpretative activity saw it respond in 2000 to 35 queries concerning the rules on intermediaries.

As regards online trading, the Commission, in accordance with the principles laid down by Isosco, reaffirmed the approach whereby intermediaries were completely free to use the Internet to provide their services, subject to this being done within a framework that guaranteed compliance with the rules of conduct currently in force.

*In this respect the Commission clarified that the rules of conduct laid down in the legislation on investment services (first and foremost the need to assess the suitability of transactions for customers) continued to exist where investment firms used the Internet to carry on their intermediation business. It pointed out that the rules might simply require special measures to ensure compliance in view of the technical nature of the means of contact with customers and that it was up to intermediaries that used the Internet to put in place and apply technical and operational procedures that permitted full compliance with the rules governing the sector.*

*The Commission clarified that the transparency obligation vis-à-vis customers made it advisable for investors to be informed, before the start of trading, that online execution may encourage a multiplication of day trades and required intermediaries to draw attention to and describe the risks of such strategies, including the high incidence of commissions.*

In response to queries from trade associations and individual investors, the Commission expressed its opinion on the technical solutions to be adopted for the execution of orders transmitted via different channels.

*Among the solutions proposed in the query, the Commission preferred that providing for all the orders transmitted to an intermediary for execution in the market to be funneled, without any distinction between the channels by means of which they had arrived, into a single "concentrator" and then divided between the intermediary's different market interconnections in a way that observed the chronological order in which they had been received.*

*In response to another query, the Commission stated that it was not a breach of the rules governing intermediaries for an investment firm authorized to engage in trading on customer account to open a*

*“financial shop” offering duly authorized customers a space with computers linked to the Internet for online trading.*

The Commission also addressed the problem of transmission of the “transaction confirmation notice” referred to in Article 61.3 of Consob Regulation 11522/1998 on inter-mediaries and of the information obligations to which an intermediary was subject in providing investment services where a customer’s order was not filled.

*In both respects the Commission noted that the legislation did not lay down specific ways of fulfilling the obligations in question and had left it up to individual intermediaries to put in place mechanisms or procedures that ensured customers received the information in a clear and timely manner.*

In response to another query, the Commission reaffirmed its view that issuers/offerors can carry out the “placement” of their shares with the public directly, without having to engage authorized intermediaries, provided the activity in question was performed at their registered office or branch establishments.

In Communication 20844 of 16 March 2000, the Commission addressed two important issues regarding fees for individual and collective portfolio management services.

*The first issue concerned transaction fees. The Commission stressed that such fees had the effect of linking the manager’s revenues to the number or value of the transactions carried out, even though the manager did not incur any actual expense as a result of such trading activity. Consequently, this was a potential source of conflicts of interest since the manager was encouraged to increase the number of transactions exclusively in order to boost its fee income, without any regard to the interests of investors. This was especially important in view of the fact that, as regards the agreements concluded between the (individual or collective) portfolio manager and the intermediary charged with effecting the trades for the partial rebate to the manager of transaction fees, Italian law does not forbid such rebate provided there is adequate disclosure.*

*Analysis of the rules and regulations in force in the other leading European countries and the United States shows that the approach adopted by the Commission is in line with those of the other regulatory authorities. In fact, although these authorities never interfere directly with the mechanisms for determining fee scales, provision is nonetheless made for adequate defences to protect investors. In particular, US legislation adopts a two-pronged approach intended to reduce conflicts of interest that could lead to “inappropriate or inflated fees” and ensure “uniform and full disclosure” permitting investors to make informed investment decisions. Moreover, the US National Association of Securities Dealers has adopted rules for some types of fees that are more stringent than those laid down by the SEC and established upper limits to the fees that can be applied.*

*The second issue concerned the fees applicable in the case of individual portfolios invested in the units/shares of collective investment undertakings. The Commission took the view that investment in “affiliated” collective investment undertakings was a permanent source of conflicts of interest between managers and investors. It accordingly recommended authorized intermediaries not to charge expenses of any kind in connection with the subscription or redemption of units/shares of affiliated collective investment undertakings and not to consider the part of the portfolio invested in affiliated collective investment*

***Fund-based portfolio management schemes that invest in affiliated collective investment undertakings***

Modern portfolio theory makes it possible to quantify the lost profit (or potential loss) due to signing up with a fund-based portfolio management scheme that invests exclusively in affiliated collective investment undertakings. The reason for this inefficiency lies in the fact that when the manager limits its choice to affiliated undertakings (instead of all those potentially available on the market), it cannot achieve an optimal diversification of the portfolio, with a consequent reduction in investors' potential gains. The lost profit due to "inefficient diversification" can be estimated for different levels of risk by means of simulations based on the historical rates of return of five of the leading Italian managers (whose assets under management are equal to about 45 per cent of the Italian market) starting from 1996.

In this way it is possible to measure the distance between the efficient frontier, calculated using the rates of return of all the funds of the five managers considered, and the frontier obtained using only the funds of one manager. This difference is the potential loss due to inefficient diversification for portfolio management schemes that invest only in affiliated collective investment undertakings. The analysis is based on the monthly rates of return of mutual funds from 1 January 1996 to 1 June 2000 gross of any double commissions charged at the level of the portfolio management scheme.

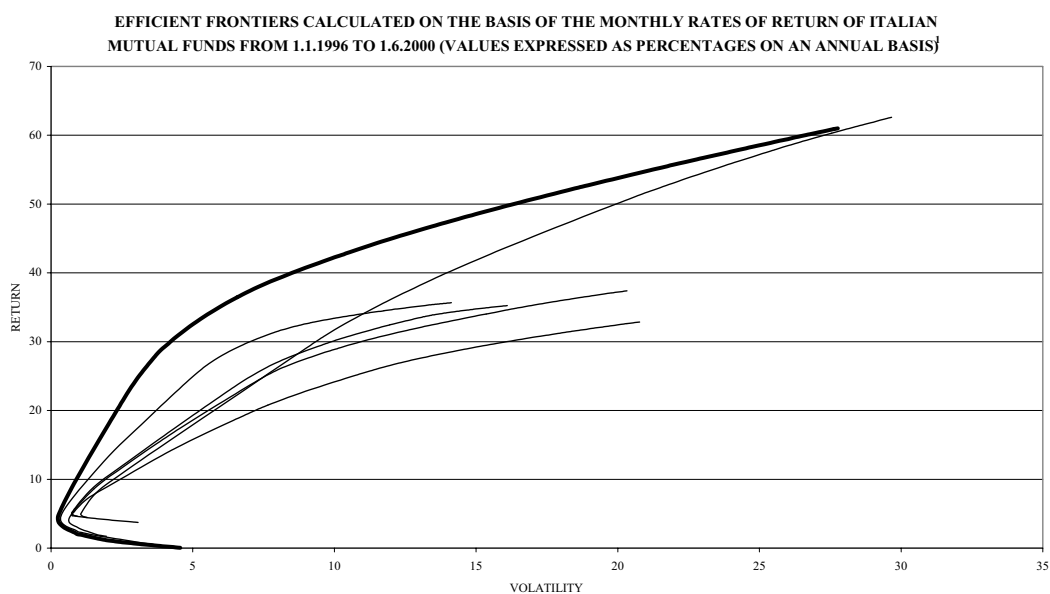
The efficient frontiers of the individual managers are clearly dominated by the overall frontier, with just one exception and then only for extremely high levels of risk. For levels of volatility equal to 10 per cent on an annual basis, there is a spread between the rates of return of the overall frontier and those of the five managers that ranges from a minimum of 7 per cent to a maximum of 15 per cent on an annual basis.

In short, abandoning the scope for diversification by using only affiliated collective investment undertakings leads, on average, to a reduction in the expected rate of return on the order of 10 percentage points on an annual basis. The spread with respect to the overall frontier narrows significantly only in one case for very low levels of risk and in another case for very high levels of risk.

*undertakings in calculating management fees. The aim of the communication was to prevent a duplication of costs borne by investors in the absence of the provision of an active management service. This type of management scheme must necessarily be based on a decision-making process leading to the best possible combination of risk and return. The approach adopted does not imply that a fund-based portfolio management scheme which invests only in affiliated collective investment undertakings cannot produce a value added for the service that can be remunerated by applying additional fees. Rather, the question is raised whether such value added is not insufficient to compensate for the potential loss in terms of diversification that a scheme based on house funds incurs compared with one that can invest in all the collective investment undertakings available (Box 8).*



## BOX 8



<sup>1</sup> The bold line identifies the efficient boundary constructed using all the funds of the top five Italian managers; the other lines identify the efficient boundaries using only the funds of the individual managers.

This year saw the entry into force of a number of regulatory amendments concerning the models for the preparation of the prospectuses for collective investment undertakings. The amendments are intended to rationalize the information to be made available and divide it systematically by subject matter.

*In particular, all the information needed to permit investors to make informed investment decisions has been redefined, with special reference to the reference markets, the relative importance of investments in securities issued by small-cap companies, the average duration and the minimum credit rating of the bond component of the portfolio, and investments in financial instruments of issuers in emerging countries. In addition, the Commission deemed it advisable to render explicit the management style adopted by the*

*manager, drawing attention to what was set out in the section on “Benchmarks” concerning the relationship between the benchmark chosen and the objectives of the fund and providing for the specification of any elements characterizing the process of choosing the financial instruments to be included in the portfolio.*

As regards advertisements for offers of units/shares of collective investment undertakings and open-end pension funds, the most important regulatory change was the switch from ex ante to ex post supervision.

The Commission also intervened with regard to the manner of distributing information on offers of units/shares of collective investment undertakings over the Internet and by means of techniques of distance communication.

During the year important changes were made to the legislation governing the register and operations of financial salesmen.

The text of Article 36 of Consob Regulation 11522/1998 as amended redefines the scope of the rules governing door-to-door selling, which is now positively identified as the activity consisting in “promotion and placement with the public” of “financial instruments, investment services and financial products governed by Article 30 of the Consolidated Law on Financial Intermediation”.

*The clearer formulation of the provision makes it possible to deduce that there is no obligation for authorized intermediaries to use financial salesmen for the placement of banking and insurance products and services. The rules governing door-to-door selling apply, however, where the offer of financial instruments, investment services or financial products is carried out by banking intermediaries, while the obligation to use financial salesmen continues to be excluded where the activity of placement with the public involves “financial products issued by banks, other than shares or instruments that permit the acquisition or subscription of shares” in accordance with the combined effect of Articles 30.9 and 100.1f) of Legislative Decree 58/1998. It was deemed that Consob’s power to impose sanctions remained intact for violations committed by financial salesmen in the placement, on behalf of the intermediary they worked for, of insurance products.*

Other amendments to the above-mentioned regulation provided for the substantial devolution to the body referred to in Article 31.4 of Legislative Decree 58/1998 of the tasks of keeping the register of financial salesmen (entries, deletions, etc.) and of coordinating the territorial commissions (Articles 89-92).

The entry into force of the new arrangements for the keeping of the register brought a change in the functions performed directly by Consob vis-à-vis financial salesmen. In fact, it is responsible for supervising the keepers of the register (the body referred to in Article 31.4 of Legislative Decree 58/1998 and the territorial commissions) and for defining procedures and/or interpretative criteria of a general nature, such as directives with which the keepers of the register must comply in dealing with the more complex questions. Giving priority to the supervision of financial salesmen over the tasks associated with keeping the register, has enabled Consob to deal more promptly and

effectively with violations of the rules governing the activity of financial salesmen, especially breaches of trust, and indirectly of the rules governing financial operators in general.

Significant changes to the rules governing the registration of financial salesmen also followed from the amendments to Ministerial Decree 472/1998 introduced by Decree 140 of 12 April 2000 approved by the Minister of the Treasury, acting on the proposals put forward by Consob, with a view to eliminating some incongruences and problems that had arisen in the application of the legislation.

In its interpretative role with regard to financial salesmen, Consob responded to 122 queries concerning matters of a general nature put by territorial commissions and trade associations and specific points raised by financial salesmen or investors.

The legal issues brought to the attention of the competent Office mainly concerned the requirements and subjective conditions for entry in the register of financial salesmen.

Clarifications were provided regarding satisfaction of the professional experience requirements for entry in the register by right under Articles 3.3 and 4 of Ministerial Decree 472/1998 with reference to the individual cases submitted for examination, including cases of experience obtained abroad; the interpretative guidelines laid down in previous years were confirmed.

The Commission also ruled on numerous questions regarding the compatibility of the activity of financial salesman with the performance of other activities or professional engagements.

As regards the applicability of the rules governing door-to-door selling, the Commission provided guidance on the question whether intermediaries were under an obligation to use financial salesmen in performing specific activities such as private banking and the promotion and sale of mortgage loans.

*The Commission issued a negative opinion regarding the existence of an obligation for Italian and foreign banks and financial companies to use financial salesmen in the activity of promoting and selling mortgage loans for the purchase of a dwelling.*

On the question of the provision of financial advisory services by financial salesmen, the Commission reaffirmed its view that this activity was incompatible with that of financial salesman except where the advisory services were provided on behalf of the authorized intermediary for which the financial salesman worked or another company belonging to the same group.

The Commission also clarified that financial salesmen were not under an obligation to protect the confidentiality of data on the size of the investments made by their customers or on their financial positions vis-à-vis the intermediary they worked for and, more specifically, the managers thereof entrusted with internal control functions.

## VII. JUDICIAL CONTROL

### *Disputes concerning supervisory measures*

Last year a total of 67 appeals were made against supervisory measures adopted or proposed by Consob, compared with 90 in 1999 (Table VII.1); of the appeals 41 were to administrative courts and 26 to ordinary courts, compared with respectively 49 and 41 in 1999.

TABLE VII.1

#### OUTCOME OF APPEALS AGAINST MEASURES ADOPTED OR PROPOSED BY CONSOB (AT 31 DECEMBER 2000)

	ADMINISTRATIVE COURTS <sup>2</sup>			ORDINARY COURTS <sup>3</sup>		
	1998	1999 <sup>4</sup>	2000 <sup>4</sup>	1998	1999 <sup>4</sup>	2000 <sup>4</sup>
GRANTED	10	3	--	4	3	--
REJECTED	8	8	2	15 <sup>5</sup>	10	4
UNDER WAY	40	38	39	11	28	22
OF WHICH:						
- SUSPENSION GRANTED	6	8	8	1	--	2
- SUSPENSION REJECTED	16	15	16	--	--	--
<i>TOTAL</i>	58	49	41	30	41	26

<sup>1</sup> The appeals are shown according to the year they were presented. <sup>2</sup> Regional Administrative Tribunals and the Council of State. <sup>3</sup> Magistrate's Courts and Courts of Appeal. <sup>4</sup> Some of the appeals were followed by Consob's lawyers, sometimes jointly with lawyers from the Avvocatura dello Stato. (Table aVII.3). <sup>5</sup> Of which 4 with a revision of the penalty.

One especially important decision is that of the Constitutional Court (Decision 460/2000) declaring unfounded the question raised concerning the constitutional legitimacy of Article 4.10 of the Consolidated Law on Financial Intermediation, which provides for all the information and data possessed by Consob by virtue of its supervisory activity to be covered by professional secrecy.

*Interpreting the provision, the Court ruled that "Article 4.10 (...) does not include the documents, information or data in Consob's possession by virtue of its supervisory activity that serves as the basis for*

*a disciplinary proceeding, since such documents, information and data are not covered by professional secrecy vis-à-vis the interested party, which in fact has unrestricted access thereto, not only for its appeal against the disciplinary penalty but also under the special access procedure governed by Article 25 of Law 241/1990 (New rules on administrative proceedings and the right of access to administrative documents), which is an instrument that can be used by the accused in disciplinary proceedings to give a preliminary orientation to the administrative action so as to prevent deviations (...). Faced with the distinction between penal disciplinary proceedings and administrative disciplinary proceedings, this Court has already recalled that the proclamation contained in Article 24 of the Constitution, while it undoubtedly produces its full prescriptive effect for the former, nonetheless does not fail to have an, albeit attenuated, effect for the latter, which, besides, enjoy to the full the guarantees of impartiality and transparency that apply to the action of the public administration". In short, there is a significant overlap between the two types of disciplinary proceedings, owing to the common "nature of sanctions of disciplinary punishments, whose purpose is to affect the state of the person in his/her job or profession" (Decision 71/1995).*

In contrast with the cases heard by Regional Administrative Tribunals, those heard by ordinary courts are marked by greater rapidity. In particular, whereas the latter - and especially those heard by courts of appeal - are normally concluded within one year of the start of the proceedings, a significant proportion of those brought before Regional Administrative Tribunals in 1998 and 1999 were still under way at the end of 2000 (Tables aVII.1 and aVII.2).

It is also worth noting the order issued by the Tuscany Regional Administrative Tribunal in an appeal against the penalties imposed on two financial salesmen. The Tribunal submitted a preliminary question to the European Court of Justice concerning the interpretation of the part of Directive 93/22/EEC that includes among investment services "managing portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis". The question concerned the conformity of the notion of management adopted in Italian law - defined in the Consolidated Law on Financial Intermediation as "managing portfolios of investments on a client-by-client basis" - with that of Community law, especially in relation to the absence of the express inclusion among the elements characterizing the service of the mandate given by investors.

In 1999 the Bergamo Court had rejected the request Consob had made for the annulment of the resolution adopted by a company's shareholders' meeting approving the annual accounts because it did not agree with the classification as "expansion costs" of the expense incurred in terminating an agency contract. In 2000, assisted by a chartered account, Consob submitted an appeal to the Brescia Court of Appeal. The judge appointed to hear the case rejected this on the grounds that, in the case in question, the expense incurred in terminating the agency contract was a cost that, by freeing the company from a legal constraint that prevented it from moving autonomously on the world market with a sales organization of its own, was the cause of the benefits the company obtained in subsequent financial years using its own sales network. The Commission has decided to appeal against this judgement to the Court of Cassation.

In February 2000 Consob made its first use of the power granted by Article 152.2 of the Consolidated Law and sent a report to the Milan Court pursuant to Article 2409 of the Civil Code.

The report referred to suspected serious irregularities on the part of the members of the board of auditors of Fempar spa, a tourism company listed on the Mercato Ristretto. An analogous measure was subsequently adopted with respect to Freedomland -ITN spa, a company listed on the Nuovo Mercato.

*In the first case Consob considered that the board of auditors had failed to perform its supervisory function properly in connection with some transactions with related persons. In the second case it accused the board of auditors of failing to take action within the scope of its authority with regard to the serious confusion that had arisen in the company's administrative and accounting system.*

*In both cases Consob was represented by lawyers from its Legal Services Division. In addition to the accused members of the boards of auditors, the proceedings saw the participation of the boards of directors of the two companies and a public prosecutor pursuant to Article 2409 of the Civil Code.*

*In the case of the board of auditors of Fempar, the court accepted the request made by Consob and the public prosecutor to appoint a judicial inspector, who submitted a report with his conclusions in October. At the end of last year the proceedings were still under way.*

*As for the report submitted on the board of auditors of Freedomland-ITN, at the end of 2000 the proceedings were still in the interlocutory phase.*

### **Proceedings involving Consob**

Since 1999, with reference to the actions involving Consob, the Commission has considered it desirable for the defence to be handled directly by lawyers from its Legal Services Division, initially together with lawyers from the Avvocatura dello Stato and, subsequently, with external lawyers (Table aVII.3).

Three new actions for damages were brought against Consob in 2000; at the end of the year they were all still under way (Table aVII.4).

*The first action was brought by an investment firm, now in liquidation, which claimed that illegitimate and negligent behaviour by the supervisory authority in carrying out controls had affected its subjective position and prevented it from performing the activities of intermediation for which it had been authorized. In brief, the plaintiff claimed that the administrative measures Consob had imposed were illegitimate, that the related sanction procedures were marked by irregularities and that this had damaged its activity and image and forced it into liquidation.*

*The second action was brought, instead, by a group of investors in connection with the losses they had incurred following the failure of a commission dealer which subsequently turned itself into an investment firm. The plaintiffs based their case on a presumed responsibility on Consob's part for alleged omission or negligence in its supervision of the intermediary.*

*The third action for damages is also based on alleged omission or negligence in Consob's supervision of an investment firm of which the plaintiffs were customers. This is the only case in 2000 that was brought before a Regional Administrative Tribunal pursuant to Articles 33 and 35 of Legislative Decree 80/1998.*

In this connection it should be noted that two of the three actions for damages (on the grounds of omission of supervision) brought last year for the first time before a Regional Administrative Tribunal pursuant to Articles 33 and 35 of Legislative Decree 80/1998 have been suspended pending the decision of the Court of Cassation, to which Consob appealed for a preliminary ruling on the jurisdictional issue since it did not agree that its supervisory activity fell within the scope of Article 33 of Legislative Decree 80/1998.

Last year also saw two appeals to the Court of Cassation against Court of Appeal decisions in Consob's favour. The first concerned an action for damages brought in 1994 by a customer of an investment firm who, among other things, cited omission of supervision on Consob's part as the cause of the loss he had incurred owing to the forced sale of his securities, which the investment firm had illegally pledged in favour of two Swiss banks.

*In decision 572/2000 the Milan Court of Appeal had rejected all the requests made by the plaintiff since the reasons set out in the appeal "did not erode the solid argumentation underlying the decision" of the first-level court. In particular the appeal judge excluded Consob's civil responsibility and stated that "it is not sufficient (...), apodictically to claim that a more penetrating inspection could have revealed the creation of the illegal pledges (moreover without specifying which specific legitimate investigative measures had been omitted); instead, in order to affirm the guilt of the investigators, it would be necessary to demonstrate that the evidence of the violations in question was manifest, i.e. easy to recognize and such as should have been recognized and that it had been overlooked out of negligence, lack of expertise or failure to observe the rules governing inspections. This was not the case, however. The failure to discover the violations in time to prevent their harmful consequences thus cannot be blamed on Consob. Nor, from the point of view of the lapse of time between the discovery of the other operational violations and the suspension of the investment firm's activity, is Consob to blame: it is sufficient to consider that the third report of the inspectors (on which the precautionary measure was based) is dated 28 February 1994 and that, after consulting the Bank of Italy as prescribed, the Commission in plenary session suspended the investment firm on 12 April 1994".*

The second appeal to the Court of Cassation was made at the beginning of 1999 and concerned the decision in Consob's favour handed down on 9 June 1999 in a penal case involving a stockbroker and a Consob employee in which Consob had been cited by the aggrieved party as having civil responsibility. Very briefly, the appeal judge excluded Consob's civil responsibility on the grounds that no causal link had been found between the illegal behaviour of the employee and the harm suffered by the aggrieved party, consisting in a loss on the securities portfolio managed by the stockbroker. The Court of Cassation dismissed the appeal presented by the aggrieved party.

It is also worth noting the decision in Consob's favour issued on 18 September 2000 by the Milan Court in an action for damages brought in 1996 by a limited liability company that was a

minority shareholder in a listed company in liquidation, which was also a defendant in the case. In particular, the plaintiff, acting in the place of the listed company itself in view of the inaction of the liquidator, complained about the harm inflicted on the listed company by the systematic deprecation of its assets to the advantage of a foreign bank with the cooperation of the listed company's directors. It was claimed that the deprecation had been achieved by means of a series of illegal actions, indirectly propitiated by Consob's omissions, aimed at reducing the foreign bank's exposure of around 1,000 billion lire. It was also claimed that these circumstances had caused the insolvency and subsequent liquidation of the listed company, with serious prejudice to its small shareholders.

*The Milan Court rejected all the requests made by the plaintiff and the other parties involved, including the request for the transmittal of the record to the Procuratore della Repubblica to determine whether the case had penal aspects "since elements of an apparently criminal nature have not emerged in the trial to justify the request".*

### ***Insider trading and market manipulation***

In proceedings for insider trading and market manipulation Article 187 of the Consolidated Law on Financial Intermediation requires Consob to exercise the rights and powers of the entity representing the interests of the injured party. Thus, in addition to its activity of investigating suspected cases of insider trading and market manipulation and reporting its findings to the competent judicial authorities (Article 186 of the Consolidated Law), Consob is also required to promote legal actions and collect evidence to support the accusations of the public prosecutor in subsequent proceedings.

In the latter role Consob intervened twice in 2000 in penal proceedings that in one case concerned both insider trading and market manipulation (Articles 2 and 5 of Law 157/1991, now Articles 180 and 181 of the Consolidated Law on Financial Intermediation) and in the other only market manipulation (Table VII.2).

In entering the two proceedings as an aggrieved party, Consob submitted written briefs in which, in addition to reaffirming and further detailing the facts reported to the public prosecutor and serving as the basis for his preliminary investigations, contained considerations of a more specifically technical nature concerning the facts to be examined in the trial.

*One of the aims of the briefs was to rebut the arguments put forward by the defence of some of the accused to the effect that the charges brought under Articles 2 and 5 of Law 157/1991 should be withdrawn in view of the repeal of that law by Article 214.1b) of the Consolidated Law on Financial Intermediation. Consob clarified that, while the Consolidated Law had repealed Law 157/1991, it had simultaneously laid down rules in Articles 180-187 governing insider trading and market manipulation, with the result that behaviour that had previously constituted a penal offence under Articles 2 and 5 of Law 157/1991 was now equally punishable under Articles 180 and 181 of the Consolidated Law, without the substitution of the*



statutory provisions in question having affected the possibility of bringing charges for behaviour in violation of the earlier rules, except, of course, for behaviour that no longer constituted an offence and without prejudice to the application of the earlier rules concerning the penalty to be imposed in accordance with the principle of favor rei referred to in Article 2 of the Penal Code.

The correctness of this approach has already been confirmed in other penal proceedings that were initiated when Law 157/1991 was still in force and that were or are being continued for the charges that it was possible to maintain because the offences provided for in Articles 180 and 181 of the Consolidated Law were identical to those provided for in Articles 2 and 5 of Law 157/1991 (Milan Court, Decision 1660/1999).

TABLE VII.2

**CONSOB'S REPRESENTATION OF INJURED INTERESTS IN LEGAL PROCEEDINGS**

	NUMBER OF CASES	OFFENCE <sup>1</sup>	OUTCOME AT 31 DECEMBER 2000
1996	1	INSIDER TRADING	PLEA AGREEMENT
1997	1	"	DISMISSAL FOR LIMITATION OF ACTIONS <sup>3</sup>
	1	"	ACQUITTAL
	1	"	PLEA AGREEMENT
	1	INSIDER TRADING AND MARKET MANIPULATION <sup>2</sup>	UNDER WAY; PLEA AGREEMENT FOR ONE OF THE ACCUSED
1998	1	"	UNDER WAY
1999	1	"	UNDER WAY; PLEA AGREEMENT FOR FOUR OF THE ACCUSED
2000	1	"	UNDER WAY <sup>4</sup>
	1	MARKET MANIPULATION	UNDER WAY

<sup>1</sup> Insider trading:: Article 2 of Law 157/1991, now Article 180 of the Consolidated Law on Financial Intermediation; market manipulation: Article 5 of Law 157/1991, now Article 181 of the Consolidated Law. <sup>2</sup> Proceedings have also been initiated for the offence of obstructing Consob in the exercise of its supervisory function in matters concerning insider trading (Article 8.2 of Law 157/1991). <sup>3</sup> Proceedings are still under way for other suspected offences. <sup>4</sup> In one case the proceedings had already begun in 1999 but, following the re-opening of the preliminary investigation phase it was necessary to initiate them again in 2000.

In view of the specialized nature of the disputed matters, which requires constant contact between the competent Consob offices and those of the public prosecutor (not limited to the preliminary investigation phase but extending to the trial phase), the Commission decided that it should be represented in the cases in question by its own lawyers (Table aVII.3).

Last year also saw three plea agreements reached for insider trading offences in a trial in which another plea agreement had already been reached at the end of 1999 with a person accused of insider trading and market manipulation. In another trial involving representatives of a group accused of insider trading the competent court dismissed the case in view of the limitation of actions pursuant to Article 129 of the Code of Penal Procedure (Table VII.2).

In 2000 ten requests for the dismissal of cases were notified to Consob, of which four were partial (i.e. referring to only some of the persons involved in the preliminary investigations). The requests were made by the competent public prosecutors at the end of the investigations undertaken in response to the reports submitted by Consob concerning suspected insider trading and market manipulation. The grounds for the requests for dismissal varied: in three cases the limitation of actions applied; in two cases the evidence was insufficient to support the accusations; in three cases one or more of the requirements laid down in Article 180 of the Consolidated Law for information to be considered “inside information” were lacking; in one case the *notitia criminis* was unfounded; and in the last case the public prosecutor considered that the facts reported did not correspond to any of the hypotheses referred to in Articles 180 and 181 of the Consolidated Law.

## VIII. INTERNATIONAL AFFAIRS

### *International cooperation*

Last year saw a further rise in the number of requests for cooperation Consob received from foreign authorities (from 53 in 1999 to 61). The increase was mainly attributable to that in requests, mostly from other EU authorities, concerning the integrity and experience requirements for corporate officers and shareholders of investment firms. The number of requests for cooperation Consob received in connection with insider trading also increased, whereas there were no requests in connection with market manipulation.

By contrast, the number of requests Consob sent to foreign authorities remained virtually unchanged (58, compared with 57 in 1999). However, there was an increase in the number of requests concerning the integrity and experience requirements for corporate officers and Consob made its first two requests for cooperation in connection with the violation of conduct of business rules and fraudulent behaviour (Table VIII.1).

TABLE VIII.1

#### INTERNATIONAL COOPERATION (REQUESTS FOR COOPERATION)

SUBJECT OF THE REQUEST	FROM CONSOB TO FOREIGN AUTHORITIES				FROM FOREIGN AUTHORITIES TO CONSOB			
	1997	1998	1999	2000	1997	1998	1999	2000
INSIDER TRADING	11	17	43	32	5	2	3	5
MARKET MANIPULATION	4	2	--	1	1	1	3	--
UNAUTHORIZED SOLICITATION AND INVESTMENT SERVICES ACTIVITY	8	7	4	3	4	3	3	1
TRANSPARENCY AND DISCLOSURE	2	--	--	1	2	1	--	2
MAJOR HOLDINGS IN LISTED COMPANIES AND AUTHORIZED INTERMEDIARIES	3	--	--	--	12	--	--	--
INTEGRITY AND EXPERIENCE REQUIREMENTS	3	12	10	19	15	30	44	53
VIOLATION OF CONDUCT OF BUSINESS RULES	--	--	--	2	--	--	--	--
<i>TOTAL</i>	<i>31</i>	<i>38</i>	<i>57</i>	<i>58</i>	<i>39</i>	<i>37</i>	<i>53</i>	<i>61</i>

*As regards Consob's requests for cooperation in connection with insider trading, there was an increase in the number sent to authorities in the other EU countries and the United States, whereas the number sent to authorities in other countries fell substantially (Table aVIII.1).*

During the year the Commission concluded cooperation and information exchange agreements with the Polish and Albanian regulatory authorities. The cooperation agreements in place at the end of 2000 with the regulatory authorities of countries outside the European Union and those of the European Economic Area numbered 23 (including the multilateral agreement among the countries of the European Economic Area and the three agreements on maintaining the confidentiality of information exchanged concluded in earlier years with the Guernsey Financial Services Commission, the Ispettorato per il Credito e le Valute of the Republic of San Marino and the Malta Financial Services Centre). In addition, two agreements were concluded pursuant to Articles 67.2 and 67.3 of the Consolidated Law on Financial Intermediation for the recognition of financial markets other than those covered by Community law.

*The first of these agreements was concluded with the Swiss Commission Fédérale des Banques and concerned the recognition of the Italian Stock Exchange and Mercato Ristretto in Switzerland and the recognition of the Swiss Stock Exchange in Italy. The second was concluded with the Commodity Futures Trading Commission and led to the recognition of Canto Financial Futures Exchange Inc. of New York in Italy.*

*Consob also supplemented the cooperation agreement concluded on 22 June 1995 with the Commodity Futures Trading Commission (CFTC). The supplement permitted the listing on the Commodity Exchange (Comex), a regulated financial derivatives market controlled by the New York Mercantile Exchange, of a futures contract based on a basket of European securities that includes financial instruments listed on the Italian Stock Exchange.*

*Last year also saw Consob enter into an agreement with the Financial Services Authority designed to allow the admission to trading on the markets managed by Borsa Italiana spa of a UK local that was excluded from the benefits of the Investment Services Directive (93/22/EEC).*

As part of the twinning programme financed by the European Commission (under the Phare Programme), Consob participated in two projects with other regulatory authorities.

*The first project is being carried out in Poland, together with the French regulatory authority (COB); the second, in Romania, is still being finalized. The purpose of the projects is to verify the transposition of Community law in the target countries and the working of their financial markets supervisory authorities. The twinning project with the Romanian National Securities Commission will last for twelve months.*

### ***The activity of the European Union in the financial services field***

Last year the European Union was extremely active in the financial services field. The Commission and the European Council presented a series of proposed directives and regulations that had been under discussion for some time. They also prepared initiatives concerning both

company law and securities markets with a view to increasing the competitiveness of the European financial industry in the context of a global market. Two especially important proposals concerned prospectuses and market abuse (Box 9).

In April the Lisbon European Council accepted the priority need for a series of initiatives set out in the Financial Services Action Plan in order to achieve the objective of a fully integrated internal market for financial services and indicated a time limit for completing the project. The Council also decided to set up a group of experts, known as the Group of Wise Men, headed by Alexandre Lamfalussy and including the Chairman of Consob, to study a system of regulation capable of responding to the changes in financial markets and identify new forms of legislation and procedures for regulating securities markets. The Wise Men's Report envisages a system of framework legislation that would establish the basic principles and the creation of a new Securities Committee charged with rapidly producing the necessary detailed technical implementing measures. The Securities Committee would be supported by a committee of national securities regulators, which would also be responsible for coordinating supervisory practices and the application of Community provisions at the administrative level. The Report also stresses that, if the new approach were to appear unable to deal with the problems and shortcomings found, other solutions, including Treaty amendments, could be discussed in the next Intergovernmental Conference, scheduled to be held in Berlin in 2004.

### ***The activity of the International Organization of Securities Commissions***

In 2000, at the end of a lengthy evaluation of the accounting standards issued by the International Accounting Standards Committee, IOSCO recommended that multinational issuers be allowed to draw up annual accounts in accordance with rules acceptable to financial markets. The standards - revised, if necessary, to permit the reconciliation of the accounts which some regulatory authorities require, and to satisfy transparency and interpretation requirements at national or regional level - will make cross-border offerings easier and facilitate the listing of financial instruments on foreign markets.

The Task Force set up in 1999 jointly with the G-10 central banks' Committee on Payment and Settlement Systems issued 18 recommendations identifying the minimum requirements for the proper functioning of securities settlement systems and the best practices such systems should strive for in industrial and developing countries.

***Initiatives of the European institutions concerning securities markets and company law***

In the course of 2000 the Commission drafted a proposal for a directive on prospectuses. The new text, which has already been discussed with the representatives of the member states, envisages an important role for the Securities Committee, the identification of the disclosure standards that European issuers must comply with in preparing prospectuses. The Commission is of the view that the quality of the information provided to the public is an important factor in lowering the cost of raising capital and increasing investor confidence. At the same time the Commission stated that the preliminary harmonization of the contents of prospectuses - and of controls and enforcement and sanctioning mechanisms - was an indispensable precondition for granting the European passport to issuers of financial instruments.

The Commission also drafted a proposal for a directive on market abuse that it will be able to formalize once the new criteria for the regulation of securities markets have been defined. Here again, the proposed directive provides for the Securities Committee to be given an important role in the formulation of the detailed provisions.

In the field of “guarantees” for transactions in financial instruments, the Commission drafted a proposal for a directive that provides for the establishment of common rules with a view to facilitating the growth of cross-border transactions and ensuring improved stability of markets.

Amendments have been proposed to Directive 85/611/EEC on UCITS. The aim of the changes is to broaden the range of permitted investments of harmonized UCITS and to introduce rules on the authorization of management companies and simplified prospectuses.

The Commission prepared a draft proposal for a directive on financial conglomerates. This contains a series of proposals to be implemented prior to the preparation of the new directive, which is intended to establish not only the rules serving to ensure the prudential supervision and the stability of financial conglomerates but also those serving to identify the lead regulator for transnational conglomerates.

During the year the members of the European Council reached a common position on the money-laundering directive. The European Parliament is now required to comment on the document in order to complete the process leading to the formal approval of the directive. The proposed directive provides for a broadening of the range of persons subject to the obligation to report suspect transactions.

The proposal for a directive on pension funds was formally approved by the Commission and is now under discussion in the Council of Ministers. The key aspect of the proposal is the introduction of a Community legal framework for company and professional pension funds (excluding public and individual pension schemes). The proposed directive contains a series of harmonization provisions concerning matters such as the conditions for engaging in the activity, the information to be provided to the persons involved, the powers of the competent authorities, technical reserves, investments and the cross-border activity of pension funds.

**Box 9**

The Commission drafted a proposal for a regulation on the introduction into European law of the International Accounting Standards. The draft document provides for the setting up of a committee to assess the standards and recommend their adoption by listed European companies and companies that intend to make public offerings.

The Commission published two important communications last year. The first, on the implementation of Article 11 of the Investment Services Directive, indicates concrete rules for the implementation of the principles laid down in the ISD in 1993 for conduct of business rules. The directive had assigned responsibility for these matters to the authorities of the country in which the service is provided. This problem, to which the Forum of European Securities Commissions (FESCO) has paid considerable attention, has not yet been fully resolved, not least because, in the absence of legislative action, the authorities in question cannot renounce the supervisory responsibility allocated to them by the ISD. The solution proposed by the Commission, which embodies the proposals contained in the FESCO document on the definition of professional investors, applies the internal market clause (i.e. home-country control) to the provision of services to such investors. In short, the responsibility of the intermediary's home country is seen as justified by the principle of "proportionality and non-duplication" (formulated by the Court of Justice), given the extent to which national rules have already been harmonized, in part thanks to the work of FESCO.

The second communication, on the upgrading of the Investment Services Directive, provides for consultation among all the interested parties (regulatory authorities, market users and exchanges). One particularly important issue addressed in the communication is the desirability of assessing the need to introduce specific provisions (especially as regards transparency) for Alternative Trading Systems, with a view, among other things, to ensuring that such systems and regulated markets operate in conditions of competitive equality. Another important issue examined is the need to foster the consolidation of clearing and settlement systems.

At the beginning of this year the Commission, as provided for in the Financial Services Action Plan, published a communication intended to clarify the application of the e-commerce directive to financial services. The communication recognizes the need to establish specific rules in this field and for particular care to be taken in the case of financial services not covered by any of the harmonization directives. The Commission also identified other measures that may be necessary to ensure an efficient and truly integrated market for information services. In particular, it stressed the desirability of creating a better system for the settlement of cross-border disputes and the importance of providing adequate rules for the prevention of fraud and increasing cooperation among regulatory authorities.

An extensive consultation process has been initiated with all the parties interested in the matters addressed in the Report and is scheduled to end in 2001. The Task Force will take the comments it receives into account in preparing the final report. It will then be up to each country's securities markets regulatory authority and central bank to define the scope of the recommendations in their jurisdiction.

On 28 March 2000 a joint monitoring exercise was carried out on the Internet with the participation of 21 IOSCO members, including Consob, with the aim of identifying fraudulent solicitation of investors, manipulation and the circulation of false or misleading information. During the Internet Surf Day around 10,000 websites were visited and more than 1,000 were identified for follow-up review by the regulatory authorities most directly concerned.

The Task Force set up by IOSCO's Technical Committee continued in its work of evaluating the degree of implementation of the *Objectives and Principles of Securities Regulation* (which had been approved in 1998). For their part, IOSCO's various regional committees began the peer review of the work done in individual countries.

In October 2000 the Technical Committee reaffirmed the appropriateness of the principles approved in 1990 for the supervision of screen-based systems for trading derivatives and added four new principles.

*The new principles are intended to promote the coordination of supervisory activities, the efficient and timely sharing of information among authorities, the transparency of the regulatory framework governing coordination, and cooperation for control purposes. They also provide for account to be taken in considering access to markets of the extent to which IOSCO's Objectives and Principles of Securities Regulation are applied.*

### ***The activity of the Forum of European Securities Commissions***

FESCO prepared two important documents with a view to creating a harmonized legal framework for the provision of investment services in the European Economic Area. The approval of these documents was a significant contribution to the Financial Services Action Plan put forward by European Commission.

*The first document lays down criteria and procedures for establishing an appropriate differentiation between the various categories of investors. The criteria were adopted by the European Commission in a recent communication on the interpretation of Article 11 of the Investment Services Directive. The second is a consultation document on the harmonization of rules of conduct for the protection of investors; FESCO members regard the disparities in this field as one of the main obstacles to the efficient cross-border provision of investment services.*

In December of last year the Working Group charged with examining the possibility of equipping listed issuers with a "European passport" sent FESCO a draft report for the European



Commission that sought to facilitate cross-border offerings of financial instruments and the admission to listing on other markets.

*The Group was initially charged with developing a system of shelf registration that would allow the information contained in prospectuses to be updated. Under the proposed system listed issuers would be allowed to publish, at one-year intervals, a registration document containing the information about the company and, on the occasion of each offering, a supplementary note containing details of the offer.*

*The response to the Group's proposal was a widespread call for a more ambitious approach that would permit the selection of a home country with overall supervisory responsibility for the prospectus in all jurisdictions. The Working Group accordingly formulated a detailed proposal for the harmonization of the contents of prospectuses that would completely eliminate every duplication in the production and control of such documents for cross-border offerings.*

With regard to market abuse, FESCO provided an input to the European Commission based on the experience gained by its member supervisory authorities in preventing and repressing such offences.

*Among the matters addressed, it is worth stressing the need for a regime based on administrative sanctions alongside those of a mainly penal nature to be found in the majority of European states' legal systems. It would also be desirable for adequate means of preventing market abuse to be put in place and for the competent authorities to be granted appropriate investigative powers.*

In addition to the work on market abuse, FESCO also addressed the problem of stabilization and allotment in a report published at the end of 1999. The report proposed the approval of a European code (the *FESCO European Code on Allotment*) aimed at promoting the introduction in national legal systems of rules that would protect and reconcile the interests of offerors and potential investors. The aim of the Working Group, headed by the Chairman of the Finnish Financial Supervision Authority, was to identify a safe harbour discipline that would exclude transactions effected by intermediaries acting as placers from the application of national rules on insider trading and market manipulation.

The Working Group on Alternative Trading Systems, chaired by the head of the UK Financial Services Authority, made a contribution to the drafting of the European Commission's communication to the Council and the European Parliament on the revision of the Investment Services Directive. In a document sent to the Commission in 2000 FESCO developed proposals for a comprehensive legislative solution at Community level for matters concerning the operation of trading systems.

As regards cooperation among authorities for supervisory purposes, the members of Fescopol continued to meet in 2000, under the chairmanship of the UK Financial Services Authority, to provide immediate responses to violations of rules falling within their competence. Important benefits also derived from the discussion of matters of general interest, such as the analysis of the

powers granted to FESCO members by their national laws and the standardization of cooperation procedures.

## IX. CONSOB'S ACCOUNTS, STAFF AND EXTERNAL RELATIONS

### *The accounts*

The preliminary outturn for 2000 shows total income of 245.4 billion lire (Table IX.1), of which 78.9 billion consisted of fee income (32.1 per cent of the total). The largest component of such income was generated by financial salesmen and amounted to 18.9 billion (Table aIX.1).

TABLE IX.1

**SUMMARY TABLE OF INCOME AND EXPENDITURE**  
(BILLIONS OF LIRE)

	1997 <sup>1</sup>	1998 <sup>1</sup>	1999 <sup>1</sup>	2000 <sup>2</sup>
<i>INCOME</i>				
PRIOR-YEAR SURPLUS <sup>3</sup>	8.5	32.4	36.6	98.1
STATE FUNDING	58.4	50.0	55.0	60.0
OWN REVENUES				
- APPLICATION FEES	2.5	4.9	5.1	5.2
- EXAM FEES	1.1	2.7	4.0	5.6
- SUPERVISION FEES	42.0	39.3	74.4	59.3
- TRADING FEES	—	—	7.5	8.8
- SUNDRY REVENUES	4.6	3.9	5.3	8.4
<i>TOTAL INCOME</i>	<i>117.1</i>	<i>133.2</i>	<i>187.9</i>	<i>245.4</i>
<i>EXPENDITURE</i>				
CURRENT EXPENDITURE				
- MEMBERS OF THE COMMISSION	2.4	2.4	2.5	2.6
- STAFF	64.6	63.1	62.1	67.7
- GOODS AND SERVICES	21.1	24.2	25.0	32.8
- RENOVATION AND EXPANSION OF FIXED ASSETS	1.9	2.4	3.8	5.2
- UNCLASSIFIED	2.9	0.4	1.6	0.4
<i>TOTAL CURRENT EXPENDITURE</i>	<i>92.9</i>	<i>92.5</i>	<i>95.0</i>	<i>108.7</i>
CAPITAL EXPENDITURE	1.0	4.7	92.9	136.7
<i>TOTAL EXPENDITURE</i>	<i>93.9</i>	<i>97.2</i>	<i>187.9</i>	<i>245.4</i>

<sup>1</sup> Outturn. <sup>2</sup> Preliminary outturn. <sup>3</sup> The 1999 surplus is the difference between total income and total expenditure plus the difference in respect of expenditure carryovers; the latter is not shown in the table and amounted to 0.3 billion lire. The 1999 surplus is included in 2000 income.

Capital expenditure in 2000 served mainly to carry forward Consob's property projects, involving the purchase of a building in Rome to provide new head office premises and the restructuring of a building in Milan leased from the City Council to provide new premises for the

Institute's offices (for a total of 128.2 billion lire) and to upgrade its IT systems (around 5.5 billion lire). The rise in current expenditure stemmed from the increases in allocations to provisions for building renovation works, staff costs (in connection with the programme aimed at bringing the number of employees in line with that provided for by law) and purchases of goods and services.

*The budget for 2001 was approved in December. Total income is expected to amount to 131.8 billion lire, of which 60 billion will consist of state funding, 62.9 billion of own revenues under Article 40 of Law 724/1990 and 8.4 billion of other own revenues (mostly interest income and withdrawals from provisions). In addition the budget includes a "prior-year surplus" of 138.9 billion lire, divided into 9.6 billion available for new expenses incurred in 2001 and 129.3 billion in respect of commitments for 2000 to be fulfilled in 2001 pursuant to Article 19 of Consob's accounting rules. Almost all the latter amount (128.2 billion) will be used to finance the above-mentioned property projects. The total expenditure budgeted for 2001 (excluding the 2000 commitments brought forward) amounts to 141.4 billion lire, divided into 131.6 billion of current expenditure and 9.8 billion of capital expenditure.*

*The rise in budgeted current expenditure in 2001 refers almost entirely to the large increase in allocations to the supplementary pension fund for permanent employees, the growth in staff costs deriving from the programme for bringing the number of employees up to the legal limit, the allocation to the supplementary pension fund to be set up under Legislative Decree 124/1993 for employees hired after the entry into force of the decree, and the costs associated with the reorganization of the activities concerning financial salesmen. As regards capital expenditure, the budgeted total of 9.8 billion lire is 52.2 per cent less than the corresponding figure for 2000 (20.5 billion), which, however, included 14.1 billion for the purchase of the new head office premises in Rome. The amount budgeted for 2001 will serve mainly to continue with the upgrading of Consob's information systems; it also includes 3.7 billion for additional costs in restructuring the premises in Milan and 0.7 billion for additional design costs in connection with these works.*

At the end of last year Consob published the fee schedule for 2001. In accordance with Article 40 of Law 724/1994, it established the activities for which fees were to be paid, the persons required to pay them and the rate for each fee.

The related implementing regulations reflected the basically unchanged content of the legislation in this field and the fee structure remains divided into four main categories (application fees, exam fees, supervision fees and trading fees). The differences compared with the previous year were attributable to market innovations (the authorization of Monte Titoli spa to provide settlement services under Article 69.1 of the Consolidated Law on Financial Intermediation) and experience gained with the working of the system (the exemption of bonds already listed at 2 January 1998 and the adoption of the number of securities listed as the reference aggregate for warrants and covered warrants).

As regards the individual rates set, Consob reduced the charges for intermediaries, collective portfolio managers, financial salesmen, auditing firms and listed issuers. A ceiling of 5 billion lire was also introduced for the fees payable by offerors of financial instruments for any one offering. On the basis of the rates applicable in 2000, this category of fee-payers would otherwise have

covered a large proportion of the costs Consob was expected to incur in this field owing to the growth in the size of transactions.

Article 145 of Law 388/2000 (the Finance Law for 2001) brought an important innovation in the fee system in the direction the Commission had requested on several occasions; the provision in question amended Article 40.3 of Law 724/1994 and replaced the individual services Consob supplies as the basis for its fees with the overall amount of supervisory activity performed for each category of fee-payer.

*The implementation of this change in 2002 will have the following effects: the members of each category will pay a single annual fee (instead of the separate fees for applications, exams, supervision and trading); the annual calculation of fees will be simplified because it will be based on the overall activity performed for each category instead of the individual services supplied; the administrative burden will be reduced as a result of the reduction in the number of payments; and the structure of the annual fee schedule will be stabilized.*

### **Consob's organization and staff**

Last year saw the transformation of a number of fixed-term employees into permanent employees and the recruitment of additional employees, mostly by way of competitive exams (Tables IX.2 and aIX.3).

*In particular, 14 employees on fixed-term contracts were transformed into permanent employees by means of the competitive procedure provided for in Article 6.9 of Legislative Decree 419/1999.*

*In addition, the following were hired on the basis of the results of public competitions held in 1999: 36 junior officers for the Milan operational offices; one fixed-term employee classified as equivalent to a junior officer for the Milan operational offices; and three fixed-term employees classified as equivalent to grade 2 officers.*

*The staff was further strengthened by the hiring of: 10 clerks on the basis of the results of a public competition for positions in the Milan operational offices; one fixed-term employee classified as equivalent to an assistant central manager to work directly with the General Manager in Rome; and one fixed-term employee classified as equivalent to a junior officer to work in the secretariat of a member of the Commission.*

TABLE IX.2

**THE STAFF<sup>1</sup>**

	PERMANENT EMPLOYEES				FIXED-TERM EMPLOYEES	TOTAL
	MANAGERIAL	OFFICER	OTHER	TOTAL		
1990	91	63	16	170	67	237
1993	134	72	16	222	96	318
1996	128	152	16	296	108	404
1997	125	161	21	307	96	403
1998	122	156	17	295	88	383
1999	116	205	19	340	24	364
2000	110	246	20	376	13	389

See the Methodological Notes. <sup>1</sup> End-of-year data.

Last year the Commission also approved a recruitment plan designed to bring Consob's workforce up to full strength, with 300 employees in Rome and 150 in Milan.

*Accordingly, competitions for the following job openings were announced in 2000 with the aim of completing the hiring procedures this year: for 5 officers in the Milan operating offices; for 5 junior officers in the Milan operating offices; one person reporting directly to the General Manager to carry out legal research with responsibility for the definition and organization of the related tasks.*

*Training activities were carried on during the whole of 2000, which saw the completion of a three-year programme devoted primarily to establishing a common basis of computer and language skills. A start was also made on the development of technical and behavioural skills, which will be the focus of the next three-year programme. Training man-hours totaled 36,000 last year, with an average of 92 hours per employee. Special emphasis was placed on the development of management's organizational communication capabilities.*

### **External relations**

The Commission devoted special attention last year to enhancing Consob's external relations functions, with two objectives: first, to make the Institute's activities better known and the information in its possession more accessible and, second, to improve the public's knowledge of the rules governing the operation of securities markets (investor education).

*Pursuing these objectives is a way of performing Consob's duty of protecting investors that supplements its traditional forms of supervision. The importance of these activities is confirmed by the initiatives that Consob's counterparts abroad have undertaken and by the results of the first international comparisons of the steps taken by regulatory authorities in the field of investor education. An additional impulse has been provided by the approval of Law 150/2000, which contains a comprehensive set of rules on the information and communication activities of governmental bodies.*

The role of Consob's website, which came on stream in July 1998, as a means of providing information both to market participants and the general public was enhanced in April 2000, when its contents were reorganized and a new layout adopted. In order to cope with the growing numbers of visits and requests for documents (Table IX.3), the Commission has arranged for the number of lines giving access to the site to be quadrupled in 2001.

*The new home page has "What's new" and "Warnings" for investors, as well as icons giving access to the latest issues of the Institute's Bulletin and its newsletter Consob Informs; it also shows a list of all the sections into which the site is divided ("Investors' corner", "About Consob", "Companies", "Intermediaries and Markets", "Consob decisions", "Legal framework" and "Publications and press releases") and makes it easy to arrive at their contents.*

*The "Investors' corner" section has been put at the top of the list in view of the strategic importance of investor education for the protection of savings. It contains warnings, reports of unauthorized or fraudulent solicitations of investors and help for investors such as a program for calculating the charges imposed by collective and individual asset management schemes so as to permit comparison between different financial products. The "About Consob" section explains the Commission's activity and organization, while the next section, devoted to "Companies", contains information on listed companies, issuers of widely distributed securities and auditing firms. A search engine is available in the subsection "Listed companies" to retrieve information on their (past and present) ownership structures, major holdings (updated daily) and the members of their governing bodies. The "Intermediaries and Markets" section permits site visitors to consult the registers of Italian investment firms and trust companies, Community investment firms, financial salesmen, Italian regulated markets, recognized foreign markets and organized trading systems.*

*The "Consob decisions" section contains the documents approved by the Commission (resolutions, communications of a general nature and responses to queries) in chronological order. The "Legal framework" section is divided into two subsections: "Laws, regulations and Consob interpretations" and "Preparatory documents". The former contains updated versions of the laws and regulations in force and the Commission's interpretations and clarifications; the latter contains documents published in connection with the preparation of the regulations implementing Legislative Decree 58/1998. In conclusion, the "Publications and press releases" section contains the following collections: press releases (from 1998), the newsletter Consob Informa (from 1997), Consob's Annual Report (from 1997) and Quaderni di finanza (from 1999), as well as the texts of speeches and parliamentary statements.*

TABLE IX.3

## VISITORS TO CONSOB'S WEBSITE

CONTENTS	TOTAL
HOME PAGE (WHAT'S NEW)	897,500
INVESTORS' CORNER	49,551
ABOUT CONSOB	55,521
COMPANIES	301,575
INTERMEDIARIES AND MARKETS	93,753
CONSOB DECISIONS	137,856
LEGAL FRAMEWORK	97,143
PUBLICATIONS AND PRESS RELEASES	196,956
LINKS	26,340
SEARCH ENGINE	99,516
HELP AND SITE MAP	49,194
ENGLISH VERSION	27,789

The role assigned to Consob's website as the primary means of providing information led to the revision late last year of the contents and structure of the *Bulletin* and the weekly newsletter *Consob Informs*. Both these documents continue to be published in paper form, slimmed down in the case of the *Bulletin* and enriched in that of the newsletter, while in their electronic versions they interact directly with data stored in other parts of the site.

*Starting with the first issue of 2001, the Bulletin consists of a paper-based edition, which is published on a twice monthly instead of a monthly basis and is also available on the Internet, and an electronic edition, which is available exclusively on the Internet. The paper-based edition takes over many of the features of the earlier monthly publication and contains the decisions taken by the Commission in the reference period (divided into resolutions, urgent measures, communications and other decisions); the electronic edition contains the registers kept by Consob (investment firms, financial salesmen, auditing firms, Italian and foreign regulated markets, and organized trading systems), which are updated periodically and reports all the Commission's decisions involving changes to the registers (additions, deletions, changes in identification data, etc.).*

*The changes made to the weekly newsletter Consob Informs, which is published in both an electronic and a paper-based version, concerned the layout of the information provided, which is now divided into two separate parts. The first part resembles the earlier version and contains reports on Consob's institutional activities (e.g. international agreements, conferences, research papers), together with brief descriptions of the decisions adopted by the Commission of a general nature (regulations, recommendations and*



*interpretations, etc.) and of interest to the public (such as the clearance of prospectuses and information documents). The second part consists of a summary list of the decisions taken or announced by the Commission in the previous week, including both formal acts (such as resolutions, communications and recommendations) and decisions concerning other matters (suspected cases of insider trading and market manipulation, challenges of companies' financial statements and clearances of prospectuses, etc.). Where appropriate the newsletter contains hypertext links to the complete versions of the relevant documents.*

Last year also saw the publication in Italian of the second edition of the *Collection of Legislation concerning Consob*, with a view to permitting rapid consultation of the regulatory framework of the Italian financial system. This edition, published two years after the introduction of the implementing provisions of the Consolidated Law on Financial Intermediation, is divided, as was the 1996 edition, into three parts, containing respectively the updated versions of the laws, regulations and measures of a general nature concerning financial markets.

In addition to the activities described above, Consob continued to have face-to-face, telephonic and electronic contacts with the public (Table aIX.3). Requests for information increased considerably in number, especially in the case of those sent by e-mail.



# *APPENDIX*



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TABLE aI.1

**TYPES OF CONTROL OF COMPANIES LISTED ON THE STOCK EXCHANGE<sup>1</sup>**  
(SITUATION AT 31 DECEMBER)

TYPES OF CONTROL	1996	1997	1998	1999	2000
MAJORITY CONTROL	130	122	128	148	141
WORKING CONTROL	26	28	31	31	34
UNDER SHAREHOLDERS' AGREEMENTS	26	27	24	29	24
NO CONTROLLING SHAREHOLDER(S)	26	28	35	32	38
<i>TOTAL</i>	<i>208</i>	<i>205</i>	<i>218</i>	<i>240</i>	<i>237</i>

Source: Consob ownership disclosure archive. See the methodological notes. <sup>1</sup> Number of companies listed on the Stock Exchange.

TABLE aI.2

**INDICATORS OF OWNERSHIP CONCENTRATION AND SIZE  
OF COMPANIES LISTED ON THE STOCK EXCHANGE**  
(SITUATION AT 31 DECEMBER)

DECILE <sup>1</sup>	PERCENTAGE HELD BY LARGEST SHAREHOLDER <sup>2</sup>			PERCENTAGE HELD BY THE MARKET <sup>3</sup>		
	1998	1999	2000	1998	1999	2000
1	53.5	59.1	59.6	28.6	26.2	27.9
2	54.9	53.7	49.2	31.0	30.7	32.4
3	47.9	44.1	47.8	35.0	33.6	28.7
4	41.1	51.4	49.7	36.4	26.4	33.0
5	54.6	52.8	47.5	31.0	33.1	34.8
6	49.2	43.3	50.0	36.6	45.5	38.2
7	50.5	52.8	52.5	40.1	37.1	32.0
8	49.2	51.9	51.0	42.0	39.3	39.1
9	35.9	35.7	40.7	54.1	55.4	46.8
10	34.5	41.2	45.4	53.9	48.5	44.6
<i>TOTAL</i>	<i>47.1</i>	<i>48.6</i>	<i>49.4</i>	<i>39.0</i>	<i>37.6</i>	<i>35.7</i>

Source: Consob ownership disclosure archive. See the methodological notes. <sup>1</sup> Based on the market value of ordinary shares at the end of 2000. <sup>2</sup> Arithmetic means. <sup>3</sup> Percentages, held by shareholders with less than 2 per cent of the voting capital. Arithmetic means.

TABLE aI.3

**DISTRIBUTION OF COMPANIES LISTED ON THE STOCK EXCHANGE  
ACCORDING TO TWO INDICATORS OF OWNERSHIP CONCENTRATION**  
(SITUATION AT 31 DECEMBER)

PERCENTAGE OF THE ORDINARY SHARE CAPITAL	NUMBER				PROPORTION <sup>1</sup>			
	1997	1998	1999	2000	1997	1998	1999	2000
<i><b>LARGEST SHAREHOLDER</b></i>								
< 5	8	13	11	12	6.1	14.2	2.3	2.4
5 - 10	6	2	2	2	14.4	2.1	1.0	1.0
10 - 20	13	26	27	26	8.1	25.5	23.2	22.8
20 - 33	30	23	25	26	13.7	7.9	5.0	7.4
33 - 50	26	26	27	30	9.6	18.1	13.4	15.0
> 50	122	128	148	141	48.1	32.3	55.1	51.4
<i>TOTAL</i>	<i>205</i>	<i>218</i>	<i>240</i>	<i>237</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<i><b>SUM OF MAJOR HOLDINGS<sup>2</sup></b></i>								
< 5	2	8	10	7	0.4	2.1	1.9	0.9
5 - 10	2	4	1	3	0.8	9.8	0.4	0.8
10 - 20	5	1	--	2	15.4	0.5	--	0.6
20 - 33	6	8	9	6	14.3	16.3	11.3	10.0
33 - 50	17	21	22	24	10.0	24.6	23.9	27.9
> 50	173	176	198	195	59.0	46.7	62.5	59.8
<i>TOTAL</i>	<i>205</i>	<i>218</i>	<i>240</i>	<i>237</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: Consob ownership disclosure archive. See the methodological notes. <sup>1</sup> Percentage of the market value of the ordinary share capital. <sup>2</sup> More than 2 per cent of the voting capital.

TABLE aI.4

**COMPANIES LISTED ON THE ITALIAN STOCK EXCHANGE  
BY TYPE OF CONTROLLING SHAREHOLDER**  
(SITUATION AT 31 DECEMBER)

TYPE OF CONTROLLER	NUMBER OF COMPANIES					PROPORTION <sup>1</sup>				
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000
INDIVIDUAL	45	42	51	53	53	6.4	5.4	4.6	6.0	5.3
BANK	12	9	12	15	12	2.7	4.2	4.1	5.5	6.1
FOUNDATION	5	5	5	6	6	3.6	2.4	2.4	2.8	2.2
INSURANCE COMPANY	2	3	3	2	4	2.2	2.3	2.6	1.4	3.7
OTHER TYPE OF COMPANY	54	55	52	60	53	15.1	25.2	21.5	32.8	29.7
FOREIGN RESIDENT	17	18	21	26	31	4.0	3.0	3.1	4.4	4.4
STATE	21	17	15	17	16	45.0	18.0	15.6	18.7	18.5
SHAREHOLDERS' AGREEMENT	26	27	24	29	24	4.8	6.3	7.4	10.8	9.6
<i>TOTAL WITH CONTROLLING SHAREHOLDER</i>	<i>182</i>	<i>176</i>	<i>183</i>	<i>208</i>	<i>199</i>	<i>83.7</i>	<i>66.8</i>	<i>61.3</i>	<i>82.5</i>	<i>79.5</i>
NO CONTROLLING SHAREHOLDER	26	29	35	32	38	16.2	33.2	38.7	17.5	20.5
<i>TOTAL</i>	<i>208</i>	<i>205</i>	<i>218</i>	<i>240</i>	<i>237</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Source: Consob ownership transparency archive. See the methodological notes. <sup>1</sup> As a percentage of the total market value of ordinary share capital.

TABLE aI.5

**COMPANIES LISTED ON THE ITALIAN STOCK EXCHANGE  
WITH SHAREHOLDERS' AGREEMENTS**  
(SITUATION AT 31 DECEMBER 2000)

TYPE OF AGREEMENT	NUMBER OF COMPANIES	SHARE CAPITAL INVOLVED <sup>1</sup>	SHARE CAPITAL INVOLVED <sup>2</sup>	MARKET VALUE OF THE COMPANIES <sup>2</sup>
BLOCKING	12	42.5	0.8	8.2
VOTING	7	51.2	3.9	7.8
GLOBAL <sup>3</sup>	44	51.6	7.7	18.0
<i>TOTAL</i>	<i>63</i>	<i>49.8</i>	<i>12.4</i>	<i>34.1</i>

Source: Notifications under Article 122 of Legislative Decree 58/1998. See the methodological notes. <sup>1</sup> As a percentage of the companies' ordinary share capital. Arithmetic means. <sup>2</sup> As a percentage of the total market value of ordinary share capital. <sup>3</sup> With both blocking and voting clauses.

TABLE aI.6

**LISTED COMPANIES WITH SHAREHOLDERS' AGREEMENTS**  
(SITUATION AT 31 DECEMBER 2000)

COMPANY	TYPE OF AGREEMENT	EXPIRY	COVERAGE <sup>1</sup>	NUMBER OF PARTICIPANTS
ACOTEL GROUP SPA	PRE-EMPTIVE	31.12.2001	3.2	2
ACOTEL GROUP SPA	PRE-EMPTIVE	31.12.2001	9.6	2
ACOTEL GROUP SPA	VOTING BLOCKING	09.08.2003	76.8	3
ACQUEDOTTO DE FERRARI GALLIERA SPA	VOTING BLOCKING	02.07.2001	27.6	2
ACQUEDOTTO DE FERRARI GALLIERA SPA <sup>2</sup>	VOTING BLOCKING	15.12.2002	66.6	3
ACQUEDOTTO NICOLAY SPA	VOTING BLOCKING	02.07.2001	24.6	2
ACQUEDOTTO NICOLAY SPA <sup>2</sup>	VOTING BLOCKING	15.12.2002	27.4	3
AEROPORTI DI ROMA SPA	BLOCKING	05.11.2002	3.0	5
AEROPORTI DI ROMA SPA <sup>3</sup>	VOTING BLOCKING	23.06.2003	93.6	4
AEROPORTI DI ROMA SPA	BLOCKING	31.07.2003	93.6	5
ALITALIA LINEE AEREE ITALIANE SPA	VOTING	05.05.2003	0.3	124
ASSICURAZIONI GENERALI SPA	PRE-EMPTIVE	30.06.2001	3.9	2
AUTOSTRADIE SPA <sup>4</sup>	BLOCKING VOTING	26.10.2002	30.0	6
AUTOSTRADIE SPA	BLOCKING	26.10.2002	30.0	7
BANCA AGRICOLA MANTOVANA SPA	VOTING	15.03.2002	52.3	2
BANCA CARIGE SPA	BLOCKING	02.08.2002	5.0	2
BANCA CARIGE SPA	VOTING BLOCKING	18.02.2002	10.0	3
BANCA CARIGE SPA	VOTING BLOCKING	18.02.2002	10.0	3
BANCA DI ROMA SPA	VOTING BLOCKING	31.12.2002	34.6	3
BANCA INTESA SPA	VOTING BLOCKING CONSULTATION	15.04.2002	44.3	10
BANCA LOMBARDA E PIEMONTESE SPA	VOTING BLOCKING	31.12.2001	52.5	340
BANCA MONTE DEI PASCHI DI SIENA SPA	VOTING BLOCKING	02.05.2001	6.0	70
BANCA POPOLARE DI CREMA SCRL	VOTING BLOCKING	14.09.2003	97.2	2

Source: Notifications under Article 122 of Legislative Decree 58/1998. See the methodological notes. <sup>1</sup> As a percentage of the ordinary share capital. <sup>2</sup> Indirect vis-à-vis Acqua Italia spa. <sup>3</sup> Indirect vis-à-vis Leonardo spa. <sup>4</sup> Indirect vis-à-vis Schemaventotto spa.

- CONT. -

APPENDIX

- TABLE a1.6 cont. -

COMPANY	TYPE OF AGREEMENT	EXPIRY	COVERAGE	NUMBER OF PARTICIPANTS
BANCA POPOLARE DI SPOLETO SPA	BLOCKING VOTING	30.07.2001	78.1	2
BANCA TOSCANA SPA	PRE-EMPTIVE	28.05.2002	10.0	2
BASIC NET SPA <sup>5</sup>	VOTING	22.06.2002	43.0	4
BIOSEARCH ITALIA SPA	VOTING BLOCKING	31.01.2004	33.0	12
BULGARI SPA	VOTING BLOCKING CONSULTATION	17.07.2002	54.9	3
BUZZI UNICEM SPA	BLOCKING	02.02.2001	12.5	2
BUZZI UNICEM SPA	VOTING	30.04.2001	67.7	2
CASSA DI RISPARMIO DI FIRENZE	VOTING BLOCKING	17.07.2003	43.9	3
CASSA DI RISPARMIO DI FIRENZE	JOINT SALE VOTING	10.07.2003	48.9	2
CHL - CENTRO HL DISTRIBUZIONE SPA	VOTING BLOCKING	02.06.2003	60.5	4
CLASSEDITORI SPA <sup>6</sup>	BLOCKING	28.19.2001	0.1	18
CMI SPA	VOTING BLOCKING	20.12.2003	51.2	2
CREDITO BERGAMASCO SPA	BLOCKING	13.02.2001	11.4	2
CREDITO EMILIANO SPA <sup>7</sup>	BLOCKING	22.01.2002	73.1	5
CREDITO FONDIARIO E INDUSTRIALE SPA	VOTING BLOCKING	SPIN-OFF EFFECTIVE	93.2	3
CSP - INTERNATIONAL INDUSTRIE CALZE SPA	VOTING BLOCKING CONSULTATION	ANNUAL ACS 31.12.2000	50.2	7
CTO SPA	BLOCKING	21.06.2003	54.3	3
DATA SERVICE SPA	VOTING BLOCKING	18.10.2003	64.4	17
DATAMAT SPA	JOINT SALE	12.10.2003	24.5	5
DATAMAT SPA	VOTING BLOCKING	26.06.2003	40.6	17
DIGITAL BROS SPA	VOTING BLOCKING	20.10.2003	77.0	3
DUCATI MOTOR HOLDING SPA <sup>8</sup>	VOTING BLOCKING	01.03.2002	33.5	4
E.BISCOM SPA <sup>9</sup>	VOTING BLOCKING	24.01.2003	51.1	16
E.BISCOM SPA <sup>9</sup>	VOTING BLOCKING	17.02.2003	51.1	16

<sup>5</sup> Indirect vis-à-vis Basic World. <sup>6</sup> 100 per cent of the class B shares, which represent about 0.1 per cent of the share capital. <sup>7</sup> Indirect vis-à-vis Credem Holding. <sup>8</sup> Indirect vis-à-vis Tpg Advisor Inc. <sup>9</sup> Indirect vis-à-vis Anphora srl.

- CONT. -

- TABLE a1.6 cont. -

COMPANY	TYPE OF AGREEMENT	EXPIRY	COVERAGE	NUMBER OF PARTICIPANTS
EL.EN.	BLOCKING	10.12.2002	52.0	8
EL.EN.	VOTING	10.12.2003	59.2	8
ENGINEERING - INGEGNERIA INFORMATICA SPA	VOTING BLOCKING	07.06.2003	69.5	11
EPLANET SPA	VOTING BLOCKING	05.08.2002	77.1	8
ESAOTE SPA	VOTING	20.12.2003	60.5	6
EUPHON SPA	BLOCKING	07.06.2003	40.9	3
FALCK SPA	BLOCKING	30.07.2003	97.5	6
FIAT SPA	CONSULTATION	23.06.2002	36.8	5
FILATURA DI POLLONE SPA	BLOCKING VOTING	31.12.2001	50.2	16
FINCASA 44 SPA	BLOCKING	15.05.2002	3.3	2
FINCASA 44 SPA	BLOCKING	15.05.2002	5.1	2
FINCASA 44 SPA	BLOCKING	15.05.2002	15.8	2
GANDALF SPA	BLOCKING VOTING	23.12.2002	34.4	13
GARBOLI-CONICOS SPA	BLOCKING	30.10.2001	91.1	2
GEMINA SPA	VOTING BLOCKING CONSULTATION	ANNUAL ACS 31.12.2000	44.5	13
GIM SPA	BLOCKING CONSULTATION	31.12.2003	44.6	11
HOLDING DI PARTECIPAZIONI INDUSTRIALI SPA	BLOCKING CONSULTATION	31.12.2001	46.1	13
I.M.A. INDUSTRIA MACCHINE AUTOMATICHE SPA	BLOCKING VOTING	10.10.2003	64.8	4
IDRA PRESSE SPA	JOINT SALE VOTING	11.06.2001	59.6	2
IFI SPA	PRE-EMPTIVE	NONE	3.49 PRIV	10
IFIL SPA	BLOCKING	NONE	1.2	2
IFIL SPA	BLOCKING	13.10.2001	4.6	2
IFIL SPA	BLOCKING	NONE	4.9	2
IMPREGILO SPA	BLOCKING	25.11.2001	7.4	8
INFERENTIA SPA	VOTING BLOCKING	26.05.2003	75.0	4
INTEK SPA <sup>10</sup>	VOTING	30.01.2002	60.8	4

<sup>10</sup> Indirect vis-à-vis Quattrodedue Holding bv.

- CONT. -

APPENDIX

- TABLE a1.6 cont. -

COMPANY	TYPE OF AGREEMENT	EXPIRY	COVERAGE	NUMBER OF PARTICIPANTS
ISTITUTO BANCARIO SAN PAOLO DI TORINO - ISTITUTO MOBILIARE ITALIANO SPA	VOTING	ANNUAL ACS 31.12.00	36.4	6
IT HOLDING SPA	BLOCKING	10.09.02	0.8	3
LA DORIA SPA	BLOCKING VOTING CONSULTATION	30.06.02	70.0	8
LA GAIANA SPA	BLOCKING CONSULTATION	ANNUAL ACS 31.12.02	75.6	4
LA RINASCENTE SPA <sup>11</sup>	BLOCKING VOTING	NONE	54.2	2
LOCAT SPA	BLOCKING VOTING CONSULTATION	18.12.02	77.9	2
MANULI RUBBER INDUSTRIES SPA	BLOCKING VOTING CONSULTATION	ANNUAL ACS 31.12.00	40.0	6
MARANGONI SPA	BLOCKING VOTING CONSULTATION	30.06.01	59.0	4
MARCOLIN SPA	BLOCKING	26.04.02	69.4	4
MEDIASET SPA	B L O C K I N G VOTING	IND	49.7	2
MEDIOBANCA SPA	BLOCKING	30.07.01	0.1	2
MEDIOBANCA SPA	BLOCKING VOTING CONSULTATION	31.03.01	50.5	34
MEDIOLANUM SPA	BLOCKING VOTING CONSULTATION	01.07.01	51.0	7
MIRATO SPA	BLOCKING VOTING		50.9	4
NECCHI SPA	BLOCKING VOTING	30.09.02	20.7	10
NOVUSPHARMA SPA	BLOCKING	14.04.02	1.4	40
NOVUSPHARMA SPA	BLOCKING	14.04.03	10.9	6
OLIVETTI SPA - ING. C. OLIVETTI & C. <sup>12</sup>	BLOCKING VOTING	03.11.02	25.2	18
ON BANCA SPA	BLOCKING VOTING	13.07.03	55.0	3
ON BANCA SPA	BLOCKING VOTING	13.07.03	55.7	3
ON BANCA SPA	BLOCKING VOTING	13.07.03	68.1	3

<sup>11</sup> Indirect vis-à-vis Eurofind. <sup>12</sup> Indirect vis-à-vis Bell sa.

- CONT. -

- TABLE aI.6 cont. -

COMPANY	TYPE OF AGREEMENT	EXPIRY	COVERAGE	NUMBER OF PARTICIPANTS
OPENGATE SPA	BLOCKING VOTING	31.12.2001	31.6	27
PIRELLI & C. ACCOMANDITA PER AZIONI	BLOCKING CONSULTATION	15.04.2001	59.2	11
PIRELLI SPA	BLOCKING	31.07.2003	2.4	2
PIRELLI SPA	BLOCKING	01.08.2003	2.4	2
PREMUDA SPA	BLOCKING CONSULTATION		49.6	3
RENO DE MEDICI SPA <sup>13</sup>	VOTING JOINT SALE	30.09.2002	32.1	4
RENO DE MEDICI SPA	VOTING BLOCKING	01.07.2001	38.4	2
ROLO BANCA 1473 SPA	VOTING BLOCKING	17.12.2003	70.8	5
SABAF SPA <sup>14</sup>	VOTING BLOCKING	20.10.2003	54.5	4
SAES GETTERS SPA	VOTING BLOCKING	15.02.2002	57.8	33
SAFILO SPA <sup>15</sup>	VOTING BLOCKING	31.12.2001	59.6	7
SAVINO DEL BENE SPA	BLOCKING VOTING	31.12.2001	47.6	8
SEAT - PAGINE GIALLE SPA	VOTING	ANNUAL ACS 31.12.2000	69.0	14
SIRTI SPA <sup>16</sup>	BLOCKING VOTING	03.08.2003	50.1	6
SMI SPA	BLOCKING	31.12.2001	50.1	3
SNIA SPA <sup>17</sup>	BLOCKING VOTING	ANNUAL ACS 31.12.2001	28.8	14
TAS TECNOLOGIA AVANZATA DEI SISTEMI SPA	VOTING BLOCKING	31.12.2002	67.0	4
TISCALI SPA	VOTING BLOCKING	07.09.2003	59.5	3
TXT E-SOLUTIONS SPA	BLOCKING	22.06.2003	30.9	7
UNIPOL SPA <sup>18</sup>	B L O C K I N G VOTING	30.06.2001	56.8	37

<sup>13</sup> Indirect vis-à-vis San Nicola spa. <sup>14</sup> Indirect vis-à-vis Giuseppe Saleri srl. <sup>15</sup> Indirect vis-à-vis Fimit. <sup>16</sup> Indirect vis-à-vis Hilux. <sup>17</sup> Indirect vis-à-vis Bios. <sup>18</sup> Indirect vis-à-vis Finsoe.



TABLE aI.7

**LOCK-UP AGREEMENTS INVOLVING COMPANIES LISTED ON THE NUOVO MERCATO**  
(SITUATION AT 31 DECEMBER 2000)

COMPANY	START OF TRADING	COMPULSORY LOCK-UPS <sup>1</sup>		VOLUNTARY LOCK-UPS <sup>2</sup>		
		EXPIRY	HOLDING LOCKED UP <sup>3</sup>	EXPIRY	HOLDING LOCKED UP <sup>3</sup>	HOLDING LOCKED UP <sup>4</sup>
ACOTEL	09/08/2000	09/08/2001	80	09/08/2001	100	4.79
AISOFTWARE <sup>5</sup>	01/08/2000			31/05/2001	80	17.06
ART'È	31/05/2000	31/05/2001	80	01/05/2001	80	49.31
BBBIOTECH <sup>5</sup>	19/10/2000					
BIOSEARCH	31/07/2000	31/07/2001	80			
CAD IT	26/10/2000	26/10/2001	80	April 2001	100	64.9
				Oct. 2001	80	60.67
CAIRO	18/07/2000	18/07/2001	80	19/07/2001	100	73.79
CDB WEB	20/03/2000	20/03/2001	80			
CDC	06/07/2000	06/07/2001	80	06/01/2001	100	80.8
CHL	02/06/2000	02/06/2001	80	02/06/2001	100	77.38
				Dec. 2001	100	18.88
CTO	04/08/2000	04/08/2001	80	02/08/2001	100	54.23
				21/06/2004	100	4.29
DADA	29/06/2000	29/06/2001	80	June 2001	100	65.83
				June 2002	80	22.36
				June 2003	80	17.89
DATA SERVICE	18/10/2000	18/10/2001	80	18/10/2001	100	61.47
DATAMAT	12/10/2000	12/10/2001	80	April 2001	100	48.84

<sup>1</sup> Article 2.2.3 of the Nuovo Mercato Rules states that shareholders who became such in the twelve months preceding the date of submittal of the application for admission to listing, the founder members of the company and its directors and managers shall undertake, with effect from the date of the submittal of application, not to sell, offer, pledge or, in general, carry out transactions involving a quantity equal to at least 80 per cent of the ordinary shares of the issuer they held at the date of submittal of the application. The lock-up undertaking shall last for one year from the date of the start of trading and shall extend to the shares acquired by such persons prior to that date. The undertaking shall not apply to shareholders other than directors and managers who hold an equity interest of less than 2% of the ordinary share capital. For start-ups the undertaking shall refer to 100 per cent of the shares held for the first year and to 80 per cent for the second year. Consequently, in such cases the quantity "blocked" is not shown because the size of the holdings of less than 2 per cent held at the date of the submittal of the application for listing is not known. <sup>2</sup> Voluntary lock-ups are undertakings entered into with the global coordinator by shareholders selling shares as part of the placement contract. Such undertakings do not fall within the scope of Article 122 of Legislative Decree 58/1998 (see Consob Communication DIS/29486 of 18 May 2000). <sup>3</sup> As a percentage of the capital held by the shareholders who have entered into the lock-up undertaking. <sup>4</sup> As a percentage of the company's share capital. <sup>5</sup> Company with shares already listed on other regulated markets.

- CONT. -

- TABLE aI.7 cont. -

COMPANY	START OF TRADING	COMPULSORY LOCK-UPS		VOLUNTARY LOCK-UPS		
		EXPIRY	HOLDING LOCKED UP	EXPIRY	HOLDING LOCKED UP	HOLDING LOCKED UP
DIGITAL BROS	10/20/00	10/20/01	80	10/20/01	100	79.9
				4/20/02	80	63.92
DMAIL.IT	12/22/00	10/22/01	100	12/22/01	100	63.27
		10/22/02	80	12/22/02	80	50.61
E.BISCOM	3/30/00	3/30/01	100			
		3/30/02	80			
EL.EN	12/12/00	12/12/01	80	6/12/01	100	61.31
ENGINEERING	12/12/00	12/12/01	80	9/12/01	100	73.05
E.PLANET	8/3/00	8/3/01	100	Feb. 2001	100	77.1
		8/3/02	80	Aug. 2001	80	61.68
EUPHON	7/4/00	7/4/01	80	1/4/01	100	68.3
FIDIA	11/27/00	11/27/01	80	11/27/01	100	66.83
FINMATICA	10/16/00			10/16/01	100	69.76
FREEDOMLAND	4/14/00	4/14/01	100	4/14/01	100	65.68
		4/14/02	80	4/14/02	80	52.54
GANDALF	12/23/99	12/23/01	80	6/23/00	100	34.67
I.NET	4/4/00	4/4/01	80	4/4/01	80	40.65
				4/4/01	100	25.62
INFERENTIA	8/1/00	8/1/01	80	2/1/01	100	79.3
MONDO TV	6/28/00	6/28/01	80	12/28/00	100	76.96
NOVUSPHARMA	11/9/00	11/9/01	80			
ONBANCA	7/28/00	7/28/01	80	Jan. 2001	100	78
REPLY	12/6/00	12/6/01	80	June 2001	100	63.25
				Dec. 2001	80	50.6
TAS	5/26/00	5/26/01	80			
TC SISTEMA	8/4/00	8/4/01	80			
TECNODIFFUSIONE	10/29/99			4/29/00	100	50.15
				10/29/00	80	40.12
TXT-E.SOLUTIONS	7/12/00	7/12/01	80			
VITAMINIC	10/12/00	10/12/01	100	4/12/01	100	70.36
		10/12/02	80			

TABLE aI.8

## TENDER OFFERS INVOLVING LISTED COMPANIES IN 2000

BIDDER	TARGET COMPANY'S SHARES	TYPE OF OFFER	OFFER PRICE <sup>1</sup>	OFFER QUANTITY <sup>2</sup>	OFFER PERIOD
FIAT	COMAU ORD	RESIDUAL	6.25	3.5	12.01-04.02
SHERATON INT. INC	CIGA ORD	VOLUNTARY	0.90	27.1	21.01-10.02
	CIGA RNC		1.10	53.0	
SAMOFIN INT. SA	ELIOS HOLDING MILANO SA ORD	MANDATORY	0.31	9.1	07.02-25.02
TELECOM ITALIA	TELECOM ITALIA RNC	VOLUNTARY	6.50	34.3	17.02-17.03
ACQUA ITALIA	ACQ. DE FERRARI GALLIERA ORD	TAKEOVER	6.72	100	28.02-20.03
	ACQ. DE FERRARI GALLIERA RNC		2.33	100	
INA	ASSITALIA ORD	VOLUNTARY	5.92	6.6	28.02-24.03
HOLDING MAC. UTENSILI	GILDEMEISTER ITALIANA ORD	TAKEOVER	4.52	100	06.03-10.05
G.I. HOLDING	GILDEMEISTER ITALIANA ORD	TAKEOVER	4.75	100	30.03-10.05
COMPART	MONTEDISON ORD	VOLUNTARY	1.85	63.9	09.03-29.03
	MONTEDISON RCV		1.85	33.5	
	MONTEDISON RNC		1.10	87.9	
FINMECCANICA	FIAR ORD	RESIDUAL	3.60	6.8	13.03-07.04
SEAT PAGINE GIALLE	GRUPPO BUFFETTI ORD	TAKEOVER	16.03	100	20.03-07.04
MILANO CENTRALE	UNIONE IMMOBILIARE ORD	RESIDUAL	0.52	7.5	31.03-20.04
CINQUEDI	CASTELGARDEN ORD	RESIDUAL	5.32	3.1	03.04-28.04
ACQUA ITALIA	ACQ. NICOLAY ORD	MANDATORY	2.85	76.1	26.04-17.05
TELECOM ITALIA	SEAT- PAGINE GIALLE ORD	TAKEOVER	4.20	70.1	08.05-26.05
	SEAT - PAGINE GIALLE RNC		2.94	100	
NUOVA STRATEGIA	DEROMA HOLDING ORD	RESIDUAL	7.87	2.0	09.05-29.05
DIECI	CARTIERE BURGO ORD	TAKEOVER	10.20	84.3	29.05-16.06
	CARTIERE BURGO RNC		10.20	80.5	
	CARTIERE BURGO PRIV		10.20	100	
FIAT	TORO ASSICURAZIONI ORD	VOLUNTARY	16.00	30.5	12.06-03.07
	TORO ASSICURAZIONI PRIV		12.00	16.3	
	TORO ASSICURAZIONI RNC		12.00	9.3	
	TORO ASSICURAZIONI WARR		7.50	100	
FIAT	MAGNETI MARELLI ORD	VOLUNTARY	5.50	18.0	03.07-24.07
	MAGNETI MARELLI RNC		3.80	56.9	

Source: Consob archive of offer documents. <sup>1</sup> In euros. For offers to exchange, unless indicated otherwise in the offer document, the consideration in securities is valued at the market price of the day preceding the announcement of the offer.

<sup>2</sup> As a percentage of the securities of the same class in issue.

- CONT. -

- Table aI.8 cont. -

BIDDER	TARGET COMPANY'S SHARES	TYPE OF OFFER	OFFER PRICE	OFFER QUANTITY	OFFER PERIOD
FIN.PART	FRETTE ORD	RESIDUAL	7.48	5.4	24.07-25.08
LUNA HOLDING	CRED. FOND.E IND. DIR. DI OPZ.	TAKEOVER	0.52	100	26.07-17.08
LEONARDO	AEROPORTI DI ROMA ORD	MANDATORY	9.13	48.8	25.09-27.10
COMPART	FALCK ORD	MANDATORY	9.00	49.7	02.10-20.10
	FALCK RCV		9.00	70.5	
COMPART	SONDEL ORD	MAND./CASCADE	3.85	96.5	02.10-20.10
BCA POPOLARE DI LODI	BCA POPOLARE DI CREMA ORD	TAKEOVER	105	100	05.10-25.10
RAS	ALLIANZ SUBALPINA ORD	VOLUNTARY	13	35.0	16.10-06.11
WIRETEL	SIRTI ORD	TAKEOVER	1.50	100	02.11-22.11
SAN PAOLO-IMI	BCO DI NAPOLI ORD	MANDATORY	1.53	43.9	08.11-28.11
FIAT	TORO ASSICURAZIONI ORD	RESIDUALE	16.86	2.6	30.11-22.12
	TORO ASSICURAZIONI PRIV		13.30	2.0	
	TORO ASSICURAZIONI RNC		13.30	1.0	
	TORO ASSICURAZIONI WARR		8.34	8.9	

TABLE aI.9

## ACCEPTANCES OF TENDER OFFERS INVOLVING LISTED COMPANIES IN 2000

BIDDER	TARGET COMPANY'S SHARES	SHARES ACQUIRED <sup>1</sup>	PERCENTAGE HELD BY THE BIDDER <sup>2</sup>	VALUE OF THE OFFER <sup>3</sup>
FIAT	COMAU ORD	72.1	99.1	5.5
SHERATON INT.. INC	CIGA ORD	96.1	99.0	243.7
	CIGA RNC	70.8	85.5	14.2
SAMOFIN INT. SA	ELIOS HOLDING MILANO SA ORD	8.9	71.1	0.2
TELECOM ITALIA	TELECOM ITALIA RNC	0.2	0.1	11.7
ACQUA ITALIA	ACQ. DE FERRARI ALLIERA ORD	66.6	66.6	100.1
	ACQ. DE FERRARI GALLIERA RNC	63.5	63.5	22.3
INA	ASSITALIA ORD	80.3	98.7	57.5
HOLDING MAC. UTENSILI	GILDEMEISTER ITALIANA ORD	89.0	86.0	112.7
G.I. HOLDING	GILDEMEISTER ITALIANA ORD	0.0	0.0	0.0
COMPART	MONTEDISON ORD	89.2	93.4	2730.2
	MONTEDISON RVC	52.9	84.2	2.1
	MONTEDISON RNC	78.1	80.8	284.2
FINMECCANICA	FIAR ORD	77.0	98.4	1.8
SEAT PAGINE GIALLE	GRUPPO BUFFETTI ORD	96.3	96.3	701.6
MILANO CENTRALE	UNIONE IMMOBILIARE ORD	84.3	98.8	154.1
CINQUEDI	CASTELGARDEN ORD	95.5	99.9	5.4
ACQUA ITALIA	ACQ. NICOLAY ORD	4.6	27.4	1.3
TELECOM ITALIA	SEAT - PAGINE GIALLE ORD	11.9	8.3	1425.0
	SEAT - PAGINE GIALLE RNC	22.6	22.6	961.2
NUOVA STRATEGIA	DEROMA HOLDING ORD	85.8	99.7	2.9
DIECI	CARTIERE BURGO ORD	90.7	92.2	981.7
	CARTIERE BURGO RNC	80.0	83.9	3.8
	CARTIERE BURGO PRIV	40.5	40.5	2.7
FIAT	TORO ASSICURAZIONI ORD	88.9	97.3	379.1
	TORO ASSICURAZIONI PRIV	87.2	97.9	26.6
	TORO ASSICURAZIONI RNC	89.4	99.0	61.4
	TORO ASSICURAZIONI WARR	91.0	91.0	51.4

Source: Notices issued by Borsa Italiana spa. <sup>1</sup> As a percentage of the offer quantity. <sup>2</sup> After the offer, as a percentage of the company's share capital. <sup>3</sup> In millions of euros, calculated on the basis of the quantity actually acquired. For offers to exchange, unless indicated otherwise in the offer document, the consideration in securities is valued at the market price of the day preceding the announcement of the offer.

- CONT. -

- TABLE a1.9 cont. -

BIDDER	TARGET COMPANY'S SHARES	SHARES ACQUIRED	PERCENTAGE HELD BY THE BIDDER	VALUE OF THE OFFER
FIAT	MAGNETI MARELLI ORD	90.3	98.3	269.3
	MAGNETI MARELLI RNC	86.1	92.1	8.6
FINANCIAL .PART	FRETTE ORD	61.5	97.7	5.1
LUNA HOLDING	CRED. FOND. E IND DIR. DI OPZ.	40.5	40.5	26.2
LEONARDO	AEROPORTI DI ROMA	86.8	93.5	929.2
COMPART	FALCK ORD	89.4	74.8	461.8
	FALCK RCV	51.1	65.5	0.3
COMPART	SONDEL ORD	15.4	18.3	154.4
BCA POPOLARE DI LODI	BCA POPOLARE DI CREMA ORD	97.2	97.2	374.7
RAS	ALLIANZ SUBALPINA ORD	85.4	94.9	159.2
WIRETEL	SIRTI ORD	50.1	50.1	165.8
SAN PAOLO IMI	BCO DI NAPOLI ORD	94.5	97.6	1186.6
FIAT	TORO ASSICURAZIONI ORD	83.1	99.6	31.5
	TORO ASSICURAZIONI PRIV	60.4	99.2	2.5
	TORO ASSICURAZIONI RNC	46.4	99.5	3.6
	TORO ASSICURAZIONI WARR	92.1	99.3	5.1

TABLE aII.1

**CONTROLS ON CORPORATE INFORMATION AND OWNERSHIP STRUCTURES  
(2000)**

	NUMBER
REQUESTS FOR INFORMATION	89
REQUESTS UNDER ARTICLE 115.3 LEGISLATIVE DECREE 58/1998 (SHAREHOLDERS)	68
INSPECTIONS	--
REQUESTS TO PUBLISH DATA AND NEWS	17
REPORTS TO THE COURTS UNDER ARTICLE 2409 OF THE CIVIL CODE	2
WRITTEN REPRIMANDS	12
CHALLENGE OF THE ANNUAL ACCOUNTS	1

TABLE aII.2

**INTERLOCKING DIRECTORSHIPS ON THE BOARDS OF LISTED COMPANIES**

	1999			2000		
	NUMBER	DIRECTORSHIPS		NUMBER	DIRECTORSHIPS	
		IN THE GROUP	IN OTHER GROUPS		IN THE GROUP	IN OTHER GROUPS
<i>DIRECTORS ON ONLY ONE BOARD</i>	1,493	1,493	--	1,539	1,539	--
<i>DIRECTORS ON MORE THAN ONE BOARD</i>	296	335	467	298	312	490
OF WHICH:						
- 2 DIRECTORSHIPS	181	148	214	188	144	232
- 3 DIRECTORSHIPS	72	90	126	65	69	126
- 4 DIRECTORSHIPS	17	23	45	20	27	53
- 5 DIRECTORSHIPS	13	35	30	12	30	30
- 6 DIRECTORSHIPS	6	18	18	5	13	17
- 7 DIRECTORSHIPS	3	9	12	4	13	15
- 8 DIRECTORSHIPS	3	10	14	3	13	11
- 9 DIRECTORSHIPS	--	--	--	1	3	6
- 10 DIRECTORSHIPS	1	2	8	--	--	--

Source: Consob.

TABLE aII.3

**SALARY OF DIRECTORS AND INTERNAL AUDITORS  
OF THE MAIN LISTED COMPANIES IN 1999<sup>1</sup>**

	FIXED REMUNERATION	FRINGE BENEFITS	BONUSES	OTHER <sup>2</sup>	TOTAL
<i>1° QUARTILE</i>					
EXECUTIVE DIRECTORS	1.3	..	0.1	0.4	1.6
NON-EXECUTIVE DIRECTORS	0.8	..	0.2	0.7	1.5
AUDITORS	0.3	..	--	..	0.4
<i>2° QUARTILE</i>					
EXECUTIVE DIRECTORS	1.6	..	1.8	0.7	2.7
NON-EXECUTIVE DIRECTORS	1.8	..	1.2	0.9	2.9
AUDITORS	0.3	--	--	..	0.3
<i>3° QUARTILE</i>					
EXECUTIVE DIRECTORS	1.2	0.1	0.5	0.4	1.7
NON-EXECUTIVE DIRECTORS	1.1	..	0.4	0.2	1.4
AUDITORS	0.3	..	..	0.1	0.4
<i>4° QUARTILE</i>					
EXECUTIVE DIRECTORS	2.6	0.4	1.0	4.0	6.5
NON-EXECUTIVE DIRECTORS	2.0	..	0.4	0.9	3.0
AUDITORS	0.4	..	..	0.3	0.7

Source: 1999 annual accounts. <sup>1</sup> Averages in billions of lire. The figures refer to 53 companies included in the Mib30 and Midex indexes. The quartiles refer to market capitalization. <sup>2</sup> The item includes emoluments for positions held in the group and one-off payments.



TABLE aII.4

**CORPORATE INFORMATION POSTED ON THE WEBSITES  
OF THE MAIN COMPANIES ADMITTED TO THE ITALIAN STOCK EXCHANGE  
(SITUATION AT 31 DECEMBER 2000)**

	PERIODIC ACCOUNTING INFORMATION	PRESS RELEASES	MARKET DATA ON THE SECURITIES	RESEARCH REPORTS ON THE COMPANY	INFORMATION ON THE GOVERNING BODIES	SHAREHOLDERS AND/OR SHAREHOLDINGS	INVESTOR RELATIONS SECTION
ACEA	YES	YES			YES <sup>2</sup>	YES	
AEM	YES <sup>3,4</sup>	YES	YES		YES	YES	
ALITALIA		YES				YES	
ALLEANZA	YES	YES	YES		YES		YES
AUTOSTRADA	YES	YES		YES	YES		
B.CA DI ROMA	YES	YES		YES			YES
B.CA FIDEURAM	YES	YES <sup>1</sup>	YES				YES
B.CA INTESA	YES	YES	YES	YES	YES	YES <sup>2</sup>	YES
BNL	YES <sup>4</sup>	YES <sup>1</sup>	YES		YES	YES	YES
BIPOP-CARIRE	YES	YES	YES		YES		YES
COMIT	YES	YES		YES	YES		YES
EDISON	YES	YES					
ENEL	YES <sup>3,4</sup>	YES	YES	YES	YES		YES
ENI	YES <sup>3,4</sup>	YES	YES		YES <sup>2</sup>		
FIAT	YES <sup>5</sup>	YES		YES	YES		YES
FINMECCANICA	YES <sup>4</sup>	YES	YES		YES	YES	
GENERALI	YES	YES			YES <sup>5</sup>		
INA <sup>6</sup>							
ITALGAS	YES	YES	YES	YES	YES	YES	
L'ESPRESSO							
MEDIASET	YES	YES	YES		YES	YES	YES
MEDIOBANCA	YES <sup>3,4</sup>	YES		YES	YES	YES	YES
MEDIOLANUM	YES	YES					YES
MONDADORI							
MONTEDISON	YES <sup>4</sup>	YES			YES		YES
OLIVETTI	YES	YES	YES		YES		
RAS	YES	YES	YES		YES		YES
SANPAOLO - IMI	YES	YES	YES			YES	YES
TELECOM	YES <sup>3,4</sup>	YES	YES		YES		
TIM	YES <sup>3</sup>	YES	YES		YES <sup>2</sup>		
UNICREDITO	YES <sup>3</sup>	YES	YES	YES	YES	YES	YES

<sup>1</sup> The releases are not dated. <sup>2</sup> The purchases and sales of the company's securities by persons holding positions in the company are shown. <sup>3</sup> The bylaws are also available. <sup>4</sup> There is a self-regulatory code of corporate governance. <sup>5</sup> The management is shown. <sup>6</sup> Website under construction.

TABLE aII.5

**CORPORATE INFORMATION POSTED ON THE WEBSITES  
OF THE MAIN COMPANIES LISTED ON THE NUOVO MERCATO**  
(SITUATION AT 31 DECEMBER 2000)

	PERIODIC ACCOUNTING INFORMATION	PRESS RELEASES	MARKET DATA ON THE SECURITIES	RESEARCH REPORTS ON THE COMPANY	INFORMATION ON THE GOVERNING BODIES	SHAREHOLDERS AND/OR SHAREHOLDINGS	INVESTOR RELATIONS SECTION
ACOTEL	YES	YES			YES <sup>5</sup>		
AISOFTW@RE	YES	YES				YES	YES
ART <sup>3</sup> È	YES	YES	YES		YES <sup>5</sup>		YES
BB BIOTECH	YES		YES	YES	YES	YES	
BIOSEARCH	YES	YES			YES <sup>5</sup>		
CAIRO COMMUNICATION							
CDB WEB TECH	YES	YES	YES	YES	YES		YES
CDC	YES	YES			YES		YES
CHL	YES	YES					YES
CTO							
DADA	YES	YES	YES		YES		YES
DATA SERVICE	YES	YES			YES		YES
DIGITAL BROS		YES	YES		YES	YES	YES
E.BISCOM	YES	YES	YES	YES	YES <sup>5</sup>	YES	YES
E.PLANET	YES	YES	YES		YES	YES	YES
EUPHON	YES					YES	YES
FIDIA							
FINMATICA	YES	YES	YES		YES <sup>5</sup>	YES	YES
FREEDOMLAND- ITALIAN	YES	YES	YES		YES <sup>5</sup>		
GANDALF	YES	YES					YES
I.NET	YES	YES	YES		YES <sup>5</sup>		YES
MONDO TV		YES			YES <sup>5</sup>		
ON BANCA		YES	YES		YES	YES	YES
OPENGATE	YES	YES			YES		YES
POLIGRAFICA S. FAUSTINO	YES	YES	YES		YES	YES	YES
PRIMA INDUSTRIE	YES	YES	YES				
TAS	YES	YES			YES <sup>5</sup>		YES
TC SISTEMA	YES	YES	YES				YES
TECNODIFFUSIONE ITALIA	YES	YES	YES				YES
TISCALI	YES	YES	YES				YES
TXT E-SOLUTION	YES	YES			YES <sup>5</sup>		YES
VITAMINIC		YES	YES		YES <sup>5</sup>		

<sup>1</sup> The releases are not dated. <sup>2</sup> The purchases and sales of the company's securities by persons holding positions in the company are shown. <sup>3</sup> The bylaws are also available. <sup>4</sup> There is a self-regulatory code of corporate governance. <sup>5</sup> The management is shown. <sup>6</sup> Website under construction.

TABLE aII.6

**AUDITS OF THE UNCONSOLIDATED AND CONSOLIDATED ANNUAL ACCOUNTS  
OF COMPANIES LISTED ON ITALIAN REGULATED MARKETS**

TYPE OF OPINION	1996	1997	1998	1999
OPINIONS WITH CALLS FOR ADDITIONAL DISCLOSURE	328	197	197	217
QUALIFIED OPINIONS CONCERNING:				
- DISAGREEMENT ABOUT ACCOUNTING TREATMENTS	8	6	1	--
- LIMITATIONS ON THE CONDUCT OF THE AUDIT	4	3	2	2 <sup>1</sup>
- UNCERTAINTIES	--	3	--	--
ADVERSE OPINIONS AND DISCLAIMERS				
- ADVERSE OPINION	1	--	1	--
- DISCLAIMER OWING TO SERIOUS LIMITATIONS	1	--	1	1
- DISCLAIMER OWING TO SERIOUS UNCERTAINTIES	2	1	--	1

See the methodological notes. <sup>1</sup>In one case an opinion that was qualified owing to limitations in performing the audit was also qualified owing to disagreement about accounting treatments.

TABLE aII.7

**CONCENTRATION OF THE MARKET FOR EXTERNAL AUDITING <sup>1</sup>**

	REVENUES				NUMBER OF STATUTORY AUDITS			
	1996	1997	1998	1999	1996	1997	1998	1999
FIRST FIRM	22.2	23.6	24.4	21.9	24.4	20.6	19.9	22.3
FIRST THREE FIRMS	55.3	59.4	56.0	55.5	52.6	49.9	50.6	47.8
FIRST SIX FIRMS	92.2	90.4	90.7	90.4	84.1	83.6	83.6	88.3

<sup>1</sup> Auditing firms entered in the register kept by Consob. Percentage market shares.

TABLE aIII.1

**OWNERSHIP STRUCTURE OF COMPANIES ADMITTED TO THE ITALIAN STOCK EXCHANGE**  
(PERCENTAGES OF VOTING CAPITAL)

	BEFORE THE OFFERING		AFTER THE OFFERING	
	CONTROLLING SHAREHOLDERS	SHAREHOLDERS WITH MORE THAN 2 PER CENT	CONTROLLING SHAREHOLDERS	SHAREHOLDERS WITH MORE THAN 2 PER CENT
<i>AVERAGE 1995</i>	79.4	96.0	56.1	62.6
<i>AVERAGE 1996</i>	78.3	94.7	52.8	61.2
<i>AVERAGE 1997</i>	81.2	90.8	55.6	61.3
<i>AVERAGE 1998</i>	89.0	98.5	57.1	59.5
<i>AVERAGE 1999</i>	91.9	98.5	57.8	59.9
<b>2000</b>				
A.S. ROMA	94.1	96.1	66.6	66.6
AEM TORINO	99.0	99.0	69.2	69.2
AEROPORTO DI FIRENZE	28.4	98.4	19.3	57.9
CALTAGIRONE EDITORE	100.0	100.0	72.0	70.6
CENTRALE LATTE TORINO	71.6	97.9	51.0	63.5
C.R. FIRENZE	94.3	98.2	69.3	73.2
FERRETTI	54.7	100.0	19.0	57.5
LAVORWASH	90.0	99.9	67.5	74.9
LUXOTTICA GROUP	71.4	76.4	69.1	74.1
MARIELLA BURANI F.G.	100.0	100.0	60.9	60.9
MELIORBANCA	87.4	75.0	65.2	56.0
SAECO GROUP	52.5	92.9	35.4	61.4
TOD'S	100.0	100.0	72.7	72.7
<i>AVERAGE 2000</i>	80.3	94.9	56.7	66.0

Source: Consob archive of prospectuses. See the methodological notes.

TABLE aIII.2

**OWNERSHIP STRUCTURE OF COMPANIES ADMITTED TO LISTING ON THE NUOVO MERCATO**  
(PERCENTAGES OF VOTING CAPITAL)

	BEFORE THE OFFERING		AFTER THE OFFERING	
	CONTROLLING SHAREHOLDERS	SHAREHOLDERS WITH MORE THAN 2 PER CENT	CONTROLLING SHAREHOLDERS	SHAREHOLDERS WITH MORE THAN 2 PER CENT
<i>AVERAGE 1999</i>	78.4	93.6	47.9	50.7
<b>2000</b>				
ACOTEL GROUP	90.0	100.0	71.0	79.0
AISOFTW@RE	24.3	48.8	21.2	40.8
ART'È	52.8	98.0	37.6	58.7
BIOSEARCH ITALIA	39.0	84.8	21.6	52.1
CAD IT	100.0	100.0	72.7	72.7
CAIRO COMMUNICATION	100.0	99.8	73.9	73.8
CDC	99.3	99.3	78.1	78.1
CHL	78.0	99.8	59.4	74.5
CTO	68.5	92.6	56.7	77.4
DADA	45.0	95.1	27.4	65.9
DATA SERVICE	54.2	89.8	40.0	59.5
DATAMAT	56.2	79.1	41.4	53.8
DIGITAL BROS	100.0	100.0	79.3	79.3
DMAIL.IT	60.2	84.6	46.7	64.0
E.BISCOM	100.0	90.6	78.4	71.0
EL.EN.	83.8	96.6	59.2	68.0
ENGINEERING	43.9	92.1	35.1	70.5
EPLANET	38.5	96.4	30.8	77.1
EUPHON	63.6	99.5	51.1	68.1
FIDIA	94.0	96.6	70.0	66.8
FREEDOMLAND-ITALIAN	85.2	95.2	65.7	71.5
I.NET	63.8	96.0	50.8	74.8
INFERENTIA	100.0	100.0	75.0	73.5
MONDO TV	83.0	98.0	64.7	77.0
NOVUSPHARMA	77.5	96.1	46.5	59.3
ONBANCA	97.5	97.5	78.0	78.0
REPLY	78.1	95.9	60.3	73.0
TAS	100.0	100.0	70.6	68.5
TC SISTEMA	27.8	100.0	21.3	74.5
TXT E-SOLUTIONS	58.1	81.0	44.6	61.2
VITAMINIC	40.1	94.9	30.6	72.4
<i>AVERAGE 2000</i>	71.1	93.5	53.5	68.9

Source: Consob archive of prospectuses. See the methodological notes.

TABLE aIII.3

## COMPANIES ADMITTED TO LISTING: RESULTS OF OFFERINGS

	QUOTA ALLOTTED TO THE PUBLIC <sup>1</sup>	QUOTA ALLOTTED TO ITALIAN INSTITUTIONAL INVESTORS <sup>1</sup>	QUOTA ALLOTTED TO FOREIGN INSTITUTIONAL INVESTORS <sup>1</sup>	RATIO OF DEMAND TO SUPPLY <sup>2</sup>	
				PUBLIC OFFERING	INSTITUTIONAL OFFERING
<b>ITALIAN STOCK EXCHANGE</b>					
1995	42.3	15.6	42.1	3.3	6.8
1996	40.5	24.3	35.2	4.0	5.9
1997	31.4	24.5	44.1	9.2	9.4
1998	44.4	27.2	28.4	4.5	18.0
1999	44.6	23.6	31.8	13.4	6.7
2000	48.7	26.4	24.8	2.9	4.5
<b>NUOVO MERCATO</b>					
1999	27.3	32.6	40.2	28.0	9.5
2000	27.2	25.8	45.0	16.6	7.5

Source: Consob. See the methodological notes. <sup>1</sup> Averages weighted according to the values of the offerings; percentages. The figures for the Italian Stock Exchange in 1999 do not include Enel offer. <sup>2</sup> Arithmetic means.

TABLE aIII.4

ROLE OF INVESTMENT BANKS IN IPOS<sup>1</sup>  
(MARKET CONCENTRATION)

	GLOBAL COORDINATOR <sup>2</sup>				LEAD MANAGER <sup>3</sup>			
	1997	1998	1999	2000	1997	1998	1999	2000
TOP RANKING <sup>4</sup>	36.8	20.7	25.9	18.1	57.0	58.5	45.9	33.7
FIRST THREE <sup>4</sup>	71.0	59.8	71.7	45.0	79.0	87.6	74.2	65.0
FIRST FIVE <sup>4</sup>	89.0	74.6	81.2	59.7	91.4	93.0	84.5	79.7
NUMBER OF TRANSACTIONS	10	15	26	43	10	15	26	44
VALUE OF TRANSACTIONS <sup>5</sup>	833	1,839	5,032	6,728	261	816	2,196	2,418

Source: Based on listing particulars. See the methodological notes. <sup>1</sup> The indicators of concentration refer to the value of the offerings on the Italian Stock Exchange. The figures for 1999 include the offerings on the Nuovo Mercato but do not include the Enel offering. <sup>2</sup> The figures refer to the global offerings. <sup>3</sup> The figures refer only to the public offerings in Italy. <sup>4</sup> Percentages. <sup>5</sup> Millions of euros.

TABLE aIII.5

**PLACEMENT OF SHARES AND CONVERTIBLE BONDS OF LISTED COMPANIES<sup>1</sup>**  
(BILLIONS OF EUROS)

OFFERINGS AIMED AT	PRIMARY OFFERINGS			SECONDARY OFFERINGS			TOTAL		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
THE PUBLIC	0.4	0.4	1.8	7.1	14.4	5.0	7.4	14.8	6.8
EMPLOYEES	0.3	0.2	..	0.4	0.9	0.1	0.8	1.1	0.2
INSTITUTIONAL INVESTORS	1.1	0.8	4.8	3.8	10.5	2.5	4.9	11.3	7.3
SHAREHOLDERS	7.1	21.7	2.6	--	--	--	7.1	21.7	2.6
OTHER	—	—	..	—	—	..	—	—	..
<i>TOTAL</i>	<i>8.9</i>	<i>23.2</i>	<i>9.4</i>	<i>11.3</i>	<i>25.8</i>	<i>7.6</i>	<i>20.2</i>	<i>49.0</i>	<i>17.0</i>

Source: Consob archive of prospectuses and notices issued by Borsa Italiana spa. See the methodological notes. <sup>1</sup> The figures refer to companies listed on the Italian Stock Exchange. As of 1999 they include companies listed on the Nuovo Mercato.

TABLE aIII.6

**PLACEMENT OF BONDS<sup>1</sup>**  
(MILLIONS OF EUROS)

OFFERINGS AIMED AT	1996	1997	1998	1999	2000
THE PUBLIC	6,573	6,728	9,730	6,734	5,180
EMPLOYEES	--	--	--	--	--
INSTITUTIONAL INVESTORS	247	--	52	6,250	3,362
SHAREHOLDERS	11	--	56	7	287
<i>TOTAL</i>	<i>6,830</i>	<i>6,728</i>	<i>9,837</i>	<i>12,991</i>	<i>8,829</i>
<i>OF WHICH :ISSUED BY BANKS</i>	<i>4,584</i>	<i>6,463</i>	<i>9,601</i>	<i>6,335</i>	<i>5,542</i>
<i>NUMBER OF TRANSACTIONS</i>	<i>35</i>	<i>28</i>	<i>55</i>	<i>52</i>	<i>23</i>

Source: Consob archive of prospectuses, notices issued by Borsa Italiana spa and notices published in Il Sole24Ore. See the methodological notes. <sup>1</sup> The figures refer to public offerings of bonds by banks for which application for listing is made and to offerings of bonds by listed issuers.

TABLE aIII.7

**SALES OF SHARES OF LISTED COMPANIES SUBJECT TO PUBLIC-SECTOR CONTROL  
BY MEANS OF PUBLIC OFFERINGS AND INSTITUTIONAL PLACEMENTS**

	DATE	VALUE <sup>1</sup>	SELLER	HOLDING SOLD <sup>2</sup>	OFFERING AIMED AT <sup>3</sup>			
					THE PUBLIC	EMPLOY- EES	FOREIGN BUYERS	INST. INVESTORS
CREDIT ORDINARY	4.12.1993	886	IRI	63.1	36.3	—	—	26.8
CREDIT SAVINGS	4.12.1993	44	IRI	17.4	—	17.4	—	—
IMI	31.01.1994	1,231	TREASURY ET AL.	36.5	14.8	0.8	—	20.9
COMIT	26.02.1994	1,493	IRI	51.9	26.9	3.5	—	21.5
INA	27.06.1994	2,340	TREASURY	47.2	31.6	0.6	—	15.0
ENI	21.11.1995	3,254	TREASURY	15.0	4.3	0.7	3.3	6.7
IMI	7.07.1996	259	TREASURY	6.9	—	—	—	6.9
AMGA	7.10.1996	107	GENOA MUNICIPALITY	49.0	17.6	0.8	—	30.6
ENI	21.10.1996	4,582	TREASURY	15.8	8.0	0.8	2.0	5.0
MONTEFIBRE	08.07.1996	94	ENICHEM	66.4	8.2 <sup>4</sup>	—	—	58.2
ISTITUTO BANC. SAN PAOLO	19.05.1997	1,374	SAN PAOLO BANKING GROUP TREASURY ET AL.	31.0	12.3	2.4	—	16.3
ENI	23.06.1997	6,805	TREASURY	17.6	9.9	0.8	2.3	4.6
AEROPORTI DI ROMA	15.07.1997	307	IRI	45.0	15.5	0.9	—	28.6
TELECOM	20.10.1997	9,778	TREASURY	32.9	24.3	3.3	1.1	4.2
BANCA DI ROMA	24.11.1997	1,379	IRI	36.6 <sup>5</sup>	26.7 <sup>6</sup>	2.4	—	7.5
SAIPEM	17.03.1998	383	ENI	17.1	—	—	—	17.1
ALITALIA	22.05.1998	406	IRI	18.4	—	—	—	18.4
ENI	22.06.1998	6,594	TREASURY	14.0	10.5	0.6	—	2.8
AEM	14.07.1998	761	MILAN MUNICIPALITY	49.0	28.9	0.5	—	19.6
BNL	16.11.1998	2,620	TREASURY	64.7	34.8	3.6	—	26.3
B.CA MONTE PASCHI	18.06.1999	2,217	MONTE PASCHI FOUNDATION	21.2	7.6	2.0	—	11.6
ACEA	09.07.1999	934	ROME MUNICIPALITY	49.0	15.7	10.5	—	22.9
ACSM	20.10.1999	18	COMO MUNICIPALITY	25.0	13.5	1.4	—	10.1
ENEL	29.10.1999	16,550	TREASURY	31.7	18.5	1.5	....	14.5 <sup>7</sup>
AUTOSTRADE	03.12.1999	3,805	IRI	48.0	41.0	0.7	—	6.2
FINMECCANICA	29.05.2000	6,570 <sup>8</sup>	IRI	44.0	33.7	0.7	—	10.7
AEROPORTO DI FIRENZE	03.07.2000	18	SUNDRY	29.0	10.5	—	—	18.5
CASSA DI RISPARMIO DI FIRENZE	10.07.2000	320	ENTE CASSA DI RISPARMIO DI FIRENZE	25.0	15.0	1.7	—	9.8
AEM TORINO	22.11.2000	112	TURIN MUNICIPALITY	14.6	6.3	—	—	8.3
ACSM	29.11.2000	42	COMO MUNICIPALITY	24.0	18.3	0.4	—	5.4

Source: Consob and the Treasury Ministry, "Report to Parliament on the sale of holdings in companies controlled directly or indirectly by the State under Article 13.6 of Law 474/1994", various years. <sup>1</sup> Millions of euros. <sup>2</sup> Percentages of the pre-offering share capital. The figures do not include any bonus shares but do include the shares corresponding to the greenshoe option actually exercised. <sup>3</sup> Percentages of the pre-offering share capital. The figures include the entire over-allotment or greenshoe option actually exercised. <sup>4</sup> Includes the 2.5 per cent reserved to shareholders. <sup>5</sup> Figure calculated with reference to the post-offering share capital. <sup>6</sup> Includes the 1.5 per cent reserved to shareholders. <sup>7</sup> Includes the public offering abroad. <sup>8</sup> Includes the issue of 0.9 billion euros of convertible bonds.



TABLE aIII.8

**SALES OF SHARES OF LISTED COMPANIES SUBJECT TO PUBLIC-SECTOR CONTROL  
BY MEANS OF PRIVATE NEGOTIATIONS  
(1996 - 2000)**

	BUYER	DATE SALE COMPLETED	HOLDING SOLD <sup>1</sup>	TOTAL VALUE <sup>2</sup>	DATE OF MANDATORY TENDER OFFER <sup>3</sup>
DALMINE	TECHINT SIDERCA	27.02.1996	84.1	156	9.04.1996
SEAT	ABN-AMRO BAIN CAPITAL COMIT BC PARTNERS CVC CAPITAL PARTNER INVESTITORI ASS. DE AGOSTINI SOFIPA	25.11.1997	61.3 <sup>4</sup>	849	—
BANCO DI NAPOLI <sup>5</sup>	INA-BNL	11.06.1997	60.0	32	—
SAN PAOLO <sup>6</sup>	IFI/IFIL IMI BANCO SANTANDER REALE MUTUA ASSIC. MONTE PASCHI KREDIETBANK	23.04.1997	19.0	594	—
	ALTRI <sup>7</sup> (INA. HDI. CREDIT LOC. FRANCE. CREDIT COMMISSION. BELGIQUE)	24.04.1997	3.0	134	
TELECOM <sup>6</sup>	AT&T UNISOURCE IMI CREDIT CREDIT SUISSE ASS. GENERALI COMPAGNIA S.PAOLO IFIL COMIT MONTE PASCHI FONDAZ. CARIPLO INA ALLEANZA ASS. ROLO BANCA	29-30.09.1997	9.0	2.040 <sup>8</sup>	—
BANCA DI ROMA <sup>6</sup>	TORO <sup>9</sup> ALTRI <sup>7</sup>	09.12.1997 09.12.1997	4.1 15.1	155 639	—
BNL <sup>6</sup>	BANCO BILBAO VIZCAYA INA BCA POP VICENTINA	29.09.1998	25.0	1,335	—
AUTOSTRAD	EDIZIONE HOLDING SPA FOND. CASSA RISP. TORINO AUTOPISTAS CONC. ESPANOLA SA INA UNICREDIT BRISA AUTOSTRAD DE PORTUGAL SA	09.03.2000	30.0	2,516	—
AEROPORTI DI ROMA	CONSORZIO LEONARDO (GEMINA. FALCK. ITALPETROLI. IMPREGILO)	31.07.2000	51.2	1,327	25.09.2000

Source: Consob and the Treasury Ministry "Report to Parliament". See the methodological notes. <sup>1</sup> As a percentage of the ordinary share capital. <sup>2</sup> Millions of euros. <sup>3</sup> Date tender offer started. <sup>4</sup> The sale included 0.8 per cent of the capital in the form of savings shares. <sup>5</sup> Transaction effected by means of a competitive auction. <sup>6</sup> The date refers to the signing of the agreement. The figures refer to the *noyveau dur*. <sup>8</sup> The figure does not include the sale of 1.2 per cent of the ordinary shares to AT&T and Unisource, subject to the conclusion of strategic alliances with Telecom. <sup>9</sup> The figure does not include the sale of 172 millions of euros of convertible bonds.

TABLE aIII.9

**SHARE OFFERINGS IN ITALY BY FOREIGN ISSUERS**  
(2000)

	VALUE OF THE PUBLIC OFFERING IN ITALY <sup>1</sup>	RATIO OF THE PUBLIC OFFERING IN ITALY TO THE GLOBAL OFFERING <sup>2</sup>
<i><b>PAN-EUROPEAN PUBLIC OFFERINGS</b></i>		
DEUTSCHE TELEKOM AG	788.0	6.2
DEUTSCHE POST AG	109.2	1.9
KPN NV	87.8	2.3
<i><b>OFFERS TO EMPLOYEES</b></i>		
TOTALFINA SA	0.7	1.5
THOMSON CSF SA	0.2	0.4
ALSTOM SA	0.6	0.4
AXA SA	3.3	5.4
BANCO SANTANDER CENTRAL HISPANO SA	4.2	0.2
RHODIA SA	1.2	1.7
TECHNIP SA	1.4	5.7
THOMSON MULTIMEDIA SA	3.9	3.5
AVENTIS SA	4.8	0.7
USINOR SA	4.1	5.7
ACCOR SA	0.6	1.4
<i><b>OFFERINGS FOR LISTING PURPOSES</b></i>		
BB BIOTECH AG	69.9	36.9
<i>TOTAL</i>	<i>1,079.9</i>	

<sup>1</sup> Millions of euros. <sup>2</sup> Calculated on the basis of the maximum number of shares provided for in the global offering. Percentages.

TABLE aIV.1

## INDICATORS OF THE ITALIAN EQUITY MARKETS

	1995	1996	1997	1998	1999	2000
<i>ITALIAN STOCK EXCHANGE</i>						
CAPITALIZATION <sup>1,2</sup>	168.1	199.4	309.9	484.1	714.1	790.3
TURNOVER IN SHARES <sup>1</sup>	72.5	80.8	174.3	423.0	503.0	838.5
NUMBER OF LISTED COMPANIES (ITALIAN)	217	213	209	219	241	237
NUMBER OF NEWLY-LISTED COMPANIES (ITALIAN)	14	14	14	25	28	16
NUMBER OF COMPANIES DELETED (ITALIAN)	16	18	18	15	6	20
INCREASES IN CAPITAL (INCLUDING IPOs) <sup>1</sup>	4.4	2.3	5.4	8.9	23.4	5.2
SECONDARY OFFERINGS <sup>1</sup>	3.4	5.6	18.4	11.4	24.3	7.1
TENDER OFFERS <sup>1</sup>	1.1	0.7	1.0	2.0	54.6	12.1
CHANGE IN THE HISTORICAL MIB INDEX <sup>3</sup>	-6.9	13.1	58.2	41.0	22.3	5.4
RATIO DIVIDENDS/PRICES <sup>3</sup>	1.8	2.1	1.7	1.6	1.5	2.1
RATIO PROFITS/PRICES <sup>3</sup>	7.0	6.9	4.6	3.9	3.4	4.5
<i>MERCATO RISTRETTO</i>						
CAPITALIZATION <sup>1,2</sup>	3.6	3.3	4.8	4.1	5.4	5.9
TURNOVER IN SHARES <sup>1</sup>	0.4	0.4	0.7	2.2	0.9	1.2
NUMBER OF LISTED COMPANIES	33	31	26	20	17	15
<i>NUOVO MERCATO</i>						
CAPITALIZATION <sup>1,2</sup>	—	—	—	—	7.0	22.2
TURNOVER IN SHARES <sup>1</sup>	—	—	—	—	3.5	29.5
NUMBER OF LISTED COMPANIES (ITALIAN)	—	—	—	—	6	39
INCREASES IN CAPITAL (INCLUDING IPOs) <sup>1</sup>	—	—	—	—	0.2	4.2
SECONDARY OFFERINGS <sup>1</sup>	—	—	—	—	0.04	0.6
CHANGE IN THE NM INDEX <sup>3</sup>	—	—	—	—	536 <sup>4</sup>	-25.5

Sources: Borsa Italiana spa, Consob and Primark. <sup>1</sup> Billions of euros. <sup>2</sup> The figure for capitalization refers to Italian companies, <sup>3</sup> Percentages. <sup>4</sup> From 17 June 1999 to 30 December 1999.

TABLE aIV.2

**LISTED GOVERNMENT SECURITIES AND PRIVATE-SECTOR BONDS**

	1995	1996	1997	1998	1999	2000
<i>LISTED SECURITIES<sup>1</sup></i>						
GOVERNMENT SECURITIES	638.5	909.5	926.4	949.9	962.4	976.2
BONDS	30.2	36.9	46.1	52.3	66.1	88.7
<i>TOTAL LISTED SECURITIES</i>	<i>668.7</i>	<i>946.4</i>	<i>972.5</i>	<i>1,002.2</i>	<i>1,023.5</i>	<i>1,064.9</i>
<i>SECURITIES IN ISSUE<sup>1</sup></i>						
GOVERNMENT SECURITIES	941.0	993.3	1,005.6	1,079.1	1,092.2	1,134.6 <sup>2</sup>
BONDS	123.6	157.2	206.8	237.2	254.8	276.3 <sup>2</sup>
<i>TOTAL SECURITIES IN ISSUE</i>	<i>1,064.6</i>	<i>1,150.5</i>	<i>1,212.4</i>	<i>1,316.3</i>	<i>1,347.0</i>	<i>1,410.9<sup>2</sup></i>
<i>TURNOVER RATE FOR LISTED SECURITIES<sup>3</sup></i>						
GOVERNMENT SECURITIES	13.3	15.2	18.0	16.9	15.8	14.5
BONDS	16.2	19.8	20.6	27.3	21.0	13.6

Sources: Based on Bank of Italy and Borsa Italiana spa data. <sup>1</sup> End-of-period stocks calculated on the basis of nominal values; billions of euros. <sup>2</sup> At end-September 2000. <sup>3</sup> Ratios of the value of securities traded in the period to the value of the end-of-period stock; percentages.

TABLE aV.1

**REQUESTS FOR INFORMATION IN CONNECTION WITH  
INSIDER TRADING AND MARKET MANIPULATION**

REQUESTS ADDRESSED TO	1997	1998	1999	2000
AUTHORIZED INTERMEDIARIES <sup>1</sup>	220	324	416	492
LISTED COMPANIES AND THEIR CONTROLLERS	37	14	22	33
INDIVIDUALS	49	50	48 <sup>2</sup>	11
GOVERNMENT DEPARTMENTS	22	10	--	4
FOREIGN AUTHORITIES	11	17	21	30
<i>TOTAL</i>	<i>339</i>	<i>415</i>	<i>507</i>	<i>570</i>

<sup>1</sup> Banks, investment firms, asset management companies and stockbrokers. <sup>2</sup> In 10 cases the persons concerned were also heard; in the other 38 cases Consob only requested information.

TABLE aV.2

**MARKET PARTICIPANTS REPORTED TO THE JUDICIAL AUTHORITY  
ON SUSPICION OF INSIDER TRADING OR MARKET MANIPULATION**

	INSIDER TRADING				MARKET MANIPULATION			
	1997	1998	1999	2000	1997	1998	1999	2000
AUTHORIZED INTERMEDIARIES <sup>1</sup>	11	17	21	24	3	7	10	1
INSTITUTIONAL INSIDERS <sup>2</sup>	12	31	26	11	21	2	5	2
OTHERS <sup>3</sup>	41	34	56	149	--	--	34	1
FOREIGN RESIDENTS	17	32	48	34	--	2	2	1
<i>TOTAL</i>	<i>81</i>	<i>114</i>	<i>151</i>	<i>218</i>	<i>24</i>	<i>11</i>	<i>51</i>	<i>5</i>

<sup>1</sup> Banks, investment firms, asset management companies and stockbrokers. <sup>2</sup> Shareholders, directors and managers of listed companies. <sup>3</sup> So-called secondary insiders and tippees (under Article 180.2 of Legislative Decree 58/1998).

TABLE aVI.1

**STRUCTURE OF THE MUTUAL FUND MARKET IN ITALY:  
ITALIAN OPERATORS<sup>1</sup>**

(SITUATION AT 31 DECEMBER; AMOUNTS IN BILLIONS OF EUROS)

	1996	1997	1998	1999	2000
MUTUAL FUND MANAGEMENT COMPANIES IN OPERATION	53	53	59	54	55
<i>FUNDS IN OPERATION</i>					
- EQUITY	235	277	321	356	435
- BALANCED	57	53	57	61	82
- BOND	239	296	325	337	382
- LIQUIDITY	—	—	—	33	35
- FLEXIBLE	—	—	—	29	33
<i>TOTAL</i>	<i>531</i>	<i>626</i>	<i>703</i>	<i>816</i>	<i>967</i>
<i>NET NEW CASH FLOW</i>					
- EQUITY	-0.5	15.5	24.0	32.1	39.4
- BALANCED	-1.4	3.2	12.1	15.7	17.1
- BOND	33.4	55.1	125.4	3.6	-68.7
- LIQUIDITY	—	—	—	6.9	-0.6
- FLEXIBLE	—	—	—	2.7	4.7
<i>TOTAL</i>	<i>31.5</i>	<i>73.8</i>	<i>161.5</i>	<i>61.0</i>	<i>-6.8</i>
<i>ASSETS UNDER MANAGEMENT</i>					
- EQUITY	17.9	40.2	74.0	140.3	155.7
- BALANCED	6.7	11.4	28.9	51.1	72.7
- BOND	77.1	137.9	269.4	257.2	191.4
- LIQUIDITY	—	—	—	21.1	22.5
- FLEXIBLE	—	—	—	5.5	7.6
<i>TOTAL</i>	<i>101.7</i>	<i>189.5</i>	<i>372.3</i>	<i>475.2</i>	<i>449.9</i>

Sources: Assogestioni and Consob. See the methodological notes. <sup>1</sup> Including Sicavs.

TABLE aVI.2

**STRUCTURE OF THE MARKET FOR COLLECTIVE INVESTMENT UNDERTAKINGS IN ITALY:  
FOREIGN OPERATORS**  
(SITUATION AT 31 DECEMBER)

	1996	1997	1998	1999	2000
<i>FOREIGN COMPANIES<sup>1</sup></i>	64	78	102	123	193
WITH REGISTERED OFFICE IN:					
- LUXEMBOURG	53	65	86	104	161
- BELGIUM	--	2	2	2	2
- GERMANY	1	1	1	1	5
- FRANCE	9	9	9	10	8
- IRELAND	1	1	4	5	16
- AUSTRIA	--	--	--	1	1
<i>FUNDS/SUBFUNDS DISTRIBUTED IN ITALY</i>	446	603	833	1,134	2,346

Sources: Consob archive of prospectuses and Luxor - FI.DATA archive. <sup>1</sup> Companies that offer units/shares of collective investment undertakings subject to the Community directives to the public in Italy.

TABLE aVI.3

**PORTFOLIO MANAGEMENT SERVICES OF INVESTMENT FIRMS AND BANKS**  
(PERCENTAGE COMPOSITION OF ASSETS UNDER MANAGEMENT)

	INVESTMENT FIRMS <sup>1</sup>				BANKS			
	1997	1998	1999	2000 <sup>2</sup>	1997	1998	1999	2000 <sup>2</sup>
GOVERNMENT SECURITIES	48.7	40.3	22.6	21.8	60.6	44.4	30.5	22.6
ITALIAN BONDS	7.2	5.1	3.2	2.2	6.1	3.5	2.9	2.4
FOREIGN BONDS	10.7	8.7	6.0	5.9	6.0	6.0	6.0	5.6
EQUITIES	13.3	10.0	11.8	9.9	4.8	5.2	6.9	6.4
UNITS/SHARES OF UCITS	17.5	33.9	53.4	57.8	19.0	36.8	50.7	60.0
LIQUIDITY AND OTHER SECURITIES	2.6	2.0	2.8	2.4	3.5	4.1	2.9	3.0
<i>TOTAL</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: Based on Bank of Italy data. <sup>1</sup> Including trust companies. <sup>2</sup> First six months.

TABLE aVI.4

**REGISTERED INVESTMENT FIRMS<sup>1</sup>**  
(1991-2000)

	REGISTERED INVESTMENT FIRMS	NEW REGISTRATIONS	CANCELLATIONS
1991	255	255	—
1992	356	110	9
1993	326	19	49
1994	289	12	49
1995	284	20	25
1996	236	4	52
1997	212	3	27
1998	191	9	30
1999	183	12	20
2000	171	15	27
<i>TOTAL</i>		459	288

Source: Consob. <sup>1</sup> Including trust companies.

TABLE aVI.5

**INTERMEDIARIES CLASSIFIED BY AUTHORIZED INVESTMENT SERVICES**

	INVESTMENT FIRMS				BANKS			
	1997	1998	1999	2000	1997	1998	1999	2000
<i>NUMBER OF AUTHORIZED INTERMEDIARIES</i>	212	191	183	171	829	806	813	781
DEALING FOR OWN ACCOUNT	81	69	60	55	560	569	607	587
DEALING FOR CUSTOMER ACCOUNT	83	72	65	60	543	547	544	532
PLACEMENT WITH FIRM COMMITMENT UNDERWRITING <sup>1</sup>	44	38	37	36	224	240	276	276
PLACEMENT WITHOUT FIRM COMMITMENT UNDERWRITING <sup>1</sup>	117	106	111	109	545	585	737	726
INDIVIDUAL PORTFOLIO MANAGEMENT	113	102	99	91	192	220	256	253
RECEPTION AND TRANSMISSION OF ORDERS	90	80	75	79	824	805	798	766

Sources: Consob and Bank of Italy. <sup>1</sup> Includes placement with outright purchase or underwriting..



TABLE aVI.6

**ITALIAN CLOSED-END INVESTMENT FUNDS**  
(SITUATION AT 31 DECEMBER; AMOUNTS IN BILLIONS OF EUROS)

	1996	1997	1998	1999	2000
NUMBER OF FUNDS <sup>1</sup>	4	7	9	9	11
- OF WHICH: IN OPERATION <sup>2</sup>	4	4	8	9	9
SHAREHOLDERS' EQUITY	371.8	459.6	0.6	0.6	0.6
OUTSTANDING INVESTMENTS	64.5	281.5	397.7	474.1	....
- OF WHICH: IN UNLISTED SHARES <sup>5</sup>	13.4	44.4	119.3	229.8	....

Source: Annual and half-yearly reports. See the methodological notes. <sup>1</sup> Number of funds that have filed a prospectus. <sup>2</sup> Funds that have completed their fund-raising activity.

TABLE aVI.7

**NATIONAL INVESTORS COMPENSATION FUND**  
(SITUATION AT 31 DECEMBER 2000)

		INVESTMENT FIRMS	STOCK- BROKERS	TRUST COMPANIES	TOTAL
INSOLVENCIES <sup>1</sup>	1992	1	--	--	1
	1993	5	1	3	9
	1994	4	--	--	4
	1995	3	1	--	4
	1996	4	2	--	6
	1997	1	--	--	1
	<i>TOTAL BANKRUPTCIES</i>		18	4	3
NUMBER OF CREDITORS ADMITTED		7,074	2,229	304	9,607
TOTAL VALUE OF CLAIMS ADMITTED <sup>2</sup>		360,679	330,778	23,585	715,042
NUMBER OF APPLICATIONS TO THE FUND		4,388	1,217	206	5,811
VALUE OF CLAIMS IN APPLICATIONS TO THE FUND <sup>2</sup>		324,899	234,416	22,888	582,203
<i>INDEMNITIES IN RESPECT OF APPLICATIONS<sup>2</sup></i>		80,621	57,663	5,723	144,007
- INDEMNITIES COMMITTED DRAWING ON AVAILABLE ASSETS		70,883	36,937	5,723	113,543
- REMAINING INDEMNITIES TO BE COMMITTED		9,738	20,726	--	30,464

Source: Based on National Investors Compensation Fund data. <sup>1</sup> For which the statement of liabilities was filed before 1 February 1998. <sup>2</sup> Millions of lire.

TABLE aVI.8

**REGISTER OF FINANCIAL SALESMEN  
(1995-2000)**

	REGISTERED FINANCIAL SALESMEN <sup>1</sup>	REGISTRATIONS <sup>2</sup>	CANCELLATIONS <sup>2</sup>	TURNOVER <sup>3</sup>
1995	25,902	4,512	1,344	14.8
1996	27,105	3,236	1,443	6.9
1997	27,994	2,922	1,961	3.5
1998	33,063	6,358	1,402	17.7
1999	42,810	10,383 <sup>4</sup>	1,278	27.5
2000	49,856	8,774	1,085	18.0

Source: Consob. <sup>1</sup> At 31 December of each year. <sup>2</sup> The figures do not include revocations of earlier registration and deletion decisions. <sup>3</sup> Ratio of registrations net of deletions to the total number of registered financial salesmen at the end of the previous year; percentages. <sup>4</sup> Of which 1,8000 added by right pursuant to Article 3 of Ministerial Decree 322/1997.

TABLE aVI.9

**CANCELLATIONS OF FINANCIAL SALESMEN FROM THE REGISTER**

	ON A PROPOSAL FROM THE REGIONAL COMMISSIONS	ON CONSOB'S INITIATIVE	ON OTHER GROUNDS
1995	746	34	564
1996	603	22	818
1997	997	40	924
1998	240	90 <sup>1</sup>	1,072 <sup>3</sup>
1999	—	665 <sup>2</sup>	613 <sup>4</sup>
2000	—	431 <sup>5</sup>	654 <sup>4</sup>
<i>TOTAL</i>	<i>2,586</i>	<i>1,282</i>	<i>4,645</i>

Source: Consob. <sup>1</sup> Of which 86 debarments and 4 revocations of registration decisions. <sup>2</sup> Of which 70 debarments, 3 revocations of registration decisions, 560 deletions for failure to pay fees, 4 for failure to satisfy the registration requirements, 28 owing to death. <sup>3</sup> Of which 1,044 at the request of the financial salesmen concerned. <sup>4</sup> At the request of the financial salesmen concerned. <sup>5</sup> Of which 49 debarments, 5 revocations of registration decisions, 351 for failure to pay fees, 1 for failure to satisfy the registration requirements, 52 owing to death.

TABLE aVII.1

**APPEALS TO ADMINISTRATIVE COURTS AGAINST  
MEASURES ADOPTED BY CONSOB AND THE MINISTRY OF THE TREASURY  
ACTING ON A PROPOSAL FROM CONSOB, 1998-2000**

TYPE OF PLAINTIFF	NUMBER	SUBJECT OF APPEAL	OUTCOME AT 31 DECEMBER 2000 <sup>1</sup>	
			REGIONAL TRIBUNAL	COUNCIL OF STATE
<b>1998</b>				
FINANCIAL SALESMAN	14 <sup>2</sup>	DEBARMENT	SUSPENSION GRANTED (3) SUSPENSION REJECTED (1) ACCEPTED (3) REJECTED (3) UNDER WAY (4)	PLAINTIFF'S APPEAL UNDER WAY (1)
FINANCIAL SALESMAN	14 <sup>3</sup>	PENALTY SUSPENSION	SUSPENSION GRANTED (1) SUSPENSION REJECTED (2) ACCEPTED (7) UNDER WAY (4)	
FINANCIAL SALESMAN	9 <sup>4</sup>	PRECAUTIONARY SUSPENSION	SUSPENSION GRANTED (1) SUSPENSION REJECTED (2) UNDER WAY (6)	PLAINTIFF'S APPEAL REJECTED (2)
FINANCIAL SALESMAN	2	DELETION FROM REGISTER	SUSPENSION GRANTED (1) UNDER WAY (1)	CONSOB'S APPEAL ACCEPTED (1)
FINANCIAL SALESMAN	2	DENIAL OF ACCESS TO DOCUMENTS	REJECTED (2)	UNDER WAY (1)
FINANCIAL SALESMAN	1 <sup>5</sup>	DENIAL OF REGISTRATION	UNDER WAY (1)	
FINANCIAL SALESMAN	1	RESOLUTION ANNULLING DEBARMENT	SUSPENSION REJECTED (1)	
INVESTMENT FIRM	1	COMPULSORY ADMIN. LIQUIDATION	SUSPENSION REJECTED (1)	
INVESTMENT FIRM	2	SPECIAL ADMINISTRATION	SUSPENSION REJECTED (2)	
INVESTMENT FIRM	1	DENIAL OF EXTENSION OF AUTHORIZATION	UNDER WAY (1)	
INVESTMENT FIRM	1	DENIAL OF ACCESS TO DOCUMENTS	REJECTED (1)	PLAINTIFF'S APPEAL REJECTED (1)
INVESTMENT FIRM	1	ASCERTAINMENT IMPLICIT DELETION MEASURE	SUSPENSION REJECTED (1)	
STOCKBROKER	2	PENALTY SUSPENSION <sup>6</sup>	SUSPENSION REJECTED (2)	
AUDITING FIRM	2	ORDER NOT TO USE PARTNER	SUSPENSION REJECTED (1)	CONSOB'S APPEAL ACCEPTED (1)
DIRECTOR	1	REGULATORY PROVISIONS <sup>7</sup>	REJECTED (1)	
SHAREHOLDER LISTED COMPANY	1	DENIAL OF ACCESS TO DOCUMENTS	REJECTED (1)	
OTHER	2	REGULATORY PROVISIONS <sup>8</sup>	SUSPENSION REJECTED (1) UNDER WAY (1)	
OTHER	1	ANTITRUST DECISION AND MISLEADING ADVERTS	SUSPENSION REJECTED (1)	
<i>TOTAL</i>	58			

<sup>1</sup> In brackets the number of cases. Suspension granted/rejected refers to the provisional order of the Regional Administrative Tribunal in response to the plaintiff's request for the suspension of the effects of the measure appealed against.<sup>2</sup> In 3 cases an appeal was also made to the Pretore. In another 4 cases the appeal was made to a Tribunal was not competent; in 2 cases the Council of State appointed the Lazio Tribunal to hear the appeal. <sup>3</sup> In 9 cases an appeal was also made to the Pretore. In another case an intermediary appealed against 14 decisions involving 14 financial salesmen (4 debarments and 10 penalty suspensions). In 2 cases the Tribunal was not competent; in both cases the Council of State appointed the Lazio Tribunal to hear the appeal. <sup>4</sup> In 1 case the Tribunal was not competent; the Council of State appointed the Lazio Tribunal to hear the appeal. In one case Consob did not appear in court. <sup>5</sup> The appeal was made against the Lazio Regional Commission for the register of financial salesmen and notified to Consob, which did not appear in court. <sup>6</sup> Disciplinary measures adopted by the Ministry of the Treasury. <sup>7</sup> Article 32 of Consob Regulation 11520/1998. <sup>8</sup> Article 80.1a) of Consob Regulation 11522/1998 and Article 5of Consob Regulation 11523/1998. - CONT. -

- TABLE aVII.1 cont.-

TYPE OF PLAINTIFF	NUMBER	APPEAL AGAINST	OUTCOME AT 31 DECEMBER 2000	
			REGIONAL TRIBUNAL	COUNCIL OF STATE
<b>1999</b>				
FINANCIAL SALESMAN	14 <sup>9</sup>	DEBARMENT	SUSPENSION GRANTED (4) SUSPENSION REJECTED (9) REJECTED (1)	CONSOB'S APPEAL ACCEPTED (2)
FINANCIAL SALESMAN	11 <sup>10</sup>	PENALTY SUSPENSION	SUSPENSION GRANTED (4) SUSPENSION REJECTED (1) UNDER WAY (6)	CONSOB'S APPEAL ACCEPTED (1)
FINANCIAL SALESMAN	5	PRECAUTIONARY SUSPENSION	SUSPENSION GRANTED (1) SUSPENSION REJECTED (2) UNDER WAY (2)	
FINANCIAL SALESMAN	2	DENIAL OF ACCESS TO DOCUMENTS	REJECTED (1) UNDER WAY (1) <sup>11</sup>	
FINANCIAL SALESMAN	4 <sup>12</sup>	DENIAL OF REGISTRATION	ACCEPTED (1) REJECTED (2) UNDER WAY (1)	CONSOB'S APPEAL UNDER WAY (1)
INVESTMENT FIRM	1 <sup>13</sup>	FINE	UNDER WAY (1)	
INVESTMENT FIRM	2 <sup>14</sup>	EXTRAORDINARY ADMIN.	SUSPENSION REJECTED (2)	PLAINTIFF'S APPEAL REJECTED (2)
INVESTMENT FIRM	1	DENIAL OF ACCESS TO DOCUMENTS	REJECTED (1)	
STOCKBROKER	1	PRECAUTIONARY SUSPENSION	SUSPENSION REJECTED (1)	PLAINTIFF'S APPEAL REJECTED (1)
STOCKBROKER	2	LAPSE OF REGISTRATION	SUSPENSION GRANTED (2)	CONSOB'S APPEAL REJECTED (2)
AUDITING FIRM	1	SELF-FINANCING RESOLUTION	UNDER WAY (1)	UNDER WAY
AUDITING FIRM	1	DENIAL OF ACCESS TO DOCUMENTS	ACCEPTED (1) <sup>15</sup>	UNDER WAY
LISTED COMPANY	1	REGULATORY PROVISIONS <sup>16</sup> AND CONSOB NOTE	SUSPENSION REJECTED (1)	CONSOB'S APPEAL REJECTED (1) <sup>17</sup>
OTHER	3	REGULATORY PROVISIONS	UNDER WAY (3)	
OTHER	2 <sup>18</sup>	ANTITRUST MEASURE AND MISLEADING ADVERTS	SUSPENSION REJECTED (2)	PLAINTIFF'S APPEAL REJECTED (1)
<i>TOTAL</i>	<i>51</i>			

<sup>9</sup> In 3 cases an appeal was also made to the Pretore. <sup>10</sup> One appeal was made jointly by 2 financial salesmen and another by 7. In 2 cases an appeal was also made to the Pretore. One financial salesman's appeal was made to a Tribunal that was not competent; the Council of State appointed the Lazio Tribunal to hear the case. In another case the appeal was made by an intermediary against penalties imposed on 8 of its financial salesmen. <sup>11</sup> The case has been suspended pending the ruling of the Constitutional Court on the legitimacy of Article 4.10 of Legislative Decree 58/1998. <sup>12</sup> In 2 cases Consob, to which the appeals had been notified, did not appear in court because the subject of the appeal was a denial by the Lazio Regional Commission for the register of financial salesmen. <sup>13</sup> The investment firm also appealed against the penalty to the Court of Appeal. <sup>14</sup> Two appeals against the same special administration order, one made by the investment firm and the other by its corporate officers. <sup>15</sup> Partially. <sup>16</sup> Articles 35c) and 37 of Consob Regulation 11971/1999 on issuers. <sup>17</sup> Partially. <sup>18</sup> In one case Consob, to which the appeal had been notified, did not appear in court because the subject of the appeal was the annulment of Treasury Ministry Decree 468/1998.

- CONT. -

APPENDIX

- TABLE aVII.1 cont. -

TYPE OF PLAINTIFF	NUMBER	SUBJECT OF APPEAL	OUTCOME AT 31 DECEMBER 2000	
			REGIONAL TRIBUNAL	COUNCIL OF STATE
<b>2000</b>				
FINANCIAL. SALESMAN	6	DEBARMENT	SUSPENSION GRANTED (3) SUSPENSION REJECTED (2) UNDER WAY (1)	
FINANCIAL. SALESMAN	19	PENALTY SUSPENSION	SUSPENSION GRANTED (2) SUSPENSION REJECTED (9) UNDER WAY (8)	PLAINTIFF'S APPEAL REJECTED (1)
FINANCIAL. SALESMAN	5	PRECAUTIONARY SUSPENSION	SUSPENSION REJECTED (3) REJECTED (1) UNDER WAY (1)	
FINANCIAL. SALESMAN	2	DELETION	SUSPENSION REJECTED (1) UNDER WAY (1)	
FINANCIAL. SALESMAN	1	DENIAL OF REGISTRATION	SUSPENSION REJECTED (1)	
FINANCIAL. SALESMAN	3	ANNULMENT OF A REGISTRATION DECISION	SUSPENSION GRANTED (2) REJECTED (1)	CONSOB'S APPEAL REJECTED (1)
STOCKBROKER	1	LAPSE OF REGISTRATION	SUSPENSION GRANTED (1)	
SHELL BANCA POPOLARE	1	CONSOB NOTE	UNDER WAY	
PRIVATE COMPANY (SRL)	1	BAN ON OFFERING THE UNITS OF A FUND	UNDER WAY	
AUDITING FIRM	2	DENIAL OF ACCESS TO DOCUMENTS	UNDER WAY	
		ORDER NOT TO USE PARTNER	UNDER WAY	
<i>TOTAL</i>		<i>41</i>		

TABLE aVII.2

## APPEALS TO ORDINARY COURTS AGAINST ADMINISTRATIVE PENALTIES, 1998-2000

TYPE OF PLAINTIFF	NUMBER	COURT	TYPE OF PENALTY <sup>1</sup>	OUTCOME AT 31 DECEMBER 2000 <sup>1</sup>	
				FIRST LEVEL	APPEAL
<b>1998</b>					
FINANCIAL SALESMAN	19 <sup>2</sup>	PRETORE	DEBARMENT (3)	ACCEPTED (1) REVISED PENALTY (1) DEFECT OF JURISDICTION DECLARED (1)	CASSATION (1)
			PENALTY SUSPENSION (16)	SUSPENSION GRANTED (1) ACCEPTED (5) REVISED PENALTY (3) DEFECT OF JURISDICTION DECLARED (6)	CASSATION (2)
INVESTMENT FIRM	1	PRETORE	FINE (1)	COURT OF APPEAL DECLARED COMPETENT (1)	
CORPORATE OFFICERS OF AN INVESTMENT FIRM	4 <sup>3</sup>	COURT OF APPEAL	FINE (4)	UNDER WAY (1) ACCEPTED (3)	CASSATION (3)
CORPORATE OFFICERS OF A BANK	6 <sup>4</sup>	COURT OF APPEAL	FINE (6)	REJECTED (6)	CASSATION (3)
<i>TOTAL</i>	<i>30</i>				
<b>1999</b>					
FINANCIAL SALESMAN	2 <sup>5</sup>	PRETORE	PENALTY SUSPENSION (2)	ACCEPTED (2)	CASSATION (2)
INVESTMENT FIRM	7 <sup>6</sup>	COURT OF APPEAL	FINE (7)	ACCEPTED (3) REJECTED (3) DISPUTED MATTER CEASED TO EXIST (1)	CASSATION (1)
BANK	4	COURT OF APPEAL	FINE (4)	REJECTED (2) ACCEPTED (2)	
CORPORATE OFFICERS OF AN INVESTMENT FIRM	19	COURT OF APPEAL	FINE (19)	REJECTED (1) ACCEPTED (18)	CASSATION (18)
CORPORATE OFFICERS OF A BANK	4 <sup>7</sup>	COURT OF APPEAL	FINE (4)	ACCEPTED (4)	CASSATION (4)
STOCKBROKER	2	COURT OF APPEAL	FINE (2)	ACCEPTED (1) REJECTED (1)	
CONTROLLERS OF A LISTED COMPANY	1	COURT OF APPEAL	FINE (1)	REJECTED (1)	CASSATION (1)
CONTROLLERS OF A LISTED COMPANY	1 <sup>8</sup>	COURT OF APPEAL	FINE (1)	REJECTED (1)	CASSATION (1)
FINANCIAL SALESMAN	1	COURT OF APPEAL	FINE (1)	UNDER WAY (1)	
LISTED COMPANY AND ITS CORPORATE OFFICERS	2	COURT OF APPEAL	FINE (2)	UNDER WAY (1) REJECTED (1)	
CONTROLLERS OF A LISTED COMPANY	1	COURT OF APPEAL	FINE (1)	UNDER WAY (1)	
OTHER	1 <sup>9</sup>	COURT OF APPEAL	FINE (1)	REJECTED (1)	
<i>TOTAL</i>	<i>45</i>				

<sup>1</sup> In brackets the number of cases. <sup>2</sup> In 12 cases an appeal was also made to a Regional Administrative Tribunal. <sup>3</sup> With a total of 16 plaintiffs. <sup>4</sup> With a total of 21 plaintiffs. <sup>5</sup> In 1 case an appeal was also made to a Regional Administrative Tribunal. <sup>6</sup> In one case the plaintiff's also appealed against the penalty decision to a Regional Administrative Tribunal. In another case the appeal was made jointly by the intermediary and 11 of its corporate officers. <sup>7</sup> With a total of 54 plaintiffs. <sup>8</sup> With a total of 12 plaintiffs. <sup>9</sup> The appeal, made by a company and two of its corporate officers, is against a fine imposed for the violation of Article 188 of Legislative Decree 58/1998.

- CONT. -

APPENDIX

- TABLE aVII.2 cont.-

TYPE OF PLAINTIFF	NUMBER	COURT	TYPE OF PENALTY	OUTCOME AT 31 DECEMBER 2000	
				FIRST LEVEL	APPEAL
<b>2000</b>					
FINANCIAL SALESMAN	7	TRIBUNAL	FINE (7)	SUSPENSION GRANTED (2) UNDER WAY (4) DISPUTED MATTER CEASED TO EXIST (1)	
FINANCIAL SALESMAN	1	COURT OF APPEAL	FINE	UNDER WAY	
LISTED COMPANY'S BOARD OF AUDITORS <sup>10</sup>	2	TRIBUNAL	REPORT UNDER ARTICLE 152.2 OF L.D. 58/1998	UNDER WAY (2)	
INVESTMENT FIRM	3 <sup>11</sup>	COURT OF APPEAL	FINE (3)	UNDER WAY (3)	
BANKS	7	COURT OF APPEAL	FINE (7)	REJECTED (1) UNDER WAY (6)	
CORPORATE OFFICERS OF INVESTMENT FIRMS	2 <sup>12</sup>	COURT OF APPEAL	FINE (2)	ACCEPTED (2)	CASSATION (2)
CORPORATE OFFICERS OF BANKS	5 <sup>13</sup>	COURT OF APPEAL	FINE (5)	REJECTED (1) UNDER WAY (4)	
STOCKBROKERS	1	COURT OF APPEAL	FINE (1)	REJECTED (1)	
<i>TOTAL</i>	28				

<sup>10</sup> An action brought by Consob not deriving from an appeal against an administrative penalty. <sup>11</sup> In one case the appeal was made jointly by the intermediary and 20 of its corporate officers. <sup>12</sup> With a total of 13 plaintiffs. <sup>13</sup> With a total of 111 plaintiffs.

TABLE aVII.3

**CASES HANDLED BY CONSOB LAWYERS<sup>1</sup>**

	1999	2000
PENAL CASES	1	2
CIVIL CASES, OF WHICH:	4 (3)	1
- ACTIONS FOR DAMAGES	1	1
- AN URGENT MEASURE UNDER ARTICLE 700 OF THE CODE OF CIVIL PROCEDURE	1 (1)	--
- CASES BROUGHT UNDER ARTICLE 22 OF LAW 689/1981	--	3
- CASES BROUGHT UNDER ARTICLE 195 OF LEGISLATIVE DECREE 58/1998	--	--
- REPORTS TO THE COURTS UNDER ARTICLE 152.2 OF LEGISLATIVE DECREE 58/1998	--	2
ADMINISTRATIVE CASES	3 (1)	1
<i>TOTAL</i>	10 (5)	10

<sup>1</sup> In brackets cases handled jointly by Consob lawyers and lawyers from the Avvocatura dello Stato.

TABLE aVII.4

ACTIONS FOR DAMAGES BROUGHT AGAINST CONSOB<sup>1</sup>

TYPE OF PLAINTIFF	1996	1997	1998	1999	2000 <sup>2</sup>	GROUNDS	OUTCOME AT 31 DECEMBER 2000
CLIENTS OF AN INVESTMENT FIRMS	1	1	4	9	1	OMISSION OF CONTROL ACTIVITY	UNDER WAY <sup>3</sup>
	--	1	--	--	--	OMISSION OF CONTROL ACTIVITY - CITATION UNDER ARTICLE 185.2 OF THE PENAL CODE	UNDER WAY
	--	--	--	1	--	OMISSION OF CONTROL ACTIVITY - CITATION UNDER ARTICLE 185.2 OF THE PENAL CODE	EXCLUSION OF CONSOB FROM THE PENAL PROCEEDINGS
LIQUIDATOR	--	2	--	--	--	LIBEL	UNDER WAY
	--	1	--	--	--	OMISSION OF CONTROL ACTIVITY	SUSPENDED
INVESTMENT FIRM	--	1	--	--	--	OMISSION OF CONTROL ACTIVITY - CITATION UNDER ARTICLE 106 OF THE CODE OF CIVIL PROCEDURE	UNDER WAY
	--	1	--	--	--	REFUSAL TO GRANT EXTENSION OF AN AUTHORIZATION	UNDER WAY
	--	--	--	--	1	ILLEGITIMATE CONDUCT IN THE PERFORMANCE OF SUPERVISION	UNDER WAY
SHAREHOLDER OF A LISTED COMPANY	1	--	--	--	--	CONSOb'S ILLEGITIMATE WAIVER OF TENDER OFFER OBLIGATION	UNDER WAY
	1	--	--	--	--	OMISSION OF CONTROL ACTIVITY	UNDER WAY
CLIENT OF A STOCKBROKER	1	--	--	--	--	DEPENDENT OFFENCE - CITATION UNDER ARTICLE 185.2 OF THE PENAL CODE	ACTION DISMISSED IN APPEAL COURT - APPEAL TO COURT OF CASSATION
	--	--	--	3	1	OMISSION OF CONTROL ACTIVITY	UNDER WAY
CLIENT OF A STOCKBROKER AND INV. FIRM	1	--	--	--	--	OMISSION OF CONTROL ACTIVITY	UNDER WAY
COMMITTEE OF SHAREHOLDERS	--	--	1	--	--	INTERDICTION OF UNAUTHORIZED SOLICITATION ACTIVITY	UNDER WAY
CLIENTS OF A TRUST COMPANY	--	--	--	2	--	OMISSION OF CONTROL ACTIVITY	UNDER WAY
<i>TOTAL</i>	5	7	5	15	3		

<sup>1</sup> In addition to the actions shown, there is an appeal under Article 700 of the Code of Civil Procedure by an intermediary to block a penalty procedure initiated by Consob. Appeals were also initiated in 1999 against 3 dismissals of actions for damages brought against Consob in 1994 and 1995 by clients of intermediaries. <sup>2</sup> In 2000 an additional appeal to the Court of Cassation was initiated against a Court of Appeal decision in Consob's favour in a dispute initiated in 1994. <sup>3</sup> Of which 8 actions in relation to 1999 are suspended.



TABLE aVIII.1

**INTERNATIONAL COOPERATION**  
(REQUESTS FOR COOPERATION BY GEOGRAPHICAL AREA - 2000)

SUBJECT	COUNTRY	FROM CONSOB TO FOREIGN AUTHORITIES	FROM FOREIGN AUTHORITIES TO CONSOB
INSIDER TRADING	EU	15	3
	USA	5	2
	OTHER	12	--
MARKET MANIPULATION	EU	1	--
	USA	--	--
	OTHER	--	--
UNAUTHORIZED SOLICITATION AND INVESTMENT SERVICES ACTIVITY	EU	1	1
	USA	1	--
	OTHER	1	--
TRANSPARENCY AND DISCLOSURE	EU	--	1
	USA	1	--
	OTHER	--	1
MAJOR HOLDINGS IN LISTED COMPANIES AND AUTHORIZED INTERMEDIARIES	EU	--	--
	USA	--	--
	OTHER	--	--
INTEGRITY AND EXPERIENCE REQUIREMENTS	EU	17	44
	USA	--	--
	OTHER	2	9
VIOLATION OF CONDUCT OF BUSINESS RULES	EU	2	--
	USA	--	--
	OTHER	--	--
<i>TOTAL</i>		58	61

TABLE aIX.1

**CONTRIBUTIONS BY PERSONS SUBJECT TO SUPERVISION TO THE FINANCING OF CONSOB**  
(BILLIONS OF LIRE)

	1997 <sup>1</sup>	1998 <sup>1</sup>	1999 <sup>1</sup>	2000 <sup>2</sup>
INTERMEDIARIES				
- INVESTMENT FIRMS AND STOCKBROKERS	1.3	1.2	1.1	1.0
- BANKS	5.5	5.4	6.0	6.0
AUDITING FIRMS	4.4	4.5	4.0	4.0
FINANCIAL SALESMEN <sup>3</sup>	10.3	14.7	15.2	18.9
MARKET BODIES <sup>4</sup>	2.3	2.3	2.4	2.3
ISSUERS	11.9	10.6	13.0	17.0
COLLECTIVE INVESTMENT UNDERTAKINGS	2.6	3.2	3.9	4.9
SOLICITORS OF INVESTORS	7.0	4.7	37.4	15.5
TRADERS IN SECURITIES LISTED ON MTA/MERCATO RISTRETTO	—	—	7.5	8.8
OTHER	0.3	0.4	0.5	0.5
<i>TOTAL FEE REVENUES</i>	<i>45.6</i>	<i>47.0</i>	<i>91.0</i>	<i>78.9</i>

<sup>1</sup> Final data. <sup>2</sup> Provisional data. <sup>3</sup> Including trainees. <sup>4</sup> Borsa Italiana spa, Mts spa, Cassa di compensazione e garanzia spa and Monte Titoli spa.

TABLE aIX.2

**DISTRIBUTION OF STAFF BY GRADE AND ORGANIZATIONAL UNIT<sup>1</sup>**

	MANAGERS		OFFICERS	OTHER	TOTAL
	SENIOR	JUNIOR			
<i>DIVISIONS</i>					
ISSUERS	8	26	34	-	68
INTERMEDIARIES	4	7	66	-	77
MARKETS	4	11	21	-	36
ADMIN. AND FINANCE	5	5	39	19	68
ECONOMICS	-	5	9	1	15
LEGAL SERVICES	3	2	12	-	17
EXTERNAL RELATIONS	4	6	5	-	15
RESOURCES	2	6	21	-	29
OTHER OFFICES <sup>2</sup>	9	10	45	-	64
<i>TOTAL</i>	39	78	252	20	389

See the methodological notes. <sup>1</sup> At 31 December 2000. Fixed-term employees are classified according to the equivalent grades of permanent employees. <sup>2</sup> The offices outside the division structure.

TABLE aIX.3

**APPLICATIONS FOR INFORMATION AND DOCUMENTATION ON CONSOB'S ACTIVITIES**

	1997	1998	1999	2000
<i>APPLICANTS</i>				
INSTITUTIONAL INVESTORS AND MARKET PARTICIPANTS	673	597	540	1,460
INDIVIDUAL INVESTORS, STUDENTS ET AL.	441	448	475	1,158
<i>TOTAL</i>	1,114	1,045	1,015	2,618
<i>SUBJECT OF APPLICATIONS</i>				
RESOLUTIONS, COMMUNICATIONS AND PROSPECTUSES, ETC.	451	427	310	588
TEXTS OF LAWS AND REGULATIONS	367	300	290	379
DATA AND INFORMATION	286	300	300	1,261
OTHER	10	18	115	390
<i>TOTAL</i>	1,114	1,045	1,015	2,618



## METHODOLOGICAL NOTES

### N.B.

The symbols used in the tables in the Report and the Appendix have the following meanings:

- the observed value is nil;
- the phenomenon does not exist;
- ... the phenomenon exists but the data are not known;
- .. the data are below the significance threshold.

Rounding may cause the sum of the individual items to differ from the total shown.

### ***THE OWNERSHIP OF LISTED COMPANIES***

Tables I.1, I.2, I.3, I.4, I.5 and I.6 and Tables aI.1, aI.2, aI.3 and aI.4

Consob's ownership disclosure archive is based on the disclosures referred to in Article 120 of the Consolidated Law on Financial Intermediation, whereby persons who own more than 2 per cent of the voting capital of an Italian listed company are required to notify the fact in writing to the company and to Consob, which disseminates the information to the market.

The figures shown in the tables are calculated with reference to holdings of companies' ordinary share capital.

The share held by the market means the percentage held by persons whose individual holdings are less than 2 per cent of the voting capital.

The Stock Exchange is understood to mean the Electronic Share Market ("Mercato Telematico Azionario" - MTA, managed by Borsa Italiana spa).

Table I.1 and Table aI.1

The types of control are defined as follows:

*majority control*: when a single shareholders holds more than 50% of the shares with voting rights exercisable in the ordinary shareholders' meeting;

*working control*: effective control of a corporation by a shareholder or shareholders (working in concert) with less than 51% voting interest;

*under shareholders' agreements*: when the sum of the voting rights attaching to the shares covered by the agreement is equal to more than 50% of the shares with voting rights exercisable in the ordinary shareholders' meeting or permits de facto control to be exercised.

Tables aI.5, and aI.6

The information on shareholder agreements is obtained from the disclosures required by Article 122 of the Consolidated Law on Financial Intermediation, whereby any agreement that limits or regulates participants' voting rights, creates obligations or gives rights with regard to consultation prior to the exercise of voting rights, imposes conditions on the transfer of shares, or provides for the concerted acquisition of shares must be notified to Consob within five days of its being concluded on pain of nullity.

## **CONTROLS ON LISTED COMPANIES**

Table aII.6

The types of opinion auditing firms may render are described below.

- Qualified opinion

Auditors are required to express a qualified opinion where they find: significant failures to comply with the rules governing annual accounts; significant disagreements with the directors about accounting policies; errors in the latter's application or inadequate information; significant limitations in performing the audit owing to technical obstacles or restrictions imposed by the directors; a situation of significant uncertainty not adequately described in the report or action taken by the directors which does not appear to be acceptable.

- Adverse opinion

Auditors are required to express an adverse opinion where the effects of the matters they criticize concerning significant failures to comply with the rules governing annual accounts, significant disagreements with the directors about accounting policies, errors in the latter's application or inadequate information are such as to cast doubt on the reliability and informational content of the annual accounts taken as a whole.

- Disclaimer owing to serious limitations

Auditors must issue a disclaimer where the possible effects of the limitations encountered in performing the audit are such as to prevent them from having the elements needed to express an opinion.

- Disclaimer owing to serious uncertainties

Auditors must also issue a disclaimer where they are faced with one or more situations of uncertainty such as to cast doubt on the reliability of the annual accounts taken as a whole or the continued existence of the company and they deem that the action taken or planned by the directors is based on highly questionable assumptions.

## **PUBLIC OFFERINGS, MERGERS AND SPIN-OFFS**

Tables III.1, III.2, III.3, III.4, III.5, III.6, III.7 and Tables aIII.1, aIII.2, aIII.3, aIII.4, aIII.5

The following criteria are adopted in dealing with initial public offerings:

- offerings made by foreign companies are excluded;
- the data on the amounts of offerings refer to the results of placements and include any shares allotted to institutional investors at the close of the offering under greenshoe options. Accordingly, the data are independent of whether, in connection with stabilization activity undertaken by the placers, the greenshoe option is exercised in whole or in part in the 30 days following the offering;
- the data on the development of the ownership structure are taken from prospectuses and take account of the results of offerings, including the exercise of greenshoe options;
- the determination of the percentage held by the controlling shareholder is based on a substantial criterion which takes into account all the shares held by the members of the same family, of those held by companies owned by the same person and of those not committed to a shareholder agreement; in the absence of a controlling shareholder, the leading shareholder is shown under that heading;
- own shares are deducted from the share capital of the issuer for the purpose of calculating the percentages held by major shareholders and market value;
- the data on shares placed privately with individually named persons are not included in either the public or the institutional tranche but are included in the overall amount of an offering.

Table III.5

Includes the credit and equity relationships in place at the offering date between the companies admitted to listing and the persons controlling or controlled by the sponsors or placers that handled the operation.

The credit relationships do not include transactions with commercial banks or those for which it was not possible to determine the portion of credit actually disbursed; only in some particularly important cases was account taken of the figures for credit facilities granted.

The equity relationships do not include options held by the above-mentioned persons for the purchase or subscription of shares.

Tables III.7, aIII.5 e aIII.6

The data refer exclusively to offerings of listed securities and securities issued by listed companies, initial public offerings and offerings of government-guaranteed bonds. The time classification of offerings is based on their starting dates.

The sample does not include offerings made for the purpose of restructuring the listed company's debt and reserved to creditor banks, nor to increases in capital with contributions in kind. By contrast, it includes increases in capital to service employee stock option plans. The data on public offerings include amounts reserved to issuers' clients; by contrast, amounts reserved to individually named persons are included under "Other". In some public offerings for the sale and subscription of securities for which the distribution of the sale of existing securities and the subscription of new securities by type of acquirer was not known, the breakdown was made on the basis of the total number of securities allotted to each category.

Table aIII.4

The data refer to financial intermediaries that act as global coordinators and lead managers in initial public offerings.

Where an intermediary took part in more than one IPO, the figure shown in the table is the sum of the offerings in question in relation to the market total (consisting, according to the case, of the total of the global and public offerings made during the year). Moreover, where an offering had more than one global coordinator and/or lead manager, its value was divided by the number of intermediaries, and the market share of each intermediary calculated on the basis of the amounts obtained in this way.

Table aIII.8

The data refer to listed companies at the time of the sale of the holding. The total value includes only the proceeds of the sale, without taking account of the related costs; it does not include the amount of any financial debts transferred.

## ***SECURITIES INTERMEDIARIES***

Table aVI.1

The categories of funds are based on the relevant Assogestioni classifications. From May 1995 to 31 December 1998 there were three macro-categories (equity, balanced and bond); on 1 January 1999 a new classification was introduced with five macro-categories (equity, balanced, bond, liquidity and flexible).

Table VI.2

The figures are based on prospectuses. The analysis of management companies' ownership structures not only considered their direct shareholders but also determined the beneficiary owners of significant holdings. In classifying controlling companies, reference was made to their "prevalent activity".

In the case of management companies for which there was neither a legal controller nor a shareholder agreement, an attempt was made to establish whether there existed a “coalition” relationship that, without amounting to a shareholder agreement, nonetheless allowed control to be attributed to a particular group of investors marked by a high degree of homogeneity as regards their legal nature or form and their activity.

“Joint ventures” are companies whose shares are divided into two parts on a 50-50 basis and held by non-homogeneous investors.

“Non-bank financial intermediaries” is a residual category where control is exercised by an unlisted financial company that does not engage in either banking or insurance and for which it is not possible to identify a natural person as the controller.

Table aVI.6

The item “Investments” is defined as the total assets of the fund excluding liquid balances, other assets and accrued income. The figures for unlisted shares include convertible bonds and bonds with warrants for conversion into the issuers’ shares.

Table VI.8

The figures may include more than one measure for the same intermediary.

Reprimands refer to the penalty provided for in Article 22 of Law 402/1967 for stockbrokers.

For investment firms and banks the figures refer to the proposals submitted to the Ministry of the Treasury for the application of administrative penalties and fines. The figures for 1999 consider the proposals submitted in accordance with the procedure referred to in Article 195 of the Consolidated Law on Financial Intermediation, with regard both to corporate officers for violations committed after 1 September 1996 and to intermediaries for violations committed while Law 1/1991 was in force.

The suspension measures are those referred to in Article 22 of Law 402/1967 and Article 201.4 of the Consolidated Law on Financial Intermediation.

### ***CONSOB’S ACCOUNTS, STAFF AND EXTERNAL RELATIONS***

Tables IX.2 e aIX.2

Senior managers comprise the following grades: Direttore generale, Funzionario generale, Condirettore centrale, Direttore principale, Direttore and Condirettore. Junior managers comprise the following grades: Primo funzionario, Funzionario di 1<sup>a</sup> and Funzionario di 2<sup>a</sup>. The Officers’ grade comprises: Coadiutore principale, Coadiutore, Assistente superiore, Assistente and vice Assistente.



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