

# Annual Report 2019

Rome, 31 March 2020



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# CONSOB

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COMMISSIONE NAZIONALE  
PER LE SOCIETÀ E LA BORSA



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Rome, 31 March 2020

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# CONSOB

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PER LE SOCIETÀ E LA BORSA

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### **Instructions**

The following conventional signs are used in the tables:

- quantity identified as zero;
- non-existent phenomenon;
- .... the phenomenon exists but the figures are unknown;
- .. the figures are below the significance threshold.

Data source: unless otherwise stated, data included in the tables were obtained by CONSOB as part of its institutional supervisory activities.

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CONSOB activity A





# Supervision and other institutional activities

This Report refers to the supervisory and other institutional activities carried out by CONSOB in 2019, given a very different framework from the one faced today. During the year, these activities were conducted in line with previous ones, according to the objectives outlined in the 2019-2021 Strategic Plan, for which the regulatory and operational review is already underway in the wake of the events in early 2020.

The work carried out in the past year is presented in an aggregated manner, providing specific references to the most relevant aspects of the events occurred. It required 101 Commission meetings to examine 1,246 cases, including the closure of 117 illegal websites (180 at 31 March 2020). The Commission and the Offices also participated in 324 international meetings, and their pace is increasing. Without considering the volume of documents collected and the meetings held to examine the files, given a staff of 670, about two files per capita were processed on average; each working day, staff handled about four files and, together with members of the Commission, attended more than one international meeting.

The Action plans launched by the European Commission with regard to the Capital Markets Union, FinTech and sustainable finance initiated a profound transformation of the framework within which CONSOB's institutional activity lies, sometimes anticipating European developments – as in the case of the Crowdfunding Regulation – and contributing to regulatory developments at the appropriate international and domestic levels.

The changes to the European regulatory framework taking place in recent years have meant an intense effort to adapt the Commission's secondary regulations and, where possible, to simplify and streamline the obligations of supervised entities, also with a view to encouraging the development of the Italian capital market. In some cases, regulatory amendments have led to a wider scope of supervision, with regard to which CONSOB has intensified its controls without this necessarily resulting in an increase in the financial obligations required from the supervised entities.

CONSOB participated in initiatives undertaken at European level to encourage converging supervisory practices. In particular, during 2019 some important activities were conducted in line with the methodologies developed and shared with cooperation bodies among European national authorities or coordinated by ESMA (European Securities and Markets Authority). In

the last two years, during peer reviews promoted by international institutions, CONSOB has obtained favourable assessments for some supervisory approaches adopted.

At a domestic level, with a view to preventive supervision and in order to encourage market operators to adapt to innovations in the regulatory framework, CONSOB intensified its interaction both with industry and training initiatives. The Committee of Market Operators and Investors (COMI), established by the Commission in 2018, is a permanent forum to discuss and communicate both with the industry and investors, thus encouraging their involvement in the regulatory activity of CONSOB, in application of the better regulation principles.

Cooperation with the other Authorities and Institutions was strengthened by the protocols and Memorandums of Understanding signed. Increasing interaction with the Courts, the Bank of Italy and the Italian Competition Authority (AGCM) continues; relations with the financial crime police (Guardia di Finanza) in the area of supervisory information and auditing activities expanded.

On the investor protection front, CONSOB stepped up its activity of investigating and repressing abuse (a widespread phenomenon due to the increasing use of the digital channel) and intensified its out-of-court dispute resolution activity through the Alternative Financial Dispute Resolution Scheme. The Commission also expanded financial education projects to improve the effectiveness of tools envisaged for investor protections.

Finally, in 2019 the events concerning the United Kingdom of Great Britain and Northern Ireland leaving the European Union (Brexit) engaged the Commission in intensive work to ensure the continuity of the relationship between market infrastructures, intermediaries and customers to and from the United Kingdom, as well as protecting depositors and investors.

Faced with the problems raised by the health crisis in its impact on financial performance and productive activity, a clear need has emerged to integrate the work of human professionals with the vast possibilities offered by Data science that uses artificial intelligence. This leap in working methods makes it possible to improve the timing and quality of performance, which becomes more objective and easier to verify. The capital and credit market would benefit from this broader transparency, with positive repercussions on protecting savings, as a value safeguarded by the Constitution but also a pillar on which the country's wellbeing is based.

The commitment demanded from CONSOB, and from other domestic authorities, exceeds the resources available, which in many parts of the world have been earmarked to reach the new information technology frontier. The first task is to obtain a common database available to everyone to pursue their respective goals. In order to benefit from this collective action, once the contingency has been overcome, a major effort is required to train the

workforce, especially young people, and redefine legislation. In particular, the general framework of economic law and trade union relations will be redefined, taking into account not only the immediate transition needs, but also the dynamism with which technologies and working methods evolve.

## 1 Market supervision

Market supervision is broken down into a set of controls concerning both the trading platforms (whose main indicators are shown in the Appendix Tab. al.1 - Tab. al.10) and the post-trading facilities.

### 1.1 Regulatory supervision of trading platforms

During 2019 CONSOB supervised the changes made by operators of trading facilities to the regulations of the respective markets, the related implementing provisions and the functioning rules of the multilateral trading facilities (MTF), in order to verify their compliance with applicable regulations (Tab. al.11 - Tab. al.12).

The Commission also monitored the evolving framework of Italian trading venues. Specifically, in 2019 the process of acquisition of the EuroTLX Sim Spa multilateral system by Borsa Italiana was completed, with a consequent merger by incorporation, waiver of EuroTLX's authorisation and transfer of management to Borsa Italiana without interruption as of 1 January 2020. In the second half of 2019, Borsa Italiana launched the ExtraMot Pro3 segment of the ExtraMOT multilateral trading system, dedicated to trading debt instruments issued by small and medium-sized companies (SMEs) and unlisted companies with challenging growth plans. In addition, at the end of 2019 the MTS Cyprus segment of the MTS Cash Domestic multilateral trading facility managed by MTS Spa was launched. Lastly, the e-MIDER and e-MID Repo multilateral trading facilities managed by e-MID Sim Spa ceased their operations from 1 January 2019 and 31 December 2019, respectively.

With regard to systematic internalisers (SI), supervision focused on improving the quality and consistency of the notifications made during the start-up phase and the data provided on a regular basis. As a consequence of this activity, in August 2019 CONSOB published the operational guide 'Systematic Internalisers: definition and listing requirements', aimed at clarifying how to comply with the obligations in this area, also in the light of the clarifications given by ESMA.

## 1.2 Trading and market information integrity

### *Transaction reporting*

The rules outlined by Directive 2014/65/EU (MiFID II) and Regulation (EU) no. 600/2014 (MiFIR) have considerably broadened the scope of application of the transaction reporting regime (i.e. reports on the transactions performed, received daily by the Supervisory Authority), including new trading venues, new types of financial instruments and operators other than investment firms.

In 2019, CONSOB intensified its supervision on the accuracy of the information published or received, with particular reference to both the fulfilment of pre- and post-trade transparency obligations and the timeliness and correctness of transaction reporting. In particular, more sophisticated supervisory models were developed, also based on using new IT tools to extract and analyse daily reports received from Italian intermediaries (on average about 650 thousand) and from the corresponding EU Authorities (on average about 1.7 million). During 2019, the Commission conducted about 190 types of tests, both technical (semantic errors) and analytical (content errors) on transaction reporting data and personal data flows. The results of these tests, together with the evidence acquired through an IT application developed in-house, made it possible to identify potential anomalies in the information flows coming from over 30 intermediaries and 15 European authorities (see also paragraph 3 'The modernisation and security of IT infrastructures', Chapter IV 'Application of technological innovations to supervision', Part C). This activity was accompanied by the necessary operational clarifications made to the industry, provided both directly and through ESMA.

### *Transparency and orderly conduct of trading*

As part of its pre- and post-trade transparency supervision, during 2019 CONSOB paid particular attention to the level of accessibility of data made available by trading venues and the related costs incurred by users. The transparency regime adopted by the various Italian trading venues was subject to specific in-depth examinations by analysing the information forwarded to CONSOB on a periodic basis and as part of a coordinated supervisory initiative promoted at European level. In this context, four investigations were launched to analyse how Italian trading venues publish data, including the pricing policies for market data and the related information provided to the public.

In addition, CONSOB examined and authorised 21 pre-trade transparency waiver requests submitted by Italian trading venues for non-equity financial instruments and a post-trade transparency deferral request submitted by an Italian intermediary concerning transactions performed on

non-equity financial instruments for which there is no liquid market. During the year, CONSOB also analysed the compliance with the European regulatory framework of the request-for-quote systems operated by the supervised trading venues, also in light of the interpretative indications provided by ESMA, and as result required some amendments to the existing functions.

The Commission also launched 11 investigations and, with regard to 15 financial instruments, adopted six measures suspending the use of the transparency waivers on shares as a result of the double volume cap (DVC) mechanism, following ESMA's monthly reporting of financial instruments that exceeded the set trading volume thresholds (4% of the volume traded at the individual trading venue level and 8% of the total volume for all EU trading venues). For all of the financial instruments concerned, the suspension resulted from exceeding the 8% threshold at EU level.

In 2019, an analysis was carried out on the communications of delay received by CONSOB during the first three years of application of Regulation (EU) no. 596/2014 (European Market Abuse Regulation - MAR; i.e. from 3 July 2016) and on the procedures adopted by a sample of issuers to identify and manage inside information. The analysis of the communications revealed a progressive increase in the number of issuers involved and notifications of delay. An examination of the procedures showed widespread adherence by the issuers negotiated on the MTA to the guidelines on 'Management of inside information' published by CONSOB in October 2017. With reference to SMEs traded on the AIM and issuers of bonds traded on the ExtraMOT PRO segment of the ExtraMOT multilateral trading facility, a number of areas for improvement were identified, which will be taken into account when updating the above guidelines through specific guidance reflecting the peculiarities of these entities in line with the principle of proportionality (for details of the communications received by CONSOB in 2019 see paragraph 3 'Supervision of public offers and corporate disclosure').

With reference to the supervision of orderly trading, CONSOB intensified the real time monitoring of the main regulated markets, paying particular attention to situations of tension in certain segments and/or sectors and intervening with requests of information to the market platform operators aimed at promptly acquiring information and/or taking measures to contain volatility, where necessary.

#### *Admission, suspension, exclusion and withdrawal of financial instruments from the market*

In 2019, CONSOB approved 11 prospectuses relating to the first admission onto the regulated market of companies' ordinary shares, which were successfully completed in nine cases (see paragraph 3 'Supervision of public offers and corporate disclosure'). The Commission also received ten notices from Borsa Italiana revoking shares listed on the MTA from trading

(delisting), for which it issued its authorisation (Tab. al.13). In seven cases, the revocation was ordered following the conclusion of a takeover bid, in two cases following a merger by incorporation into another company listed on the MTA and in one case due to the issuer being subject to bankruptcy proceedings (homologation of agreement with creditors).

In 2019, CONSOB also received from Borsa Italiana a communication of revocation from trading shares on the MIV following the merger by incorporation of a company into another unlisted company and 11 communications of revocation from trading of shares traded on the AIM multilateral system (Tab. al.14).

CONSOB also availed itself of the power conferred on it by art. 66-quater, sec. 1, Consolidated Law on Finance (Testo unico della finanza - TUF), ordering the suspension, initially for a fixed term and then on a temporary basis, of Banca Carige shares listed on the MTA market, the temporary suspension of CHL shares listed on the MTA market and the suspension of Banca Popolare di Bari shares traded on Hi-MTF; the measure also concerned securities issued or guaranteed by the respective companies on Italian regulated markets and MTFs.

### 1.3 Post-trading and OTC derivatives

During 2019, significant changes were made to Regulation (EU) no. 648/2012 (EMIR), which CONSOB took into account when carrying out its supervisory activity.

On 28 May 2019, Regulation (EU) 2019/834 amending EMIR as regards clearing and reporting requirements, adoption of risk mitigation techniques, registration and surveillance of trade data repositories, was published in the Official Journal of the European Union. This Regulation (also known as REFIT or EMIR 2.1) aims to ease the compliance burden arising from trading in derivative contracts, especially with regard to smaller financial counterparties and non-financial counterparties, by exempting the former from the clearing obligation, in case their operations do not exceed certain thresholds, and simplifying reporting for the latter.

Other changes introduced by REFIT concern the reporting of derivative contracts. These include the exemption from the obligation to report intra-group transactions in certain circumstances, and some provisions to encourage clearing and simplify access to this service, which introduce the principle according to which clearing services must be offered on fair, reasonable, non-discriminatory and transparent (FRANDT) terms. During the second half of 2019, CONSOB examined five notifications relating to the exemption from the obligation to report intra-group transactions and found the conditions for the exemption to be met.

In addition, on 12 December 2019, Regulation (EU) 2019/2099 (EMIR 2.2, in force since 1 January 2020) was published in the Official Journal of the European Union amending EMIR in the provisions on central counterparties (CCPs). With regard to European CCPs, the role of ESMA was strengthened in terms of coordination of supervision by national competent authorities and, in some ways, also of coordination of supervisory boards. As regards third country CCPs, a dual system is introduced that separates CCPs depending on whether they are more or less systemically relevant. ESMA classifies third country CCPs and is responsible for recognising these entities, as in the previous regulations. Only for CCPs that are considered to be systemically relevant (so-called Tier 2), additional conditions for their recognition are introduced, as well as competence for the ongoing direct supervision by ESMA.

In applying EMIR, in the last few months of 2019, CONSOB and the Bank of Italy submitted to the annual review the provisions, strategies and procedures adopted by Cassa di Compensazione e Garanzia (CC&G), the Italian central counterparty authorised in May 2014 to provide clearing services, without finding any critical issues.

In June 2019, CONSOB and the Bank of Italy, as the competent authorities for the supervision of Italian CCPs, complied with ESMA guidelines aimed at standardising the application at European level of the EMIR measures concerning, respectively, anti-procyclicality of margins and managing conflicts of interest, integrating these Guidelines into their supervisory practices.

During 2019, the supervision of counterparties to derivative contracts mainly concerned the completeness and accuracy of contract reports, with particular reference to the duplication of reports and the presence of anomalous values in the data. In the second half of the year, a data quality review was carried out for the fifth year in a row using an approach shared with ESMA and other European authorities. Analysis was run on a sample selected in accordance with a risk-based approach and focused on the compliance of the reports with the standards and validation rules, the reconciliation of the reports with the data reported by the respective counterparties, the completeness and accuracy of the data on the value of the contract and the guarantees provided and received. In light of this analysis, CONSOB asked the selected counterparties to strengthen their control mechanisms and adopt procedures for the correct implementation of the reporting obligation; some counterparties are currently subject to the monitoring of the plan of corrective actions. Sanctioning proceedings were also launched against a financial counterparty for reporting irregularities (for the completed sanctioning proceedings see paragraph 8 'Sanctions').

With reference to the supervision of central depositories, on 18 December 2019, with resolution 21195, in agreement with the Bank of Italy and having considered the positive opinion of the Eurosystem, pursuant to

and for the effects of articles 16 and 18 of Regulation (EU) no. 909/2014 (Central Securities Depository Regulation or CSDR), CONSOB authorised Monte Titoli Spa, in its capacity as central securities depository, to provide the three basic services required by CSDR (i.e. notary service, centralised account maintenance service and settlement service), 14 non-banking ancillary services that do not involve a credit or liquidity risk for Monte Titoli, and to maintain links with 13 foreign central depositories as CSD investor and six foreign central depositories as CSD issuer. The same resolution approved the regulation of the services offered by Monte Titoli. ESMA, which keeps the register of central depositories authorised pursuant to CSDR, was informed by CONSOB of Monte Titoli's authorisation.

The CSDR requires authorised central depositories to be subject to periodic review by the competent authority in order to check compliance with the authorisation conditions. This activity will start during 2020.

The obligation under art. 9 of the CSDR has been in force since 1 July 2019. It requires the provision of quarterly aggregated information on internalised transactions to the competent national authority for intermediaries that settle securities transactions internally without using the central settlement service. With communication 9 of 11 April 2019, CONSOB highlighted this obligation to the market, also specifying that, in order to reduce the burden on operators, data be transmitted to CONSOB only, which will forward it to the Bank of Italy and ESMA. In this regard, CONSOB also provided technical information on fulfilling the obligation and ran the first checks on the quality of the data transmitted, noting the gradual improvement in quality. During the year, 652 valid reports, referring to the second and third quarters of 2019, were received from 339 Italian internalisers. Of these, 291 delegated a third party to communicate the data to CONSOB (a total of 12 third parties are active).

Delegated and implementing regulations supplementing Regulation (EU) 2015/2365 on Securities Financing Transactions (SFTs) were published in the Official Journal of the European Union in March 2019, with the aim of increasing the transparency of transactions to enable supervisory authorities to assess and monitor the risks of SFTs correctly. The regulations specify the reporting standards for SFTs and provide for a differentiated date of application of the reporting requirements in relation to the nature of the counterparties to the transactions. Finally, ESMA published guidelines on the reporting of SFTs on 6 January 2020.

#### 1.4 Short selling

During 2019, 7,296 net short positions (NSP) on Italian shares were notified to CONSOB (9,160 in the previous year). In 73% of cases, the notifications concerned positions between 0.2% and 0.49% of the share capital of the securities concerned, while the remaining 27% was represented

by positions equal to or above the 0.5% threshold. These positions were published daily on the CONSOB website.

The value of the NSPs communicated to CONSOB at the end of 2019 represented approximately 1.2% of the capitalisation of the FTSE MIB index (compared to 1.7% at the end of 2018). With reference to concentration, the main party with NSPs on Italian shares held about 20% of the total value of net short positions (14% in 2018), while for the first four investors the figure was about 41% of the total (43% in 2018; Tab. al.15). The investors which NSPs on Italian shares refer to are mainly based in the United Kingdom (33% of the total value; 54% if the Overseas Territories are also considered) and the United States (32%; Tab. al.16).

As regards the regime of exemptions from reporting requirements and restrictions on NSP operations, with joint communication of 4 November 2019, CONSOB and the Bank of Italy resolved to partially waive the application of ESMA Guidelines of February 2013 regarding the exemption, provided for in article 17 of Regulation (EU) no. 236/2012, for market making activities. In particular, the Italian authorities have decided to deviate from ESMA Guidelines, they had complied with in 2013, in order to allow Italian operators to benefit from the exemption for market making activities carried out on over the counter financial instruments already granted by the authorities of the main European countries (as proposed by ESMA itself in its technical opinion to the European Commission in December 2017). As at 31 December 2019, 15 domestic intermediaries were authorised for exemptions for market-making activities (the same figure as in the previous year). During 2019, CONSOB received and approved 22 notifications for exemption by market-maker operators for new financial instruments (16 in 2018). 15 intermediaries, mostly foreign, were exempted as primary dealers of Italian government bonds (16 in 2018).

No short selling bans were adopted during 2019 (four measures in 2018).

## 1.5 Analyst researches and ratings

With reference to the supervision of the dissemination of investment recommendations concerning Italian listed issuers, during 2019 four recommendations were requested from licensed parties (seven in 2018), following the presence on the market of news and rumours on the content of such research, which could provide investors with an incorrect representation of the relevant information framework.

In 2019, the licensed parties forwarded to CONSOB more than 20 thousand investment recommendations (or 'studies') relating to issuers listed on regulated markets or traded on the AIM, of which about 19% were monographic and produced mainly by Italian intermediaries (Tab. al.17 - Tab.

al.18). In line with previous years, there is a clear prevalence of positive assessments, with buy ratings equal to about 55% of the total and hold ratings equal to 39% (Tab. al.19).

During 2019, the degree of coverage increased for issuers listed on regulated markets managed by Borsa Italiana, with 29% of the companies subject to at least 100 studies (compared to 26.5% in the previous year; Tab. al.20). During the same period, the number of securities traded on the AIM subject to studies doubled compared to 2018 (coinciding with the increase in the number of issuers traded), while the share of issuers covered by at least 25 studies decreased (from 10% to 7.5%), also consequently to the fact that companies admitted to trading during 2019 were largely covered by four or fewer studies (Tab. al.21). The comparison between MTA and AIM highlights the higher degree of coverage of companies listed on the regulated market: these were actually covered by at least 25 studies a year in 57% of cases compared to 7.5% for AIM companies, while the share of issuers covered by at least four studies per year is equal to 11% of the total for MTA and 50% for AIM.

Finally, with reference to the *Carta dei doveri dell'informazione economica e finanziaria*, in 2019 CONSOB, in collaboration with the *Consiglio Nazionale degli Ordini dei Giornalisti (CNOG)*, organised some seminars aimed at providing journalists with information and clarifications on the application of the Charter.

During the year, supervision of the dissemination of ratings intensified in connection with specific corporate events (such as capital increases, initial public offerings, bond issues or admission to trading) and ratings relating to sovereign securities. In particular, in 2019 a report was sent to ESMA concerning the failure of a leading rating agency to issue a rating action on the Italian State by the set deadline. This was followed, just a few days later, by a credit opinion issued by such agency that, though not a rating action, contained some key elements on Italy's sovereign creditworthiness. The dissemination took place in open markets and was interpreted by some press agencies as a real rating action, thus contributing to generating an unclear information context and possible distorting effects on the markets.

## 1.6 Market abuse

### *Prevention*

In 2019, as in previous years, the monitoring of orderly market trading was mainly based on evidence of anomalous trends identified by the Commission's supervisory systems, in real time and on a deferred basis, as inferred from the data flows received from the competent foreign authorities, the detailed data contained in the new transaction reporting flows available

from January 2018 and reports of suspicious transactions received. Using this supervision data and the manner in which the investigations were carried out made it possible to zero the data and information requests from supervised entities for the purposes of running preliminary analyses. Due to the evidence gathered as so, during 2019, the existing safeguards were also analysed in depth for a type of qualified investors from which CONSOB recently received a number of reports considered inconsistent in relation to the operations carried out.

During 2019, 398 reports of suspicious transactions were received (358 in 2018), including 276 from Italian entities obliged pursuant to the European Market Abuse Regulation (managers of trading venues and entities that arrange or execute financial market transactions on a professional basis), 100 from similar foreign authorities, mainly the British FCA, and 22 from other sources (qualified investors, issuers, boards of statutory auditors). CONSOB sent 29 reports received from Italian entities regarding suspicious conduct on foreign markets (20 of these to ESMA and nine to other authorities, mainly the US SEC). In line with 2018, the reports received concerned conduct primarily related to abusing inside information (57% of cases) and operational manipulation (34%). Like in recent years, the financial instruments reported were mainly equities (70%), followed by bonds (16%) and derivatives (9%).

During the year, the Commission was involved in a peer review promoted by ESMA to verify the level of convergence achieved by the European Supervisory Authority in the methods of collecting, managing and using reports of suspicious transactions to tackle market abuse. The review consisted of a self-assessment formulated on the basis of a questionnaire, addressed to the 31 Authorities of the European Economic Area (EEA), and six on-site visits by the Authorities of Italy, Germany, Sweden, Romania, Greece and Ireland, selected in light of the answers to the questionnaire. CONSOB obtained the best assessments (i.e. fully compliant and broadly compliant referring to four and two assessment areas respectively) and was placed among the Authorities of the countries (United Kingdom, France, Belgium, the Netherlands and Portugal) that reported the highest level of compliance in the peer review. Some supervision approaches adopted by the Commission were also considered examples of best European practice.

### *Repression*

In 2019, CONSOB notified administrative and/or criminal offences following six market abuse investigations, also the subject of reasoned reports to the Judiciary. The Commission also closed an additional investigation relating to a hypothesis of mixed market manipulation (both informative and operational) without notification of offences (Tab. al.22 - Tab. al.24).

The cases of administrative offences referred to abuse of inside information in three cases and insider dealing in the remaining three cases, two of which were operational and one mixed. With particular reference to the cases of insider dealing, one case concerned the closing auction purchase operations on shares of three listed companies carried out by a fund manager in the coming sessions or coinciding with the end of the month, which caused the closing price to be set, often at the maximum level of the session; the fund and the manager had an interest in raising the price of the shares due to the high shareholdings held, also for the purpose of determining performance fees. The other case referred to transactions on shares in a listed company carried out for a few months by the majority shareholder, also through accounts in the name of parties connected to them, by adopting two operational schemes capable of altering the share price. Finally, the case of mixed insider trading concerned the dissemination of false information regarding signing an agreement for the sale of certain assets of a listed company and entry of a new investor into the company structure, as well as the operations carried out by the person exercising weak control of the same company.

In 2019, CONSOB initiated administrative sanctioning proceedings for market abuse against 18 individuals, two entities for joint and several liability under art. 6, sec. 3, of law 689/1981 and four entities, both for joint and several liability and for own liability under art. 187-*quinquies*, TUF (for completed sanctioning proceedings see paragraph 8 'Sanctions').

The responsibility of the entity, the assessment of which falls with the Judiciary, entails imposing administrative sanctions. Likewise, art. 187-*quinquies*, TUF provides for the responsibility of the entity for market abuse in the form of administrative offences; in this context, CONSOB is responsible for ascertaining the entity's liability and imposing sanctions. However, liability is excluded if the entity, among other things, adopts and implements an organisation and management model suitable to prevent the offences specified in the decree. The models may be prepared by the entities based on codes of conduct drawn up by the associations representing the same entities. During 2019, CONSOB, at the request of the Italian Ministry of Justice, assessed 11 codes of conduct submitted by eight associations. In eight cases CONSOB considered the codes a valid reference to prevent market abuse. In the remaining three cases, comments were sent to the Ministry of Justice regarding their unsuitability (Tab. al.25).

Finally, 420 requests for news, data and documents concerning market abuse were sent during the year. The requests involved authorised intermediaries, private entities and public administrations in 165, 109 and 102 cases respectively; requests were addressed to foreign authorities in 21 cases and made on behalf of these authorities in 17 cases (Tab. al.26).

### *Representation in court*

During 2019, CONSOB brought a civil action in three new criminal proceedings on market abuse (all for insider trading; Tab. al.27).

Three criminal proceedings in which CONSOB had previously brought civil action were also concluded in first instance. In one case, the liability of the accused was established and they were ordered to pay damages to the Commission; while in the other two cases, the proceedings ended with plea bargainings.

In CONSOB's favour, we note ruling no. 13490 of 8 November 2019, issued by the Court of Milan as part of criminal proceedings against members of the previous management of a bank as well as members of two foreign banks, accused of offences, among other things, of insider trading pursuant to art. 185, TUF and obstruction of supervisory activities pursuant to art. 2638 of the Italian Civil Code. At the outcome of the first instance, the Court sentenced all of the defendants, acknowledging, among other things, that CONSOB, as the plaintiff, was entitled to compensation for damages paid on an equitable basis.

A judgment for abuse of inside information was also settled with the capacity to appeal, with confirmation of the ruling of first instance, including the relevant civil findings in favour of the Commission. In this decision of second instance - no. 284 of 15 January 2019 - the Court of Appeal of Milan reaffirmed the admissibility as evidence of the CONSOB reasoned report pursuant to art. 187-*decies*, sec. 2, TUF and its annexes.

In another case, the Court of Appeal of Turin, on 12 March 2019, declared that the Court of Turin had no territorial jurisdiction and ordered a referral order to the Court of Milan. The ruling in question deserves particular attention since, in leading cases, it was deemed that the offence of insider trading be committed by spreading false news to the public through the institutional channel of Borsa Italiana, considering the previous transmission via e-mail of a press release to a plurality of subjects irrelevant for the purposes of committing the offence.

Three judgments were settled at the High Court. One of the decisions of the Supreme Court is considerably important concerning the elements that comprise the offence of abuse of inside information. In particular, with ruling no. 39999 of 15 April 2019, the High Court stated the regulatory continuity of the notion of insider information (with specific reference to accuracy) initially provided for by art. 181, TUF and now by art. 7, paragraphs 1 to 4, of Regulation (EU) no. 596/2014 (MAR), to which the current art. 180, sec. 1, letter *b-ter*), TUF refers, including in this notion also the intermediate stages of the information formation process. In that judgment, the Supreme Court also stated that the partner of an advice firm of the issuer may qualify as an insider originating inside information, if the inside information has been learned by it as a result of its working activities.

In the same decision, the High Court also reviewed the consolidated orientation of the case law on the so-called *ne bis in idem*, and concluded: «Therefore the principle must be affirmed, according to which, also with regard to insider trading and *ne bis in idem*, the disapplication of the criminal discipline can take place only in the hypothesis of the administrative sanction already definitively imposed being structured in such a way and extent as to completely absorb the value of the conduct». Therefore, the Supreme Court annulled the ruling of the Court of Appeal of Milan, limited to the treatment of sanctions, and referred the matter to a different Section of the same Court of Appeal.

In another decision, no. 397-20 of 22 November 2019, the High Court (*Corte di Cassazione*) annulled the ruling of the Court of Appeal of Milan, limited to the treatment of sanctions and compensation for damages, and referred the matter to a different section of the same Court of Appeal.

In a case of insider trading, the High Court, with ruling no. 15/20 of 21 November 2019, confirmed, for civil purposes, a double acquittal in accordance with the merits previously stated by the Court and the Court of Appeal of Milan. The acquittal had already previously become final for criminal purposes, as the Attorney General's Office did not appeal to the High Court at the time.

Finally, the Court of Appeal of Milan, with ruling no. 2120 of 19 March 2019, when referring the case to the High Court in accordance with the principles set out on *ne bis in idem* by the High Court in ruling no. 49869 of 21 September 2018, taking into account the administrative sanction imposed by CONSOB, redetermined the prison sentence already imposed on the accused and, as a consequence, also the administrative sanctions of the same length. In the grounds of the decision, it was stated that in this case the administrative sanction alone was not proportional to the seriousness of the offence; furthermore, according to the Court of Appeal, the prison sentence should have deviated from the absolute minimum limit set out in art. 23 of the Italian Criminal Code because of the principles of dissuasiveness, injury and adequacy set out in European legislation.

## 2 Supervision of issuers and audit firms

Supervision of issuers focused on the transparency of ownership structures, the dynamics of the control market and the quality of corporate governance and is extended to audit firms.

### 2.1 Ownership structure disclosure

In 2019, CONSOB received 457 notifications pursuant to art. 120, TUF regarding relevant holdings, both shareholdings and holdings of other

financial instruments, held by companies listed on the MTA (Tab. al.28). Of these, 83 statements concerned changes in holdings in financial instruments and/or aggregates, while 19 communications from listed issuers referred to transactions in treasury shares (mainly sales). In line with the previous year, most respondents were foreign entities (63%) and legal entities (83%). Communications from institutional investors, in most cases foreign, accounted for about 50% of the total, while those made by corporations accounted for about 21% of the total.

In 2020, a review is planned of the system for the transmission of communications of relevant holdings, in line with ESMA's Standard Form, for the communication of shareholdings and holdings in financial instruments, to be sent via IT channels, with a view to reducing the burden on investors and rationalising the processing and publication activities by CONSOB.

In 2019, CONSOB received 31 declarations of intent (30 in 2018), made pursuant to sec. 4-*bis* of the art. 120, TUF (so-called 'anti-raid rule', introduced by the Law Decree no. 148/2017, then converted with amendments by Law of 172/2017). These statements (17 from Italian entities and 14 from foreign entities, almost all institutional investors) were made mainly when the 10% threshold was exceeded, mostly by managers as part of their ordinary financial investment activities. Only in one case was the intention declared to continue with the purchase of shares until control of the issuer was acquired, giving rise to the assumption to promote a mandatory takeover bid on shares. CONSOB formulated some proposals for amendments to the Issuers' Regulation, concerning cases of exemption from the obligation to make declarations of intent; the review has not been completed yet.

There were 126 communications relating to shareholders' agreements pursuant to art. 122, TUF sent to CONSOB (210 in 2018) referring to 60 listed companies, of which 62 concerning changes to existing agreements, 39 relating to the conclusion of new agreements (61 in 2018) and 25 relating to the dissolution or termination of the agreement.

At the end of 2019, the increased voting mechanism, introduced into the national system by law 116/2014 (the so-called 'competitiveness Decree'), was introduced in the articles of association by 53 issuers out of a total of 231 companies listed on the MTA regulated market and subject to CONSOB supervision. Following a vesting period of 24 months, the commission is operational for 38 issuers, in which at least one shareholder has obtained the increase.

## 2.2 Takeover bids and exchange tender offers

In 2019, 15 takeover bids were promoted (13 bids in the strict sense and two purchase obligations pursuant to art. 108, TUF) for an overall

amount of approximately 680 million euros, which is the lowest figures of the last ten years. In 12 cases the transactions referred to ordinary shares, in two cases to savings shares and in one case to asset backed securities (ABS; Tab. al.29). The number and value of bids were down compared to 2018 (19 transactions worth just over 14 billion euros).

All bids except one concerned shares, ten of which were listed on the MTA (13 in 2018) and four traded on the AIM. With reference to the transactions on the AIM, some critical issues emerged regarding the applicability of the mandatory takeover bid regulations that, for the companies traded on this market, is only required - in compliance with the AIM market regulation - consequently to the reference of the regulations above in the articles of association (takeover bid for the whole company). Therefore, some amendments to the AIM Issuers' Regulations are currently being assessed with Borsa Italiana, in particular with reference to the applicability of the aforementioned regulations on mandatory takeover bids.

Considering the bids on ordinary shares, in nine cases (five relating to securities listed on the MTA and four to securities traded on the AIM) the delisting of the security was indicated in the bid document as a future programme (Tab. al.30) and was carried out in all cases. During 2019, the delisting of shares carried out or about to be carried out through or following a takeover bid in particular resulted in a decrease in the total capitalisation of approximately 6.5 billion euros, of which 6.1 billion euros referred to the MTA (Tab. al.31).

As regards the level of success of the bids on ordinary shares, the median value of the participation rate was 43.7% (71.3% in 2018); in five cases the participation rate was less than 50% (Tab. al.32).

In 2019, CONSOB deemed that the conditions for the applicability of the exemption from the takeover bid obligation for operations aimed at 'rescuing companies in a crisis' had been met automatically in the case of Banca Carige, in relation to which the Fondo Interbancario di Tutela dei Depositi (Fitd) and the Schema Volontario di Intervento del Fondo Interbancario di Tutela dei Depositi (Svi), following the subscription of the capital increase aimed at restoring compliance with the Bank's prudential supervision requirements, had acquired a holding higher than the takeover bid threshold referred to in art. 106, sec. 1, TUF, at the same time as Fitd took legal control of the Bank itself.

During the year, the company Carraro was involved in a transaction that, albeit exceeding the relevant threshold value pursuant to art. 106, TUF, has benefited from an exemption from the takeover bid obligation. In particular, two shareholders acting in concert found themselves with a holding higher than the consolidation takeover bid (5%) due to the increase in the voting rights of the company's shares. In order to avoid the takeover bid obligation, these shareholders informed the market of their intention to

enforce the exemption for 'transactions or temporary exceedances', undertaking, as they did, to reduce their voting rights within 12 months from the date of the increase and not to exercise voting rights in excess of the aforesaid threshold during the same 12-month period.

In addition, CONSOB issued an opinion in response to two questions on takeover bids that were an absolute novelty and were dealt with in line with the relevant policy adopted during the year. In particular, in communication 0579256 of 26 September 2019, CONSOB stated that in the case of a partial voluntary takeover bid on ordinary shares of a listed company promoted by a company entirely controlled by the same company whose shares are the subject of the bid, the issuer's press release pursuant to art. 103, sec. 3, TUF and art. 39 of the Issuers' Regulation, and not also the opinion of the independent directors provided for by art. 39-*bis* of the same Regulation, must be prepared. In addition, with communication 0214548 of 18 April 2019, the Commission issued an opinion in response to a question concerning consolidation takeover bids and increased voting rights, providing clarifications on how to fulfil the commitments undertaken in order to obtain the exemption and on the effects of the increased voting rights.

Finally, in January 2020 CONSOB published for the first time on its institutional website a list (updated to 30 September 2019) of 155 companies qualifying as listed SMEs pursuant to art. 1, sec. 1, letter *w-quater.1*), TUF, for which a simplification of the applicable regulations on the transparency of ownership structures and mandatory takeover bids is envisaged.

## 2.3 Related party transactions, corporate governance and internal control bodies

### *Related party transactions*

Related party transactions are a crucial area to supervise corporate governance, as they offer the opportunity to act both in advance of moral suasion and upon the emergence of potential critical issues.

As a preventive measure, CONSOB carried out specific initiatives to verify the procedures for related party transactions adopted pursuant to CONSOB Regulations, which were followed by discussions with the issuers concerning the improvements identified in relation to the clarity of the applicable safeguards and certain defining aspects (such as identifying transactions of a small and ordinary amount). These activities, increasing compared to previous years, regarded the procedures adopted by 23 issuers.

Again from a preventive standpoint – and considering the importance of independent directors in regulating related party transactions as well as in the practices recommended by self-regulation – in-depth analyses were carried out on the assessments made by 21 companies

regarding the independence of their directors and members of the control bodies. The companies were selected after examining the information published on the same subject or at the time of listing (eight cases out of 21). In several cases, the approach and consideration of relationships and situations that could compromise the independent opinion of those qualifying as independent proved inadequate. The most critical area regarded the existence of financial and professional relationships between these parties and the company or its controlling shareholders.

Among the most important cases of supervision of related party transactions there was the check on the correct application of the exemption for compensation assigned in line with the remuneration policy, which emerged as critical in the presence of extraordinary bonuses not defined *ex ante* in the remuneration policy, which could not have benefited from exemption. The investigations carried out gave rise to sanctioning proceedings started against the control body for violating its duties to supervise the application of the Regulation on related party transactions (for completed sanctioning proceedings see paragraph 8 'Sanctions').

With regard to the disclosures provided by companies on transactions of major importance with related parties, 57 information documents were published in 2019 pursuant to CONSOB regulations (Tab. al.33). The transactions reported mainly involved the transfer of assets or the entering into or the extension of loans between the listed company and its controlling/reference shareholders. In 2019, four groups carried out extraordinary transactions, relevant also to regulate related party transactions, which involved or will involve the shortening of the chain of control through the merger of two listed companies of the group.

### *Corporate governance*

The 2019 Shareholders' Meeting season featured in some cases a high level of dialectic among shareholders as well as a widespread participation of institutional investors, showing an increasing interest in company policies on social and environmental issues. In line with the activities carried out in previous years, CONSOB staff took part, as mere auditors, in 25 shareholders' meetings regarding the renewal of corporate bodies, significant amendments to articles of association and corporate restructuring.

More effective supervisory initiatives were aimed at certain small companies featuring critical management issues and organisational weaknesses that led to inspections and the subsequent monitoring of the critical issues emerging on an ongoing basis.

The 2020 Shareholders' Meeting season will see the first application for all listed companies of the provisions introduced, as part of implementing

Directive (EU) 2017/828 (Shareholders' Rights II), concerning binding voting on remuneration policies – replacing the previous consultative vote – and a new voting hypothesis, of a consultative nature, on the section of the remuneration report dedicated to illustrating the remuneration paid in the reference year. In light of the amended regulatory framework, CONSOB will observe the market practices and any changes in the behaviour of institutional investors and proxy advisors, on which the Directive itself promotes greater transparency of engagement and conduct policies and practices (for further details on the new regulatory framework, see Chapter III 'The transposition of European regulation and regulatory activity', Part B).

In 2020, the regulatory amendments introduced at the end of 2019 by law no. 160 of 27 December 2019 (Budget Law 2020) will apply for the first time in the criterion of gender representation in corporate bodies, which have raised the proportion of members to be reserved to the 'less represented gender' from one third to two fifth of the body. On 30 January 2020, with communication 1/20, CONSOB adopted an applicative guideline aimed at allowing the rounding down of the seats to be reserved to the less represented gender in the case of bodies composed of three members (almost all the boards of statutory auditors of listed companies), in order to overcome the fact that in this circumstance the minimum quota cannot be respected for both genders. On the same date, a consultation was launched on a number of proposals for regulatory amendments in line with the applicative guideline taken.

### *Internal control bodies*

With CONSOB's 2019-2021 Strategic Plan, dialogue with the market has assumed a role of utmost significance for the Commission as a tool to improve the quality of corporate governance and the attractiveness of companies for investors. In particular, regarding the duties of the control body, discussions continued with trade associations and the boards of statutory auditors, in order to identify possible attention profiles and define more effective solutions to ensure the decisiveness of the role of control bodies. Dialogue concerned not just the traditional duties that the TUF has set up for the control body since 1998, but also the new functions assigned to audit committees by the European legislation on the statutory audit of Public Interest Entities (PIE).

In particular, CONSOB involved a sample of 100 PIE audit committees in a survey, prepared by CEAOB (Committee of European Auditing Oversight Bodies) on behalf of the European Commission, to collect information on the performance of the new statutory audit tasks and any difficulties encountered. CONSOB presented the questionnaire to the audit committees during an information session held in February and subsequently reported the results at an additional meeting in September. These events,

aiming to encourage and improve dialogue between the Authorities and the audit committees, made the committees aware of the importance of interacting with the auditors and the proactive role to be played also with regard to directors, with the ultimate aim of contributing to the integrity of the financial reporting process. The results of the survey were used, in an anonymous and aggregate manner, to prepare the report on developments in the statutory audit market for PIEs, sent by CONSOB to the European Commission pursuant to art. 27.2 of Regulation (EU) no. 537/2014.

In the light of the discussion with market representatives, which will continue in 2020, the Commission's guidelines on the supervisory duties of the control bodies of listed companies, including in their capacity as audit committees, will be reviewed.

In 2019, CONSOB received 14 reports of irregularities found by the control bodies as a result of its own investigations, relating to the internal control system and organisational structure, related party transactions and other infringements of the rules. The Commission analysed the events reported and monitored their trend.

With regard to non-financial declarations (NFDs), the Commission carried out verifications – also by requesting information pursuant to art. 115, TUF – aimed at ascertaining the presence of the information elements required by Legislative Decree no. 254/2016, the use of the chosen reporting standards and compliance with the guidelines of the European Commission (for further details see paragraph 3 'Supervision of public offers and corporate disclosure').

The boards of statutory auditors, in the reports prepared pursuant to art. 153, TUF for the shareholders' meeting to approve the financial statements, gave an account of the preparation of the NFDs and of whether or not the limited assurance report drawn up by the audit firm had raised any remarks or requests for information. In this regard, in order to make the members of the control bodies aware of this new area of supervision, officials of the Commission participated as speakers in training seminars on non-financial reporting organised by the Italian Board of Professional Accountants and Auditors.

## 2.4 Audit firms

At the end of 2019, there were 37 (46 in 2018) audit firms and independent auditors authorised to perform statutory audit of Public Interest Entities (PIE) and entities subject to intermediate regime (ESIR) which, pursuant to current legislation, fall under the supervision of CONSOB; among these 24 audit firms (26 in 2018), 11 independent auditors (18 in 2018) and the two Federations of Trentino Alto Adige Cooperatives (through six

employees, licensed to carry out statutory audits). The number of PIEs and ESIRs is approximately 1,400 (about 1,450 in 2018).

The audit market remains highly concentrated: as in the previous year, approximately 88 percent of the legal audits of the annual and consolidated accounts of issuers with listed shares on regulated markets in Italy and/or the European Union were assigned to four largest audit firms (KPMG, PricewaterhouseCoopers, Ernst & Young and Deloitte & Touche; so-called big four; Tab. al.34).

During 2019 audit firms and independent auditors sent CONSOB the information relating to the turnover generated for the activity carried out on PIEs at group level, required by art. 14 of Regulation (EU) no. 537/2014, in the period 1 July 2018 - 30 June 2019 which shows that statutory audit revenues represent 62% of total revenues on PIEs (60% in 2018). Considering the size of audit firms, the figure is slightly higher for small companies and independent auditors.

CONSOB also received the information pursuant to art. 16, sec. 3 of Regulation (EU) no. 537/2014, aiming to identify the independent auditors and audit firms for which, in the calendar year 2018, the turnover from the audit of PIEs was less than 15 percent of the total turnover from PIE audits at national level. Also, in 2019, this threshold was only exceeded by the big four.

During the year, the total number of cases of early termination of contracts for the statutory auditing of PIEs and ESIRs – allowed pursuant to Legislative Decree 39/2010, where the requirements governed by Ministerial Decree 261/2012 are met – more than tripled, from 89 in 2018 to 283. In particular, the increase is attributable to the effects of the reform of Cooperative Credit Banks (CCB), initiated by Law no. 49 of 8 April 2016, as amended by art. 11 of Decree Law no. 91/2018. The reorganisation of the CCB sector, which gave rise to two new large cooperative banking groups, led to the need for the latter to review their audit plans by reassigning audit engagements on the CCBs with the aim of ensuring a more efficient auditing of their consolidated financial statements by group auditors. Net of the effects of the reform, the number of early terminations of statutory audit engagements by PIEs and ESIRs other than CCBs, amounting to 102, increased in 2019 by 13 cases (15% more than in 2018; Tab. al.35).

The audit firms declared their impossibility to express an opinion on the statutory and consolidated financial statements for 2018 for eight listed issuers (seven in the previous year), while they did not express any negative opinions and qualified opinions (three cases in 2017; Tab. al.36).

During 2019, the second inspection of a large audit firm carried out by CONSOB with the US Public Company Accounting Oversight Board (PCAOB) was completed. At the end of the investigations, the final report containing the results of the checks run and the recommendations on the actions to be taken within the set deadlines was sent to the supervised entity

and the correct execution of the inspections was then verified. The investigation was carried out by using the methodology also adopted by the competent authorities of other EU countries (Common Audit Inspection Methodology - CAIM), developed within CEAOB, which also has the task of facilitating the exchange of information, specialist knowledge and good practices. CEAOB's activities are divided into five thematic areas, to each of which a permanent sub-group is dedicated, which CONSOB participates in.

As a result of the above mentioned checks, it was recommended to strengthen the quality control mechanisms relating to internal procedures for the detection of financial interests held by professional staff and the assessment of the nature of non-audit services for the purposes of their acceptance, as well as to introduce a specific monitoring point on how the engagement quality reviewers (EQRs, i.e. independent entities in charge of reviewing the auditing work) carry out independent reviews of the assignments.

With regard to the performance of audit assignments, measures were also recommended for a more precise definition of the parameters to be used as the basis for calculating the thresholds of significance, as well as to put in place adequate remedies for deficiencies found in the review of areas of the balance sheet such as 'Financial assets available for sale' and 'Goodwill' and in the performance of audit procedures relating to 'Circularisation' and 'Non-standard Journal Entries'.

In 2019, the Commission carried out quality inspections on seven audit firms (five of which were small and medium-sized and two large), in accordance with the schedules set for the supervisory activity illustrated to CEAOB members during the plenary meeting of 4 March 2019. In detail, the inspections focused on the understanding and adequacy of the organisational model and of the procedures adopted by the audit firms and the reference networks, the audit methodology followed and how these aspects are reflected in the performance of audit engagements.

Within the sphere of the supervisory activity carried out in 2019, 35 requests for information and/or hearings were carried out with independent auditors (29 during 2017), exercising the powers assigned by articles 20 and 22 of the Legislative Decree no. 39/2010, and art. 26 of EU Regulation no. 537/2014.

Following the activities carried out in previous years, in 2019 the Commission continued to participate in two Technical panels, jointly with the Ministry of Economy and Finance (MEF) and industry representatives, which deal with developing auditing standards (taking into account the ISA international auditing standards), as required by art. 11 of Legislative Decree 39/2010, and the principles of professional ethics, confidentiality, professional secrecy, independence and objectivity, pursuant to articles 9, 9-bis and 10 of the decree. The two Technical panels work in order to

continuously update the national standards with respect to the documents periodically issued by international bodies (IAASB and IESBA).

Finally, on the basis of art. 27 of Regulation (EU) no. 537/2014, the national authorities responsible for supervision regarding statutory audit must monitor developments in the market of statutory audit services to PIEs. The data relating to such monitoring activity must be the subject of a report to be sent to the European Commission at least every three years. In June 2019, CONSOB prepared the second report, paying particular attention to four information areas: concentration of the audit market; supervisory activities carried out by the authorities through quality inspections and enforcement; risk management and systemic risk analysis; transposition at national level of EU legislation on the audit committee and its performance.

### 3 Supervision of public offers and corporate disclosure

During 2019, CONSOB's initiatives and supervision of public offers and corporate disclosure also reflected developments in the European regulatory framework, with particular reference to the measures implementing the Capital Markets Union (CMU) Action Plan and developments in the area of non-financial information and disclosure on so-called ESG (environmental, social and governance) factors as part of initiatives in support of sustainable finance.

#### 3.1 Admission to trading of shares

The work for creating the CMU included the review of the rules on public offerings or admission to trading of securities on a regulated market, which was completed with the entry into force of Regulation (EU) 2017/1129 (Prospectus Regulation).

CONSOB was thus engaged in activities relating to adapting the primary national regulations contained in the TUF and reviewing the Issuers' Regulations, which were the subject of simplification measures aimed at reducing the administrative burdens for issuers (for details see Part B). At the same time, the following activities were carried out: i) managing the transitional period, with the simultaneous application of the old and new regulations; ii) training internal resources and starting a discussion with market operators; iii) adapting the internal information systems and the system for notifying ESMA about approved prospectuses (ESMA Register Prospectus); iv) setting out the definition of supervisory criteria and policies for the scrutiny of prospectuses and the procedures for their approval.

During 2020, initiatives aiming to encourage the transition of operators towards the new regulatory framework set out in the Prospectus Regulation will continue. Specifically, CONSOB guidelines on the subject will

be updated and targeted training initiatives will be promoted. In order to promote the use of the market by SMEs by increasing their funding opportunities, there is the intention to foster the full application of the new tools made available by the Prospectus Regulation, including the 'simplified disclosure regime' for secondary issues and the 'proportionate disclosure regime'.

In 2019, 18 prospectuses for admission of shares to trading and 2 prospectuses for capital increases in option of listed companies were approved (Tab. al.37). In 11 cases, the prospectuses relating to the first admission onto the regulated market of companies' ordinary shares, which were successfully completed in nine cases, seven of which related to small and medium-sized companies (SMEs) as defined by art. 1, sec. 1, letter *w-quater.1*), TUF. In line with the trend observed in recent years, only transactions were carried out against the transition from the AIM Italia multilateral trading facility to the MTA (five out of nine) and offers reserved exclusively for institutional investors (four out of nine). Among the remaining seven transactions carried out by already listed companies, as in 2018 the recapitalisation of listed banks, including the capital increase of Banca Carige, remains significant in terms of systemic importance, complexity and value. Instead, share capital increases linked to corporate integration and growth projects for external lines aiming to create large industrial companies, such as the one carried out by Salini-Astaldi, are decreasing.

In 2020, the supervisory activity on equity prospectuses will develop along the following lines: i) simplification of prospectuses relating to secondary issues of issuers according to the principles set out in the new prospectus formats; ii) application of the new disclosure rules in relation to mergers and spin-off and exchanges that do not involve reverse mergers; iii) attention to capital strengthening operations of listed issuers aimed at consolidating the corporate restructuring processes launched previously.

Finally, in 2019, the new rules on issuers of financial instruments widely distributed to the public, becoming effective from 23 November 2018 (CONSOB resolution 20621 of 10 October 2018), were fully implemented. In particular, benefiting from timely information to the public, the new provisions include updating the list of these issuers on a continuous basis and no longer annually, with the publication, on the institutional website, of the news of the acquisition (or loss) of the qualification of public issuer received by the Authority. At the end of 2019, there were 58 public issuers (of which four subject to the relative obligations from 1 January 2020), following the exclusion of four companies from the scope of application of the obligations provided for public issuers and the inclusion of the same number of companies.

### 3.2 Public offerings and admission to trading of non-equity instruments

In 2019, 45 measures were issued for the approval of documents relating to bond issues (of which 14 base prospectuses, two prospectuses and 29 registration documents and supplements) referring, with one exception, to both Italian and foreign bank issuers. Furthermore, ten base prospectuses, one registration document, two certificate supplements and three prospectuses for the listing of warrants were approved during the year. Lastly, with regard to UCITS, 384 prospectuses were published (Tab. al.38).

With particular reference to the placement of non-equity financial products by banks, compared to 2018 there was a recovery in terms of amount, even though the number of securities offered decreased (Tab. al.39). This figure mainly reflects the significant increase recorded in the certificates segment, compared to the bond segment remaining substantially stable (Tab. al.40).

The financial structure of bond issues by bank issuers highlights the clear prevalence of fixed-rate securities (equalling about 66% of the total number of securities offered and 80% of the amount placed in 2019) followed by step-up/down and blended rate securities; no subordinated bonds were issued (Tab. al.41).

During 2019, CONSOB also verified the documentary completeness and regularity of the approval certificate of 506 documents approved and notified to the Commission by EU Authorities (527 in 2018; Tab al.42).

Finally, the Commission authorised two entities (with respective offices in Campania and Sicily; four in 2018) to proceed, within the limits previously notified, with three issues of Titoli di risparmio dell'economia meridionale (five in 2018), subject to a preferential tax regime (a rate of 5% as a substitute tax instead of the ordinary rate of 26%). The amount placed was almost 18 million euros (approximately 34 million euros in 2018).

#### *Key Information Documents*

During 2019, almost 708 thousand Key Information Documents (KIDs) were notified to CONSOB by Italian and foreign entities that create Packaged Retail and Insurance-based Investment Products (PRIIPs), when applying the system of prior notification provided for in art. 4-*decies*, TUF.

More than 17 thousand of the documents received regarded new products, mainly foreign, while 691 thousand regarded updates of KIDs relating to products already offered to retail investors; 291 manufacturers, mainly Italian, notified at least one KID in 2019 (Tab. al.43 - Tab. al.45). In line with a risk-based approach, the supervisory activity was based on selecting a sample of KIDs related to products belonging to different

categories (bonds, certificates, warrants and covered warrants, derivatives, insurance investment products) and analysing their contents.

In view of the elimination of the obligation of prior notification of KIDs ceasing as a result of Legislative Decree 165/2019 and the regulatory revisions to be adopted by CONSOB by 22 July 2020 pursuant to the same decree, the Commission is defining alternative methods to automate the acquisition and content analysis processes of KIDs. In particular, in cooperation with the Department of Computer Engineering of the Sapienza University of Rome, a prototype to extract and analyse, using text mining software, information contained in the KIDs was developed (see also Chapter IV 'Application of technological innovations to supervision', Part C).

### 3.3 Corporate disclosure

As part of the supervision of corporate disclosure and ownership structure, during 2019 CONSOB formulated 394 requests for information pursuant to art. 115, TUF and 17 requests for publication of data and news pursuant to art. 114, TUF; in four cases the Commission resolved to exempt issuers from disclosing data and news pursuant to art. 114, sec. 6, TUF. Authorised subjects were also requested, pursuant to art. 69-*novies*, sec. 2, of the Issuers' Regulation, to publish four investment recommendations. The Commission sent four letters of warning and initiated two non-compliance proceedings pursuant to art. 154-*ter*, sec. 7, TUF. During the year the Commission also received 322 communications of delay in the dissemination of confidential information by issuers with shares traded on the MTA and on the AIM, pursuant to art. 17, sec. 4, of Regulation (EU) no. 596/2014 (European Market Abuse Regulation - MAR). Finally in six cases, the Commission decided to report facts ascertained in the course of its activity, potentially relevant from a criminal point of view, to the Judiciary (Tab. al.46).

#### *Accounting information*

During 2019, the supervisory disclosure of listed companies was also based on the controls on the accounting information of companies selected in the supervisory sample pursuant to art. 89-*quater* of the Issuers' Regulation. These controls comply with the indications of ESMA which, in order to ensure a uniform approach by the national authorities, identifies annually the thematic areas (European Common Enforcement Priorities, ECEP) to be considered as priorities to supervise financial statements of listed companies. The priorities identified as so contribute to recognising both the relevant risk parameters and the companies to be selected pursuant to sec. 3 of art. 89-*quater* of the Issuers' Regulations; coverage of all supervised entities is guaranteed by appropriate rotation of the issuers selected annually.

Taking into account the priorities defined by ESMA as well as the context factors identified in CONSOB's 2019-2021 Strategic Plan, in 2019 the controls on the supervisory sample focused on some areas of financial statements with more critical issues. In particular, with regard to non-financial issuers, the following were considered: potential liabilities governed by IAS 37 (such as, for example, cyber-risk and climate related risk); critical issues related to the economic-financial performance and financial solvency of issuers; the expected impacts of the new IFRS 16 entering into force. On the other hand, with reference to financial issuers, it was decided to analyse in greater detail the accounting documentation of companies involved in the sale of receivables in the Italian market according to the volume of non-performing loans held.

These issues will continue to be considered as priorities to supervise future financial statements of bank issuers, as indicated by ESMA in 2019 ECEP. Among other priorities, ESMA draws attention to the need to provide, where relevant, information on the impacts of Brexit and the activities that issuers will be required to undertake in view of the obligation to prepare annual financial reports for financial years beginning on or after 1 January 2020 in the European Single Electronic Format (ESEF) introduced and regulated by Delegated regulation (EU) 2019/815.

With communication 6 of 15 March 2019, the Commission also innovated the 2015 guidelines on disclosure in periodic financial reporting of the results of the Supervisory Review and Evaluation Process (SREP) carried out by the competent supervisory authorities. In particular, the requirements set out in the previous communication of 2015 regarding the information to be included in financial statements were reduced, requesting that, for disclosure purposes, banks must evaluate the relevance of the information contained in the SREP decisions in the light of the rules contained in IAS/IFRS. The 2019 communication contains a presumption of relevance for the public with exclusive reference to the information relating to the mandatory capital requirement assigned by the SREP Decision (the so-called Pillar 2 Requirement - P2R), in light of the current accounting rules and the guidance provided by the European Banking Authorities (European Banking Authority - EBA and European Central Bank - ECB). Instead the individual issuer must assess the relevance of the other results of the SREP process, to be carried out in accordance with the rules to prepare financial information.

In 2019, the Commission decided to subject certain listed companies in financial difficulty to periodic disclosure requirements, based on the powers conferred by art. 114, TUF. These obligations are audited when issuers' accounting documents are published (financial statements and half-yearly reports), in order to take into account, the evolution of the situation faced by them. As at 31 December 2019, 19 listed companies were subject to monthly reporting requirements (22 at the end of 2018), while 18 companies were subject to quarterly reporting requirements (18 at the end of 2018). During

the year, the additional disclosure requirements ceased to apply for three companies following the stock market's delisting of the shares by Borsa Italiana.

### *Non-financial information*

Starting from 2019, the Commission has monitored the compliance with the obligations set forth in CONSOB Regulation 20267 of 18 January 2018, implementing Legislative Decree 254/2016, relating to the disclosure of non-financial information by the supervised entities referred to in the same decree (the Public Interest Entities - PIEs and issuers who voluntarily prepare them pursuant to the provisions of the decree). In particular, the Commission verifies the compliance of the non-financial declarations (NFDs) with articles 3 and 4 of the above mentioned decree, which provide for the obligation to disclose information concerning the business model and the organisation of the activities adopted, the main management risks generated or suffered by the company, the policies adopted to protect the environment, human rights and the fight against corruption as well as the non-financial performance indicators useful to assess the results obtained (Key Performance Indicators - KPIs).

In 2019, the review conducted by CONSOB on 2018 NFDs published by the companies included in the supervisory sample identified pursuant to art. 89-*quater* of the Issuers' Regulation took into account the European Common Enforcement Priorities identified by ESMA. The European Authority highlights, among other things, the need for parties publishing the NFDs to provide adequate disclosure of the main environmental risks that the company is expected to manage, the policies adopted, the due diligence process adopted and the results obtained. In particular, ESMA advises companies to take into account the recommendations and methodology developed by the Task Force on Climate-Related Financial Disclosures (TCFD) established within the same Authority and to clarify the reasons underlying the choice of certain KPIs among those most useful to assess the results obtained by the issuer and to promote comparability between issuers and business sectors.

Pursuant to the mentioned Regulation 20267, on 20 February 2020 the list of subjects who published the NFDs for the period from 1 January to 31 December 2019 for the financial year beginning on or after 1 January 2018 was published. There were 208 NFDs in 2019. Of these, 152 were drafted by issuers with listed shares (one of which on a voluntary basis), 28 by issuers with securities listed on regulated markets other than domestic ones (Ireland and Luxembourg), 24 by banks and unlisted insurance companies; finally, four declarations were drafted voluntarily (in addition to the one already mentioned referring to a company with listed shares).

All the companies followed the Global Reporting Standard, which may be integrated with reference to the principles of the International Integrated Reporting Framework (IIRC) and the United Nations' sustainable development objectives. Almost 79% of companies published a NFD as a separate document from the report on operations. About 95% prepared a consolidated NFD.

With resolution 21274 of 20 February 2020, CONSOB decided on the parameters for the NFDs published in 2019, pursuant to art. 6 of Regulation 20267. This article requires the Commission to supervise a NFD sample identified annually, taking into account, among other things, the following elements: i) any reports received from control bodies or statutory auditors; ii) cases of certification with findings, negative certification or the issuance of a declaration of impossibility to express a certification by the auditors; iii) significant information received from other public administrations or interested parties; iv) the elements acquired during the verifications of financial information carried out pursuant to art. 89-*quater* of the Issuers' Regulations. In addition, a portion of the subjects to be examined is determined based on a random selection and rotation approach. The standard allows the selection parameters to be modulated with a certain flexibility, since it does not exclude that the above criteria may be supplemented with additional parameters; furthermore, unlike art. 89-*quater*, a minimum percentage of subjects to be included in the selection was not defined.

For auditing purposes, the 2019 NFD sample was selected upon the emergence of the auditor's certification with findings, as expressly provided for in art. 6, letter *b*) of Regulation 20267, and of requests for information in direct relation to the checks carried out on the conformity of the non-financial information provided in the NFD. Concerning additional parameters, since this is the second year of supervision, criteria were adopted that are more oriented towards examining specific risks for the companies required to draft the NFD. In particular, elements acquired as part of the supervisory investigations carried out on the financial information of listed issuers pursuant to art. 89-*quater* of the Issuers' Regulation were used, taking into account the differentiation according to the sector to which they belong (financial and non-financial), their exposure to environmental, social and governance risks and the reason for the selection for supervisory purposes provided for in art. 89-*quater*, with particular reference to the presence in the 2018 financial statements of significant provisions and contingent liabilities. Additional NFDs were selected, within all the categories that have published an NFD, according to a composite criterion that takes into account the diversity of the sector to which they belong as well as elements useful to assess their exposure to environmental, social, governance and reputational risks. A specific parameter focusing on greenwashing was then identified, since the growing emphasis on communicating about ESG (environmental, social and governance) factors may lead to the risk of making information misleading. In fact, there has been a progressive interest in communicating

about ESG aspects, both because of the growing pressure from relevant stakeholders (such as local communities and NGOs) and because of the willingness of consumers to buy sustainability oriented products/services. In this case, when identifying the NFDs to be supervised, importance was also given to raising capital by issuing green financial instruments. Finally, also in 2019, some NFDs were selected at random, excluding those identified for 2018.

## 4 Supervision of intermediaries

In 2019, CONSOB supervised the activities of banks and investment firms authorised to provide investment services (totalling 503 at the end of the year; Tab. al.47), crowdfunding portals for raising capital for SMEs and asset management companies (AMCs). Since December 2019, it has also carried out second-level supervision of the work of the Supervisory Body and kept the single register of financial advisors (OCF).

As part of its control activity, the Commission monitored the operational solutions through which intermediaries respond to changes underway in the regulatory environment (such as those resulting from the entry into force of MiFID II) and to changes linked to technological innovation. In particular, the Commission paid attention to intermediaries' compliance with the provisions of MiFID II regarding disclosure to customers of the costs and charges of financial instruments and services offered and published a reminder on 28 February 2019. CONSOB also conducted specific studies on the operational processes adopted by a sample of intermediaries. In the first quarter of 2020, a consultation was started and concluded with a recommendation on how to comply with *ex post* reporting requirements of costs and charges.

Moreover, in March, considering the frequent use of sustainability issues in commercial policies and marketing campaigns promoted by intermediaries, CONSOB drew the attention of these subjects to the information to be provided to customers (reminder 1/20 of 12 March 2020). Specifically, within the framework of European and national regulations, the following obligations for intermediaries are reported in particular: i) to provide customers with correct, clear and not misleading information also in the context of advertising and promotional communications (art. 36 of the Intermediaries' Regulation 20307/2018); ii) to ensure that the information contained in marketing communications is in line with that provided to customers in the context of providing investment and ancillary services (art. 46, sec. 5, of Delegated Regulation (EU) 2017/565); iii) provide customers or potential customers, in good time before supplying them with investment or ancillary services, with a general description of the nature and risks of the financial instruments, taking into account, in particular, the classification of

the customer as a retail customer, professional customer or qualified counterparty (art. 48, sec. 1, of Delegated Regulation (EU) 2017/565).

With regard to supervisory activities, in line with a risk based approach, in 2019 the controls focused on the most significant or risky subjects and phenomena, using the tools provided for by law (requests for information and meetings with both corporate officers and trade associations; Tab. al.48). With regard to inspections, see paragraph 6 'Inspection activity'.

Finally, particular attention was paid to the operation of UK investment firms in Italy and the measures applicable to them in light of the UK leaving the European Union.

#### 4.1 Banking intermediaries

Continuing the activity carried out in 2018, the supervision of banking institutions authorised to provide investment services focused on applying the MiFID II matrix legislation. In particular, the off-site supervision of the main national operators continued, as a result of which six inspections focused on the areas of product governance and adequacy assessment, which were significantly innovated by the new regulations (see paragraph 6 'Inspection activity' for details). Having ascertained the hypotheses of violation of sector legislation, three sanctioning proceedings were initiated against three banks, involving 34 corporate officers (for details of the proceedings concluded, see paragraph 8 'Sanctions'). The intermediaries involved were encouraged to take corrective actions to remove the critical issues found. In addition to the six inspections mentioned above, in five cases the cooperation of the Bank of Italy was requested for inspections, pursuant to art. 6-ter, sec. 5, TUF, in order to verify in the field the effectiveness of the procedures adopted by the banking intermediaries.

A survey related to the issue was also carried out on the applicable provisions to assess the appropriateness in retail customer interaction. The analyses, based on off-site surveys, involved a sample of national intermediaries that is significant for the operations carried out under the appropriateness regime, and were aimed at examining and comparing the operating methods adopted in practice by intermediaries to comply with the above-mentioned regulatory requirements. The results of the analysis will be used in domestic supervisory activity in a risk-based logic, as well as shared with the competent national authorities within ESMA. The initiative is the first exercise of common supervision coordinated by the European Authority (so-called Common Supervisory Action), in which the individual domestic authorities carry out simultaneously in their jurisdictions a supervisory action on a specific issue identified jointly, with a view to promoting the harmonisation of MiFID II on investment services and the convergence of supervisory practices.

In 2019, the processes adopted by banking intermediaries to manage conflicts of interest caused by the distribution of their own products (self-placement) continued. In addition the controls used by banks to monitor and contain the risk of concentration in customer portfolios were analysed, also given the guidance provided by ESMA in the 'Guidelines on certain aspects of MiFID II adequacy requirements' applicable from 8 March 2019. In the same perspective, CONSOB, in close cooperation with the Bank of Italy, continued to monitor the maturities of bank bonds held by retail customers and banks' funding needs.

Finally, a survey was carried out on transactions in certificates (for both production and distribution profiles) by banking intermediaries. Specifically, an in-depth mapping of the phenomenon was carried out, using not only public information but also information taken from periodic communications sent by intermediaries as well as data provided by the main operators in the sector upon specific request. The survey, which also made use of information found during numerous meetings with company representatives, led to implementing targeted enforcement initiatives.

## 4.2 Investment firms

At the end of 2019, there were 68 investment firms and trust companies authorised to provide investment services (67 in 2018), following five entries in the Register (three of which related to Brexit) and four cancellations (three upon request and one following compulsory administrative liquidation; Tab. al.49). Only one subject is registered in the special section of the Register of trust companies (unchanged from 2018).

On the basis of the notifications received from the respective member states, at the end of 2019, 70 EU investment firms authorised to operate in Italy through the establishment of a branch were included in the relevant list (unchanged from the previous year), compared with 19 entries on the list and as many cancellations. Great Britain is the country of origin of most of the above mentioned investment firms (38 cases).

Supervision of investment firms and EU investment firms with branches in Italy focused on verifying compliance with fairness and transparency obligations towards retail customers, also taking into account the consistency of the business models adopted with the aim of serving the best interests of customers.

In June 2019, also as a result of the public consultation conducted in January, CONSOB introduced, for the first time in Italy and on a permanent basis, measures to protect retail investors with regard to the offer of binary options and contract for difference (CFD), similar to those already provided for on a temporary basis by ESMA. The measures, adopted pursuant to art. 42 of Regulation (EU) no. 600/2014 on markets in financial instruments (MiFIR)

and art. 7-*bis*, TUF, apply to binary options from 2 July 2019 and CFDs from 1 August 2019. They include a prohibition on marketing, distributing or selling, in Italy or from Italy, binary options to retail investors and certain restrictions on the marketing, distribution or sale, in Italy or from Italy, of CFDs to retail investors. These restrictions are based on the assessment of the risks for the protection of retail investors typically posed by these instruments, which feature extreme complexity and lack of transparency with regard to the risk-return ratio.

With regard to CFDs, in December 2019, two precautionary measures were adopted for the first time, pursuant to art. 7-*quater*, sec. 4, TUF, prohibiting operations in Italy for two Cypriot companies operating in the territory of the Republic under the freedom to provide services that, as such, are not subject to direct supervision by CONSOB. The irregularities committed by these companies emerged from numerous complaints sent by Italian investors and concerning, in particular, CFD activities. The precautionary measures imposed banned the companies from providing services in Italy, soliciting and acquiring new customers in Italy, and continuing relations with existing Italian customers, with the exception of closing their accounts (liquidation of outstanding positions and return of relevant funds), in line with any instructions given by the same customers. The precautionary measures were adopted after the Cypriot companies had repeated their conduct in violation of the regulations in force despite the measures of the Cyprus Securities and Exchange Commission (CySec), the Cypriot national authority for the supervision of the financial markets, following the reports sent by CONSOB to CySec.

Finally, in 2019, two sanctioning proceedings were initiated against two investment firms, involving nine corporate officers, in order to ascertain alleged violations of sector legislation (for details of the proceedings concluded, see paragraph 8 'Sanctions').

### 4.3 Crowdfunding portals

During 2019, the supervision of the operators of portals for raising capital for small and medium-sized companies (SMEs) consisted in carrying out investigations for the authorisation to the registration in the ordinary section of the register, following requests submitted by the parties concerned, and in examining data and documents sent periodically to CONSOB by authorised operators. As at 31 December 2019, 37 operators of equity crowdfunding portals for raising capital for SMEs were registered in the ordinary section of the relevant register (30 at the end of 2018) and two in the special section dedicated to banks and investment firms (in line with the figure in 2018). The monitoring activity conducted by the Commission used the powers under art. 50-*quinquies*, sec. 6, TUF (off-site supervision and

inspection and power to summon corporate officers) and also drew inspiration from the complaints and reports received during the year.

In October 2019, following a specific public consultation, CONSOB amended Regulation no. 18592/2013 with resolution no. 21110 in order, among other things, to implement the new rules inserted in the TUF by law no. 145 of 30 December 2018 (2019 Budget Law), providing for the extension of the objective scope of the regulation of crowdfunding offers so as to include among the activities that can be carried out through portals also the raising of loans through bonds or debt financial instruments by SMEs (for details see paragraph 2 'The amendments to the secondary regulation', Chapter III 'The transposition of European legislation and regulatory activity', Part B).

By the same resolution, the Commission also offered operators the possibility to set up an electronic bulletin board to publish expressions of interest in the purchase and sale of financial instruments subject to successful offers as part of crowdfunding campaigns carried out on their portals.

As of 18 March 2020, one operator extended its operations to include offers for bonds and debt securities issued by SMEs, subject to notification to CONSOB; another operator also started the electronic bulletin board activity as of 20 March 2020, subject to notification to CONSOB.

#### 4.4 Asset management companies

Supervision of the managers of undertakings for collective investment in transferable securities (UCITS) focused, according to a risk-based approach, on the correctness of behaviour related to investment choices, also in terms of adherence of these choices to the investment policy described in the offer documentation, on the basis of information acquired through requests for data and news, meetings with corporate officers and inspections.

In particular, an intense supervisory activity was carried out with regard to a large asset management company network as part of the monitoring of the Asset management companies that distribute their own products and services directly, including through financial advisors authorised to carry out door-to-door selling. The Commission pays particular attention to this phenomenon, although at present it involves a limited number of subjects and does not entail a structural change in the service models adopted by Italian asset management companies.

With regard to the provision of portfolio management services, in 2019 the reasons behind the investment of significant portions of assets under management in liquidity and in assets with potential illiquidity and/or complexity features were examined in greater detail.

In addition, supervisory initiatives were launched with a view to expanding the management and marketing of the so-called 'window placement' or 'defined time horizon' UCITS, managed investment products characterised by a predefined subscription period, which are very popular among retail investors.

During the year the Commission also focused on the analysis of the offer documentation of the UCITS intended for retail investors, also to assess the consistency between the key information contained in the Key Investor Information Documents (KIIDs) and the more detailed information presented in the prospectus. The advertising activity on UCITS offered to the public in Italy was also monitored and, in particular, the compliance of the contents of the advertising messages to the characteristics of the products advertised.

With reference to alternative investment funds (AIFs), CONSOB examined the documentation concerning the marketing (in Italy and in the EU) of these funds in order to verify the completeness, comprehensibility and consistency of the offer documentation. In light of the new regulatory framework outlined by MiFID II, the transparency investigations referring to non-reserved AIFs were supplemented by fairness checks on compliance with product governance obligations in relation to the marketing of such funds.

With regard to real estate fund management companies, particular attention was paid to the managers of funds intended for the retail public, with reference to consistency between the divestment of real estate assets and the set due date of each fund, as well as the correct application of the rules on conflicts of interest.

Finally, having ascertained the hypotheses of violation of the law concerning the correct provision of collective asset management and investment services, four sanctioning proceedings were initiated against as many asset management companies and their corporate officers (for details of the proceedings concluded, see paragraph 8 'Sanctions').

In 2020, supervision of the managers of UCITS and AIFs will concern the correctness of the process underlying the investment choices of the managed assets and the transparency of information in the public offer, with reference to the offer documentation and to advertising activity. In the context of ongoing supervision, account will be taken of the evolution of the business models adopted by the managers and the range of products offered, also in terms of innovation. Finally, the supervision of real estate funds will continue in 2020 with particular attention paid to the managers of funds intended for the retail public for which the deadline is approaching.

In 2019, the monitoring of the structure of the boards of directors of the asset management companies and of independent director requirements continued (Tab. al.50). The analysis, with reference to the 13 largest asset management companies in the banking and insurance sector that manage at least one retail fund under Italian law, shows a slight

increase in the weight of directors of asset management companies without positions in group companies and, at the same time, a slight decrease in the incidence of directors who, though qualified as independent, hold positions in group companies (9 out of 47 in 2018 and 7 out of 44 in 2019).

#### 4.5 Body for the supervision and keeping of the single register of financial advisors (OCF)

The Supervisory Body and keeping of the single register of financial advisors became fully operational on 1 December 2018. Therefore, from that date CONSOB ceased direct supervision on the financial advisors authorised to carry out door-to-door selling, carrying out a second-level control over them, independent financial advisors and financial advice companies by exercising the supervisory activity over the Body. On the other hand, the Bank retained the regulatory supervisory power with regard to the rules of conduct that must be complied with by financial advisors in exercising their activity.

With resolution 20841 of 7 March 2019, CONSOB thus repealed Resolution 17297 of 28 April 2010 in the part relating to the disclosure obligations set out in annex II.9, concerning information on the measures taken in relation to the irregularities detected with regard to financial advisors authorised to carry out door-to-door selling in the performance of their activities. A similar obligation has now been imposed by the OCF for mandating intermediaries (for details on the changes caused by the transfer of sanctioning powers to the OCF, see paragraph 8 'Sanctions').

CONSOB supervises the OCF according to the methods it establishes, based on criteria of proportionality and cost-effectiveness of the control action and with the aim of verifying the adequacy of the internal procedures adopted by the OCF to carry out the tasks entrusted to it. To this end, CONSOB may request the OCF to communicate data and information and to transmit deeds and documents according to the set and methods established by it. Furthermore, the Commission has the power to carry out inspections, request the production of documents and the performance of deeds deemed necessary, as well as call the members of the OCF.

In 2019, the Commission promoted an intense cooperation with the Body, pursuant to art. 31-*bis*, sec. 4, TUF, in order to facilitate the performance of their respective functions, and also enforced its right to participate in the shareholders' meeting of the OCF, pursuant to art. 31, sec. 4, TUF. The Commission also supervised the activities of the OCF by using the periodic and event-driven information that the Body is required to communicate from the start of its full operation. With regard to periodic quantitative information, an efficiency analysis of the OCF's work was also carried out, comparing its performance with a benchmark consisting of CONSOB's past performance. Off-site supervision of non-periodic information, i.e. information communicated by the OCF on an event-driven basis, focused

on the Body's investigative, precautionary and sanctioning activities with regard to financial advisors authorised to carry out door-to-door selling as well as on the registration of new independent financial advisors and financial advice companies in the respective sections of the Register. In detail, two requests for the acquisition of the documentation of the entire file relating to 39 supervisory investigation proceedings ended with the filing or initiation of sanctioning or precautionary proceedings were formalised. In addition, a request for the acquisition of the documentation of the entire file relating to 13 investigation proceedings for registration in the Register of eight independent financial advisors and five advice firms was formalised. The legitimacy, effectiveness and efficiency of the work of the OCF were examined for all of the investigation files.

Finally, in 2019 CONSOB took two decisions on complaints against the measures adopted by the Body and regarding the registration in the Register, pursuant to art. 31, sec. 6, letter *f*), TUF and art. 144 of the Intermediaries' Regulations. In particular, CONSOB considered a complaint against the refusal of registration in the Register to be well-founded and, on the other hand, considered a complaint against the OCF's decision to cancel a member for loss of the requisite of integrity to be unfounded.

## 5 Counteraction of unauthorised business activities

Financial fraud in the offer of financial products to the public and the provision of investment services is a growing phenomenon against which the Legislator intervened twice to strengthen the law enforcement tools available to CONSOB.

With law no. 58 of 28 June 2019 (law converting the so-called 'growth decree'), published in the Official Journal of 29 June 2019 and in force since 30 June 2019, CONSOB was given the power to order providers of internet connectivity services (i.e. operators that allow internet access in Italy) to remove the initiatives of anyone in the territory of the Republic, through data and/or telecommunication networks, offering or performing investment services without being authorised to do so (so-called black-out power). Law no. 8 of 28 February 2020 (law converting the 'Mille proroghe' Law Decree 25 July 2018, no. 91), published in the Official Journal of 29 February 2020 and in force since 1 March 2020, then allowed CONSOB to order the providers of internet connectivity services to remove the initiatives of anyone in the territory of the Republic who, through data or telecommunication networks: i) offers financial products to the public in default of the prescribed prospectus; ii) advertises offers to the public of financial products other than EU financial instruments before the publication of the prescribed prospectus. The black-out power makes it easier to block

access in Italy to websites through which abusive practices are carried out without having to rely on the cooperation of the host providers hosting them.

The above-mentioned regulatory provisions, together with the adoption of certain operating practices aimed at reducing the time required for investigations, enabled CONSOB to achieve tangible results in the fight against abusive practices, as can be seen from the progressive increase in the number of investigations launched, in the face of the increase in the number of reports of alleged offences and the number of measures adopted. In 2019, 380 investigations were launched (208 in 2018) on the hypothesis of abusive practices due to violating the provisions on issuers (offering financial products to the public and advertising relating to offering financial products to the public in the absence of publishing a prospectus) and intermediaries (unauthorised provision of investment services; Tab. al.51). These investigations also used the evidence gathered as part of the assessment activity carried out by the Commission, which involved a total of 427 checks on 846 websites (Tab. al.52). 426 measures were adopted following the investigations (compared to 271 in 2018; Tab. al.53).

In particular, between July and December 2019, the Commission exercised the power to blackout 117 websites, already subject to the termination order, for offering investment services without the required authorisation. The list of 'blocked' websites was also published and updated periodically, in order to make citizens more and more aware of the existence and danger of the abusive phenomena.

Among the cases of unauthorised provision of investment services, a widespread practice is the unauthorised offer of trading services on contract for difference (CFD), with the underlying represented by legal currencies, financial instruments, financial indices, commodities and crypto-currencies.

The cases of illegal activity for violation of the provisions on solicitation of public savings are not infrequently characterised, among other things, by the existence of remuneration mechanisms of an affiliative-pyramid nature that can also conceal fraudulent activities to be reported to the Judiciary (in all, during the year 218 reports were sent to the Judiciary - 136 in 2018 - both for the hypothesis of unauthorised provision of investment services and activities and for the hypothesis of fraud).

Several unauthorised offers also involved financial products in the form of initial coin offering (ICO), which promised investors financial returns related to the alleged sale of digital tokens. The latter were qualified as financial products, as the use of the capital requested from investors is functional not to make use, for example, of goods or future services (or other secondary activities, also when offered in the projects launched by the offerers), but to remunerate the actual capital, through a predefined return or a return that can be predefined based on pre-set parameters, ranging between a minimum and a maximum amount and expressed as a percentage

of the capital contributed by the investor. In such cases, CONSOB intervened with measures suspending or prohibiting the offer.

Finally, proposals for atypical financial investments are increasingly frequent (including those concerning 'different assets', related contracts, unspecified 'investment programmes' or those relating to 'crypto-currencies'), for which, against the request to pay the amounts, even modest, promise amazing returns out of the market.

A further fraudulent scheme that emerged in 2019 is based on supposed debt collection companies which, using the names and logos of financial institutions, offer users the possibility of obtaining the reimbursement of sums already invested by activating trading accounts with investment firms that do not have the necessary authorisations to operate.

The tendency of illegal operators to take measures that make them difficult to identify is confirmed, for example by changing the name of the website on which they carry out the illegal activity and by using a website name similar to that of authorised subjects (so-called clone websites). Moreover, these subjects often declare that they are based in non-EU countries, where full data verification is not always possible, or in European countries but with names that frequently do not correspond to companies actually registered. For this reason, CONSOB cooperates with its foreign counterparts, also through requests for cooperation and exchange of information.

## 6 Inspection activity

### 6.1 Inspections

In 2019, CONSOB launched 23 inspections, mainly during the second and fourth quarters of the year, and concluded 24 inspections (12 of which were launched the previous year; Tab. al.54). With reference to the inspections launched in 2019, the Commission requested the collaboration of the special unit of financial crime police in seven cases. In two cases, the Bank of Italy requested an inspection to be conducted on the basis of the protocols of understanding in force.

The audits launched during the year mainly concerned intermediaries and audit firms (Tab. al.55). The profiles investigated often refer to compliance with the rules of conduct and transparency of intermediaries and to the application of anti-money laundering measures (Tab. al.56).

## 6.2 Prevention and contrast of money laundering and terrorist financing

Inspections regarding anti-money laundering involved six audit firms (in one case the inspection was conducted jointly with the Financial Intelligence Unit) and one investment firm (at the request of the Bank of Italy; Tab. al.57).

2019 was the first year of application of an information obligation introduced by CONSOB for audit firms under the new regulatory framework resulting from the transposition of the so-called IV Anti-Money Laundering Directive. In particular, resolution 20570 of 4 September 2018 requires audit firms to annually provide the Commission with the results of the analysis and an assessment of the risks of money laundering and terrorist financing to which they are exposed in exercising their activities, in the so-called self-assessment document. In the aforementioned document, which must be drawn up in accordance with the criteria and methodologies identified in Communication 186002 of 4 June 2018, the audit firms are required to indicate a series of quantitative data and information that are fundamental to determine both the number of customers that feature the various indicators that suggest a high risk of money laundering or terrorist financing (for example, customers operating in economic sectors at risk or in geographical areas at risk or characterised by complex shareholding structures, involved in events that are the subject of detrimental news) and the effectiveness of the organisational, procedural and control measures adopted to mitigate said risk.

On the basis of quantitative data and information on organisational, procedural and control measures acquired through the self-assessment documents, supervisory actions were taken during the year (requests for data and news, recommendations and, in one case, the calling of the Board of Directors) aimed at identifying the risks of non-compliance with anti-money laundering legislation and guiding audit firms towards full compliance with industry obligations.

In the light of the analysis of the self-assessment documents received during the year, the Commission also highlighted the need to refine the methods used by audit firms to measure risk exposure and, in most cases, to complete the adaptation of procedural and control measures to the recently introduced regulatory provisions. Therefore, with a view to raising awareness and proactive supervision, a training initiative was carried out for representatives of the supervised audit firms and the trade association to draw attention to the requirements related to the annual self-assessment and the related methodologies.

As part of the cooperation relations governed by specific memoranda of understanding, CONSOB also forwarded the Bank of Italy and the Financial Intelligence Unit, under their respective competence, evidence

for the in-depth analyses regarding potentially relevant cases with a view to combating money laundering and terrorist financing.

Finally, CONSOB participated in the work of the Financial Security Committee (CSF) - established by Law Decree 369/2001, converted into Law no. 431 of 14 December 2001, - aimed at the coordination of the national system to combat money laundering and terrorist financing. As part of this collaboration, CONSOB contributed to the drafting of the national analysis of the risks of money laundering and terrorist financing, pursuant to art. 14 of Legislative Decree 231/2007, as well as to the technical committee for the transposition in Italy of the so-called V Anti-Money Laundering Directive, which took place with the implementation of Legislative Decree 125/2019 (for further details see Chapter III 'The transposition of European legislation and regulatory activity', Part B).

## 7 Additional actions taken towards investor protection

### 7.1 Financial education

CONSOB has always been committed to developing and implementing a financial education strategy aimed at increasing the financial skills of citizens and enhancing the effectiveness of the investor protection system provided by our legal system. To this end, the Commission operates both domestically and internationally.

Domestically, CONSOB participates in the National Committee to plan and coordinate financial education activities (hereinafter referred to as the Committee), established at the Ministry of Economy and Finance and headed by Prof. Annamaria Lusardi. During 2019, it contributed to plan and implement financial education initiatives (particularly during the second edition of the Financial Education Month) by participating in the drafting of the guidelines to train young people and adults and collaborating in the conclusion and implementation of the Committee's Memoranda of Understanding with a number of subjects including CONI, INAIL, KOMEN-Italia and ADEIMF.

Continuing from previous years, CONSOB also took care of designing and creating training activities for a wide audience, including teachers, students and small entrepreneurs. In particular, the project 'Finance: a tale to tell...: from bartering to bitcoin', designed for secondary/high school students, is based on teacher training and consists of four modules developed by CONSOB. The first edition of the Project was launched in cooperation with the Regional school office of Lombardy during World Investor Week 2018. Cooperation with teachers of Lombardy schools participating in the Project made it possible to develop a teaching model for financial education for secondary/high school students, illustrated in CONSOB's first Financial Education Notebook, published in May 2019. In the following month of

September, a new cycle of the Project was launched in Lombardy and Lazio, with the aim of gathering data and evidence to develop a methodology to measure the effectiveness of the results achieved. CONSOB also organised a host of seminars at various universities, particularly during the Financial Education Month, thanks to which it was able to reach the segment of university students. Finally, following an agreement signed with FederTerziario, a training course for entrepreneurs (in particular small and medium-sized companies) was launched, focusing on non-bank channels to access the capital market, which will also be repeated in 2020.

The training initiatives were designed also based on evidence from studies and surveys, conducted independently or in cooperation with researchers and academics, in order to identify the training needs of potential beneficiaries of the initiatives and to refine teaching methods, tools and communication channels.

With regard to the survey on training needs, the Observatory on the investment choices of Italian households and the annual survey on the relationship between financial advisors and investors (so-called mirroring) made it possible to monitor the financial knowledge and attitudes of Italian retail investors, while the interaction with the Regional School Offices of Lombardy and Lazio made it possible to collect data on secondary/high school students. In addition, some studies, conducted in cooperation with academic researchers, provided interesting insights into the factors motivating individuals to raise their level of financial knowledge and the training needs that emerge in the face of the digitisation of investment services.

With reference to developing innovative teaching methods and communication tools, the edutainment approach, combining training and entertainment, was explored with the project called 'Finance on Stage'. The first edition of the project was dedicated to the theme of financial scams with the theatre show 'Watch out for scams', repeated in several Italian cities; moreover, on the inauguration of the Financial Education Month 2019, a new theatre show was launched, entitled 'Take the money and run!', which goes over the history of finance through narrative and cinematographic representations.

During the year, the interactive tools available on the institutional website continued to be refined and developed, such as the web-application for personal and family budget control ('SAV€Rio il \$alvadanaro') and the investment simulation game 'App-Rendimento', developed in cooperation with the Laboratory of Experimental Economics of the University of Trento; a web-application for financial planning is also being developed in collaboration with the Polytechnic University of Milan.

Finally, the Commission continued to participate in international working groups, such as the OECD-INFE network and the C8 (Retail Investors) Committee of the International Organization of Securities Commissions

(IOSCO), engaged in financial education. In addition to sharing experience and good practice, some of which can also be replicated at home, CONSOB also joined the third edition of the World Investor Week launched by the IOSCO C8 Committee to raise awareness about the importance of financial education among citizens and institutions.

## 7.2 Complaint handling

During 2019, CONSOB received 2,838 complaints (2,866 in 2018), 88% of which falling within the competence of CONSOB, and therefore accepted (Tab. al.58). Four complaints were classified as 'qualified', as they were submitted in accordance with articles 4-*undecies* and 4-*duodecies* of the TUF (whistleblowing) pursuant to the Implementing Directive (EU) 2015/2392 relating to Regulation (EU) no. 596/2014 (European Market Abuse Regulation - MAR)

The complaints, mainly made by residents in the northern regions and by males, primarily refer to banks, investment firms without branches and unauthorised persons involved in investigations of abuse (Tab. al.59). They also concern anomalies in investment services and allegations of abuse in about 46% and 28% of cases, respectively. The number of reports relating to financial advisors authorised to carry out door-to-door selling has reduced significantly, due to the start of the activity of the Supervisory Body and keeping of the single register of Financial Advisors (OCF).

Though increasing compared to 2018, less than 20% of the reports were forwarded via the online channel specifically set up by the Commission, confirming the low propensity of retail investors to use this transmission method.

## 7.3 The activity of the Alternative Financial Dispute Resolution Scheme

In 2019 the Alternative Financial Dispute Resolution Scheme (ACF) received 1,678 appeals (Tab. al.60), of which 23% came from Apulia (Tab. al.61) due to the events of the well-known cooperative bank now under extraordinary administration.

The appeals received by the ACF passed the admissibility test in 84% of cases (1,407); in 15% of cases, on the other hand, they were inadmissible, mainly because they did not fall within the ACF's sphere of competence or had an indeterminate object; in the remaining cases, finally, they were declared inadmissible, often due to the failure to submit a prior complaint to the intermediary. The number of intermediaries involved was 93 (mostly banks; Tab. al.62). The average value of the requested refunds in appeals that

passed the admissibility test was more than 67 thousand euros, for a total of more than 94 million euros (Tab. al.63).

In 2019, the number of disputes that were declared solved because they were settled directly between the parties increased (194 compared to 164 cases in 2018). The figure shows how lodging an appeal with the ACF may make negotiations easier and lead the parties to find a solution to the dispute before the Arbitrator's decision.

The ACF adopted 854 decisions, which in 473 cases (55% of the total) required the full or partial acceptance of the appeal and the awarding of compensation totalling almost 16 million euros. There were 11 non-compliant intermediaries, including five cooperative banks with liquidity problems and one credit institution incorporating one of the banks subject to compulsory administrative liquidation in 2015.

The extent of the activity carried out by the ACF in the first three years of operation confirms its ability to meet the need for an alternative tool for the settlement of disputes between intermediaries and retail investors. This conviction is confirmed not only by the total volume of appeals received (5,341 compared to initial estimates of an annual flow of between 1,000 and 1,500 appeals), but also by their even distribution over time, with the exception of the peak recorded in the quarter May-July 2017, when the compulsory administrative liquidation procedure of the Veneto banks was launched, and in October-November 2018, coinciding with the role granted to the Arbitrator by the law decree 'Mille proroghe' 25 July 2018, no. 91 (art. 11, sec. 1-*bis*, of Law 108/2018) in the procedures for compensating the retail investors of the aforementioned Veneto banks and the four banks placed under resolution at the end of 2015.

In line with what was recorded in 2017 and 2018, the appeals received in 2019 mainly concerned the provision of advice services and services for the placement and execution of orders on behalf of customers and, in particular, the relationship between customer and intermediary and the information flows prior to choosing the investment. In this regard, intermediaries have developed a tendency to consider the formal fulfilment of the obligations of diligence, fairness and transparency sufficient - for example by merely providing the customer with the usual documentation in the pre-contractual phase - to the detriment of the pursuit of the customer's best interests. Other critical issues highlighted in the appeals were related to the customer profiling phase and the assessment of appropriateness/suitability.

During the first three years of activity, the decisions taken by the ACF concerned cases of increasing variety and complexity, progressively outlining indications that can guide the conduct of intermediaries in their relations with customers, providing a contribution in terms of removing possible situations of conflict *ab origine*. In this regard, it should be recalled

that, pursuant to art. 3, sec. 4, letter *b*), of the ACF Regulation, intermediaries are required to ensure that the complaints received are also assessed in the light of the guidelines inferable from the decisions taken by the ACF.

Some of the most significant guidelines developed by the ACF during the first three years of its activity concern the so-called self-placement of illiquid financial instruments towards retail investors, customer profiling through the so-called MiFID questionnaire and the provision of investment services through the online channel.

With reference to the first issue, the Arbitrator's attention was focused on the disclosure obligations incumbent on the intermediary also taking into account the illiquid nature of these securities and the circumstances in which the intermediary is required to provide the information specified by CONSOB in the communication on illiquid instruments (Decision 1522). With regard to the second profile, the Arbitrator expressed an opinion on how to administer the questionnaire for customer profiling (Decisions 1538, 2366 and 2545), on the quality of the questions affecting the reliability of the survey (Decisions 1955, 1642 and 2002) and on the information to be acquired (Decisions 1753, 1783). With regard to the third aspect, the Decisions issued during the year refer, in particular, to the safeguards provided to all investors (also when they use computer tools to arrange transactions; Decisions 1507 and 1724), to the organisational and operating structures (Decisions 1532 and 1814) and to the disaster recovery procedures (Decision 2095) that must be available to intermediaries providing investment services through home banking systems.

## 8 Sanctions

During 2019, CONSOB's sanctioning proceedings confirmed the Commission's commitment to the principles affirmed on several occasions by both the Court of Justice and the European Court of Human Rights (ECHR) with regard to the regulation of market abuse, with particular reference to the guarantees of the accused with respect to formally administrative punitive measures (albeit essentially criminal): reference is made to the rights relating to the principles of due process (art. 6 ECHR), *ne bis in idem* (art. 4 prot. 7 ECHR; art. 50 Nice Charter) and *favor rei* (art. 7 ECHR).

This was made possible also thanks to the fact that, starting from 2015, CONSOB has taken care to ensure the broadest respect for the principle of adversarial proceedings and the guarantees of defence within the sanctioning proceedings, introducing in favour of the subjects that exercise their defensive prerogatives in the preliminary phase of the proceedings the right to receive the final report and to present directly to the Commission, also in the decision-making phase, their own counter-deductions with respect to the conclusions reached by the Administrative Sanctions Office.

During 2019, CONSOB's sanctioning activity was significantly reduced in the following areas: i) abusive provision of the collective asset management service; ii) unauthorised door-to-door selling and promotion and placement through distance communication techniques of financial products or financial instruments or investment services or activities; iii) unauthorised provision of data communication services. This phenomenon derives from the elimination by the Italian legislator (in line with the regulatory solutions introduced as part of the work to implement the Undertakings for the Collective Investment in Transferable Securities Directive - Directive 2014/91/EU or UCITS V and the MiFID II Directive) of possible areas of overlap between the criminal sanctioning response and the administrative response for the types of abusive practices already contemplated in the TUF. In particular, Legislative Decree 72/2015 transposing Directive 2013/36/EU (Credit Risk Directive or CRD IV), among other things, removed from art. 190, TUF, CONSOB's sanctioning power for cases of unauthorised provision of investment services pursuant to art. 18, sec. 1, TUF, bringing the relevant cases back to the criminal area only.

The sanctioning activity against financial advisors was also definitively discontinued as a result of the transfer to the Supervisory Body and the keeping of the single register of financial advisors (OCF) of the companies previously incorporated with CONSOB. With resolution 20503 of 28 June 2018, followed by the signing of a memorandum of understanding between CONSOB and the OCF, the following were transferred to the Body (as of 2 July 2018): i) the functions relating to registration in the Single Register of Independent Financial Advisors and financial advice firms, pursuant to art. 7 of Ministerial Decree no. 206/2008; ii) the supervisory powers referred to in art. 31, sec. 7, TUF, to carry out the investigation activity concerning the initiation of precautionary proceedings (art. 7-septies, sec. 2, TUF) as well as sanctioning proceedings (art. 196, TUF) against the financial advisors authorised to carry out door-to-door selling. Subsequently, with resolution no. 20704 of 15 November 2018, the process of transferring powers with regard to financial advisors from CONSOB to the OCF was completed and, as of 1 December 2018, the OCF became fully operational, assuming the decision-making powers concerning the keeping and management of the three sections of the Single Register of Financial Advisors and the supervisory, precautionary and sanctioning functions, on the three categories of advisors. From that date, CONSOB became a 'second level' supervisory authority as it supervises the activities of the OCF (for details on the supervisory activity, see paragraph 4 above 'Supervision of intermediaries').

The sanctioning activity carried out in 2019 was also more affected than in the previous year by new provisions introduced by Legislative Decree 72/2015 transposing Directive CRD IV on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. By requiring, among other things, that the amendments

made to the sanctioning regulations could only apply to violations committed after the entry into force of the implementing provisions adopted by CONSOB, the decree led the latter to update its Regulation on the sanctioning proceedings 18750 of 19 December 2013 with resolution 19521 of 24 February 2016 (which came into force on 8 March 2016).

During 2019, the new sanctioning regime was also widely applied to intermediaries. As a matter of fact, in five of the six sanctioning measures adopted by CONSOB, the new rules introduced in transposing CRD IV on the subjective chargeability of the violation were applied, which require the body's direct liability (and not, as before, the joint and several liability), making it the main addressee of the notification and thus of the administrative sanction applied. On the other hand, like the new regime, the subjective attribution of the responsibility for the violation can be made towards the corporate officers only in the presence of specific conditions. For this reason, during the year there was also a decrease in the number of administrative sanctions applied against corporate officers of intermediaries.

In 2019 the first two cases arose, with regard to which CONSOB adopted the administrative sanctioning measure of the 'public statement', which the Authority can resort to according to art. 193, sec. 2.1, TUF, in cases of violation characterised by the fact of not being very harmful or dangerous and when the challenged infringement has ceased.

The deflationary mechanism of out-of-court settlement, governed by art. 194-*quinquies*, TUF, as amended by Legislative Decree 72/2015, was used for the first time with regard to internal dealing by the addressees of the notification. In 2019, out of five cases of out-of-court settlement, three concerned this matter, while the remaining two cases concerned violations relating to the late notification of relevant holdings (for which the possibility of payment to a reduced extent was already provided for before the aforementioned amendment). Thus, during 2019, the new sanctioning regime was applied in 51% of the sanctioning measures, while the remaining cases were dealt with by using the previous regime as it related to illegal acts committed before the above-mentioned date of 8 March 2016 (in 2018 only 32% of the total number of cases dealt with had seen the application of the rules introduced by the reform). It is reasonable to assume that the new EU rules will be increasingly applied in 2020, given the fact that the ascertained illegal acts will fall within an increasingly emancipated date compared to the date of entry into force of the new sanctioning regime.

As a result of the regulatory changes illustrated above, in 2019 the number of sanctioning proceedings completed was significantly reduced compared to the previous year, to 47 (172 in 2018), with the application of sanctions against 88 entities (plus 22 entities sanctioned for abusive practices, three legal entities that are jointly and severally liable with the perpetrators of market abuse violations and two entities which the administrative sanctioning measure of the 'public statement' was applied to;

445 in 2018). The total amount of fines applied was approximately 10.4 million euros (22.2 million euros in 2018; Tab. al.64). In addition to this figure, there were sanctions for abusive practices equal to 745 thousand euros (648 thousand euros in 2018). The accessory prohibitory sanctions totalled 470 months (879 months in 2018) and the value of the assets subject to confiscation was equal to approximately 804 million euros (9.7 million euros in 2018; Tab. al.65 – Tab. al.68).

The reduction in the total amount of sanctions applied also reflects the effects of two important decisions taken by the Constitutional Court in 2019. Decision 112 of 6 March 2019 declared art. 187-*sexies*, TUF, unconstitutional, insofar as it required the mandatory, direct or equivalent, confiscation not only of the profit but also of the product of the offence and the assets used to commit it. Therefore, following this amendment, CONSOB now only confiscates the profit of the offence. With Decision 63 of 21 March 2019, again in the context of a case of market abuse, the Court instead declared the unconstitutionality of art. 6, sec. 2, of Legislative Decree 72/2015 in the part in which it excluded the retroactive application of the rule (art. 6, sec. 3, of the same decree), which had required quintuplicating the sanctions provided for by art. 39, sec. 2, of Law 262/2005 not to apply to the administrative sanctions under the TUF.

It should be noted that during 2019 ESMA activated the single European register, containing all published and unpublished information on sanctions, which is fed on the basis of the notifications of orders made against it by the competent national authorities of the Member States and those of the European Economic Area (EEA).

## 9 Back-office activities

### 9.1 Financial management

The total expenditure for the 2019 financial year (162.4 million euros) decreased by 2.5 million euros compared to the final figure of 2018 (Tab. al.69). In particular, current expenditure (160 million euros) decreased by 2.4 million euros, while capital expenditure (2.4 million euros) decreased by 0.1 million euros. The overall decrease in current expenditure was partly due to the cancellation of the extraordinary transfer to the Fund for the out-of-court protection of retail investors and investors for the indemnity of retail investors involved in the affairs of banks placed in resolution or compulsory administrative liquidation (equal to 25 million euros in 2018). Compared to 2018, staff costs, IRAP tax and current expenses were higher, the increase mainly due to hiring new staff. In addition, the financial surpluses from managing the fund for the stabilisation of contribution revenue, which was set up during the year (13.1 million euros), were set aside.

Capital expenditure, amounting to 2.4 million euros, is mostly attributable to extraordinary maintenance work on the property in Rome (0.5 million euros) and acquisitions of hardware and software products (approximately 1.9 million euros).

Total revenues for 2019 (excluding the 2018 budget surplus) amounted to 145.1 million euros, of which 130.6 million euros (90% of the total) from supervisory fees and 14.2 million euros (approximately 10%) from other income (particularly receivable interest, the application of property restoration funds, pecuniary administrative sanctions collected for the infringement of the regulations governing the activities under Part II - Intermediary Regulations of the TUF and amounts paid to CONSOB as a result of court orders). In addition to that, there is the 0.3 million euros transfer from the State to the Fund for the out-of-court protection of the retail investors and investors, intended to provide free access procedures for the resolution of financial disputes by the Alternative Financial Dispute Resolution Scheme (ACF) established by CONSOB. The contributory income, down compared to 2018, especially refers to the categories of entities with offer/quotation documentation, issuers, intermediaries (Banks, investment firms and stockbrokers) and audit firms and statutory auditors (Tab. al.70).

## **9.2 Human resource management and the acquisition and management of goods and services**

At the end of 2019, the Commission's staff stood at 670 units (six more than in 2018). Against 16 terminations of service during the year, 20 new recruitments were carried out in relation to using the rankings of previous competitive procedures with the hiring of 14 resources (three graduates in economic disciplines, four in legal disciplines, four in IT subjects and three high school graduates with work experience) and the recruitment of six resources on contract, including the General Manager and the Secretary General. Finally, the staff includes two resources seconded at CONSOB from other administrations (Tab. al.71 - Tab. al.72).

As regards the flexibility tools designed to combine the needs of CONSOB with those of employees (smart working), 49 teleworking positions were envisaged (unchanged from 2018).

With reference to staff training, in 2019 the initiatives carried out at the Commission's offices were intensified, both on topics of general interest for all staff and with specialist content aimed at certain groups of employees. Video streaming was used for some of these initiatives, which made it possible to contain costs without compromising the quality and continuity of training activities. The participants' level of satisfaction of the courses and seminars, detected during the year in order to identify possible areas for improvement, led to AIF (Italian Trainers' Association) and FORMEZ PA awarding CONSOB the 'Basile Award'.

With regard to the thematic areas covered by the training initiatives, particular attention was and will continue to be paid to subjects relating to FinTech. In this regard, it is worth mentioning that in October, CONSOB and the financial crime police signed a new Memorandum of Understanding which provides, among other things, for a series of periodic educational initiatives for staff of both of them. On 15 October, the date of signing this Memorandum, a course on artificial intelligence techniques already used in the financial sector was started to implement it. During it, individual applications were illustrated, in which the top management of CONSOB and the financial crime police participated. On the other hand, with the cooperation of Polytechnic University of Milan, numerous training sessions were organised for the staff of the Rome and Milan offices.

Implementing the multi-annual scheme for training IT staff also continued by holding in-depth technical courses involving teachers and experts in the sector. These courses were divided into theoretical and practical sessions, according to the training on the job mode, and focused on subjects selected among the most relevant for the strategic evolution lines required for the Commission's IT systems (see Chapter IV 'Application of technological innovations to supervision', Part C).

At the end of the year, training sessions on anti-corruption issues were held at the Rome office and extended to employees at the Milan office at the beginning of 2020.

Finally, on sustainable finance, a series of seminars with academics and industry operators was organised, as well as an internal training initiative analysing non-financial declarations (for details see paragraph 1 'The development of sustainable finance', Chapter V 'Other strategic goals', Part C).

During 2019, cooperation with other administrative authorities for the joint execution of procurement procedures to acquire services and supplies was consolidated; these procedures, aimed at rationalising and containing administrative costs and achieving economies of scale, ensure greater efficiency in the procurement process and cost savings.

In particular, the first meeting of the Technical Table established to execute the 'Memorandum of Understanding between the Bank of Italy, the Italian Competition Authority and the CONSOB and the Stock Exchange to define joint procurement strategies to acquire works, services and supplies', signed in November 2018, was held in April. In this context, the needs that are shared by the participating authorities were defined in order to launch joint procurement initiatives. The operational model outlined by the aforementioned Protocol, to which ANAC and IVASS also adhered in May 2019, is a best practice in the field of public procurement.

In conjunction with the Bank of Italy, AGCM and IVASS, the EU tender for the acquisition of the armed surveillance service to guard the

Authorities' buildings was launched; with the Bank of Italy, tenders were also launched for the acquisition of Liferay software licences and for the management of the flexible benefits service in favour of the staff of both Authorities.

The procurement activity carried out jointly by CONSOB and AGCM (in implementation of art. 22, sec. 7, of Decree Law 90/2014, converted into Law 114/2014 and the Convention signed in 2014) also continued through the joint management of the request for tenders on the MEPA (PA Electronic Market) for the acquisition of various consumables, the EU tender for the translation of institutional documents and all of the activities related to the management of the common parts of the building in Rome that hosts the office of the two Authorities.

Finally, the attention to organisational and procedural solutions that take into account the environmental impact of the activity was increased. Reference is made, in particular, to the increasingly frequent use of remote connection tools and, as part of the procurement processes for consumables, to the obligation for the successful tenderers of the stationery purchasing procedures to provide a list of eco-sustainable products already identified during the tender and, as part of the contracts for toner and other IT consumables, to the obligation to provide a quantity of regenerated cartridges, in compliance with the minimum environmental criteria set out in the reference legislation, equal to 30% of the total cartridges supplied.

### 9.3 External relations, researches and conferences

In the context of relations with the public, the CONSOB website proved to be the main tool for institutional communication with the public: the high number of accesses, in line with previous years, highlights its importance for the acquisition of data and information both by operators (to whom the 'Services for operators' section is dedicated) and by students, scholars and retail investors (to whom the sections 'CONSOB and its activities' and 'Financial education' are devoted; Tab. al.73).

During the year, almost two thousand written requests for assistance were received, as well as reports on events concerning corporate operations and the market, mainly through the Integrated System for External Users (SIPE) or via e-mail and ordinary mail; in addition to these, numerous telephone requests for data and information were received (Tab. al.74).

Finally, in addition to the usual meetings with school and university students, since 2017 CONSOB has been hosting students attending the last three years of high school at its offices, carrying out, in agreement with teachers, projects in line with their respective study plans as part of alternating school-work paths (Percorsi per le Competenze Trasversali e l'Orientamento - PCTO).

As regards research, many studies were published over the year on institutional themes, also in cooperation with representatives from the academy. As part of the Commission's periodic publications, the 2019 editions of the Report on the investment choices of Italian households, the Report on the corporate governance of Italian listed companies and the Statistical Bulletin on statistical supervisory reporting were prepared. Finally, for the first time, a Report was dedicated to the publication of non-financial declarations.

As regards the activities aimed at organising training meetings and conferences, CONSOB promoted numerous events for discussion and in-depth study that were open to an audience of operators and experts, including the conference 'Securities markets: trends, risks and policies', organised with ESMA and Bocconi university, the conference 'New technologies and new forms of financing for businesses: ICOs and crypto-assets, crowdfunding', organised with the University of Verona, and the round table 'Fintech: regulation, market and competition', which discussed the innovation and transformation of the financial sector, as well as the role played by supervisory authorities.

## 1 The regulatory context

During 2019, the main actions set forth in the Plan for the creation of a Capital Markets Union (CMU) were completed. The Plan, announced by the European Commission in 2015, was subsequently supplemented with the objective of increasing the attractiveness of the European financial centre in view of the UK's withdrawal from the EU (Brexit). Though outside the euro area, so far London has been the main financial centre of the Union.

Following the completion of the ratification of the Withdrawal Agreement, the United Kingdom became a third country as from 1 February 2020. Relations between the EU and the United Kingdom will be governed by EU law for a transitional period (until 31 December 2020, unless extended) and thereafter by agreements to be reached in ongoing negotiations.

Therefore, the EU-27 institutions remain committed to strengthening a competitive continental capital market with the aim of channelling resources towards the real economy, innovation and sustainability. In this context, the legislative and non-legislative measures adopted during 2019 were the first steps in the search for this new balance.

### 1.1 The implementation of the Capital Markets Union

In 2019, several pieces of legislation were published or defined, as set forth in the CMU action plan, including: Directive (EU) 2019/1160 and Regulation (EU) 2019/1156, on the cross-border distribution of mutual funds; Regulation (EU) 2019/2115 (SMEs Listing), aimed at facilitating the raising of capital by small and medium-sized companies (SMEs); Regulation (EU) 2019/1238, aimed at establishing a common regime for the authorisation and marketing on a cross-border basis of individual pension products (so-called PEPPs); Regulation (EU) no. 834/2019 amending, with a view to simplifying the burden on operators, the EMIR Regulation (REFIT) and Regulation (EU) 2019/2099 aimed at strengthening supervision of CCPs (EMIR 2.2); Directive (EU) 2019/2034 and Regulation (EU) 2019/2033 of the European Parliament

and of the Council of 27 November 2019 on the supervision and prudential requirements of investment firms; Directive (EU) 2019/2162 on the issue and public supervision of secured bonds, amending Directive 2009/65/EC (UCITS IV) and Directive 2014/59/EU (BRRD).

On 7 June 2019, the legislative measures to reform European legislation on risk reduction in the financial sector, proposed by the European Commission in November 2016 with a view to taking a further step towards strengthening the capacity of European banks and investment firms to withstand possible shocks, were published in the Official Journal of the European Union. In particular, the package of regulatory measures (also known as 'Basel IV') makes changes to the capital requirements framework set out in Regulation (EU) no. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), in order to strengthen the capital and liquidity positions of credit institutions and investment firms, and consolidates the framework for the recovery and resolution of credit institutions and investment firms in difficulty set out in Directive 2014/59/EU (BRRD) and Regulation (EU) no. 806/2014 (SRMR). In addition, with specific regard to investment firms, the following acts were adopted: (i) Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU; (ii) Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms and amending Regulations (EU) no. 1093/2010, (EU) no. 575/2013, (EU) no. 600/2014 and (EU) no. 806/2014. These acts were published in the Official Journal of the European Union on 5 December 2019 and amended the supervisory regime and prudential requirements for investment firms, in order to adapt them to their risk profile and business model, while maintaining the application of the regime for credit institutions only for investment firms considered systemic.

In addition, the process of review of the European Supervisory Authorities (ESAs; European Banking Authority - EBA, European Insurance and Occupational Pensions Authority - EIOPA, European Securities and Markets Authority - ESMA), referred to in the following paragraph, was completed.

Negotiations will continue during 2020 on the proposal for a regulation on the restructuring and resolution of CCPs and on the proposal for a regulation aimed at establishing a harmonised regulatory framework for crowdfunding. In addition, the new European Commission, which took office on 1 December 2019, could consider submitting further regulatory proposals in order to continue the process of consolidating the CMU.

## 1.2 The ESAs reform

Regulations (EU) 2019/2175 and 2019/2176 and Directive (EU) 2019/2177 have strengthened the powers and competence of the ESAs, increased their accountability to the European Parliament and the Council while increasing the independence and functions of their Presidents. In addition, anti-money laundering and counter-terrorism tasks and powers have been centralised within the EBA.

In particular, ESMA has been granted new direct powers, exercisable as of 1 January 2022, concerning data communication service providers, critical benchmark administrators and the recognition of benchmark administrators located in third countries. ESMA is also called upon to continuously verify the existence of equivalence requirements in third countries and to develop supervisory manuals. In exceptional cases ESMA will also be able to issue so-called no action letters to alert the European Commission and national authorities to issues arising from the application of EU legislation. ESMA's action will have to take into account the principle of proportionality, technological innovation and the integration of sustainability factors into business models.

Special attention was paid to pan-European and potentially systemic players such as market infrastructures. The growing cross-border size of clearing activities and the need to protect financial stability are at the origin of the new rules for the supervision of CCPs introduced in 2019 by Regulation (EU) 2019/2099. The new rules entrust to ESMA both the coordination of the main decisions of national supervisory authorities of CCPs established in the Union and direct competence over non-EU systemic or potentially systemic CCPs, which will also be subject to enhanced recognition conditions. CONSOB participates in the CCP Supervisory Committee responsible, under the new rules, for enforcing ESMA's decisions in this area, among other things.

Reforming the ESAs also enhanced the coordination and convergence of supervisory practices, including by identifying common strategic priorities and a shared approach to the centralised management of data reported to national authorities. CONSOB considers it strategic to continue investing in the development of a common supervisory culture, aimed at achieving the highest standards of investor protection and the smooth functioning of the single market and meeting the need to counter the risks of regulatory arbitrage, which has become even more pressing as a result of the UK's exit from the EU. The revision of the regime for access to EU markets by third country firms wishing to provide investment services in the EU under MiFID II/MiFIR, made more stringent by Directive (EU) 2019/2034 and Regulation (EU) 2019/2033, responds to this logic.

### 1.3 Support to small and medium-sized companies

At European level, efforts continued in order to promote not only integration but also the development of financial markets, promoting SMEs' access to financing channels that are alternative to banks. In 2019, in particular, with the entry into force of Regulation (EU) 2019/2115, simplifications were made to the European Market Abuse Regulation (Regulation (EU) no. 596/2014 or MAR) and the Prospectus Regulation in order to support the development of growth markets for SMEs (SMEs Growth Markets).

With reference to the market abuse regulation, issuers were given a wider possibility to enter into liquidity contracts with an intermediary, which will be entrusted with the task of improving the liquidity of the issuer's shares (thus mitigating the problems related to the limited number of trades, which is the main cause of the low attractiveness of growth markets), as well as lightening the requirements to be met in order to delay the public disclosure of inside information and the keeping of the insider list. The conduct of market sounding (i.e. the disclosure of information prior to the announcement of a market transaction in order to assess the interest of potential investors and the related conditions) in case of bond issues was also made easier, in line with the objective stated in the Plan for the CMU to encourage private placements of debt securities, while maintaining a series of precautions aimed at preventing market abuse.

With regard to the Prospectus Regulation, the scope of application of the EU growth prospectus was extended, also in order to facilitate the transition of SMEs to the regulated market. In addition, through an amendment to the delegated act implementing MiFID II, a new definition for SMEs issuing only debt instruments was adopted, which is less restrictive than the previous one, in order to widen the number of issuers benefiting from the less burdensome regulatory requirements for SME growth markets (see also Chapter III 'The transposition of European legislation and regulatory activity', Part B).

These simplifications are a first step towards removing obstacles to the raising of financial resources on the capital market by SMEs. However, further action would be needed to create an ecosystem that is conducive to the listing of SMEs and to expand the range and accessibility of financial and non-financial information about SMEs. The availability of such information is currently fragmented at national level; in the case of non-financial information, there are also limitations resulting from the absence of common standards. Looking ahead, the subject is hoped to be reviewed in consideration of the speciality profiles, the need for simplification and the proportionality criterion.

## 1.4 The Action Plan on financing sustainable growth

Work continued during 2019 to implement the Action plan on sustainable finance, published by the European Commission in March 2018. As well known, the Plan recommends ten actions to be taken at European level to: (i) facilitate the channelling of financial investment towards a more sustainable economy; (ii) consider sustainability in risk management procedures; (iii) enhance transparency and long-term investment.

On 24 May 2018, the European Commission adopted a set of legislative proposals (some of them autonomous, others amending existing directives and regulations) containing: a proposal for a regulation introducing new disclosure requirements for intermediaries on how 'sustainability factors' are integrated into investment decisions and advice; a proposal for a regulation to classify eco-sustainable activities, in order to reduce the risk of unfair practices (greenwashing); a proposal to amend Regulation (EU) 2016/1011 introducing two new benchmarks taking into account certain aspects of environmental sustainability; draft amendments to delegated acts adopted for the implementation of MiFID II and IDD (Directive (EU) 2016/97), which require intermediaries to compulsorily take account of customer preferences for Environmental, Social and Governance (ESG) factors in the provision of insurance investment services (IBIP), including in relation to the suitability assessment.

During 2019, CONSOB provided technical support to the MEF, which participated in the negotiations in the Council of the European Union on the three proposals for regulations mentioned above. Negotiations were concluded with regard to the Regulation on sustainability reporting in the financial services sector (Regulation (EU) 2019/2088) and to the regulation on benchmarks (Regulation (EU) 2019/2089), both published in the Official Journal of the European Union on 9 December 2019. With reference to the proposed Classification Regulation, a political agreement was reached in the trilogue on the final compromise text on 17 December 2019 and the Technical Expert Group on Sustainable Finance (TEG) published its Final Report on 9 March 2020, containing some recommendations on the overall implementation of the classification and indications to companies and financial institutions on its use.

At the same time, in addition to the measures described above, the European Commission deemed it appropriate to incorporate the reference to ESG risks and sustainability factors in the processes and decisions of operators subject to UCITS, AIFMD, MiFID II, IDD and Solvency II. In this regard, on 30 April 2019, ESMA, mandated by the European Commission, published two pieces of technical advice, one on integrating sustainable finance into the MiFID II framework on investment services, the other on the UCITS and AIFM frameworks, which are necessary to amend the relevant delegated acts.

On 18 July 2019, again mandated by the European Commission, ESMA published its Guidelines on Disclosure Requirements Applicable to Credit Ratings concerning the disclosure of ESG factors where they are key elements underpinning credit ratings, and, at the same time, technical advice on analysing existing practices by credit rating agencies aiming to integrate sustainability factors into their ratings.

Furthermore, the publication of a supplement to the European Commission's 2017 Non-binding Guidelines on non-financial information on climate related issues is included among the initiatives of the Action Plan. In particular, on 17 June 2019, the European Commission published this supplement, based on the recommendations of the TEG, in order to provide those companies required to publish the non-financial declaration set forth in Directive 2014/95/EU with non-binding indications on its integration with information relating to the environmental sustainability of the same company (e.g. by indicating the procedures defined to identify short, medium and long-term climate risks, or the description of company policies to mitigate or adapt to climate change).

In addition, the European Commission recently launched a public consultation to review Directive 2014/95/EU on the disclosure of non-financial information by large companies and groups. The consultation, ending on 14 May 2020, was launched to implement the new European Green Deal, published by the European Commission in December 2019, in order to acquire from market operators and stakeholders, elements of assessment and data relevant to review the Directive, scheduled for the fourth quarter of 2020, with regard also to the possible extension of its scope and its impact on the market.

Instead, preparatory work is still underway to develop an optional European Ecolabel for financial products aiming to facilitate access to ESG products by interested retail investors. At national level, CONSOB supports the Ministry of the Environment, which follows the work on the Ecolabel by participating in meetings at European level.

Also as part of the measures to create a European label for sustainable financial products, the work conducted by the group of experts on sustainable finance set up by the European Commission continued, in relation to the definition of a common standard to identify the characteristics for a debt instrument to use the green bond name. In this regard, following market consultation, the expert group published a report entitled EU Green Bond Standard in June 2019, which proposes to the European Commission a standard for green bonds to which any issuer of bonds or other debt instruments can adhere on a voluntary basis. On 9 March 2020, at the same time as publishing the Final report on classification mentioned above, the TEG published an operational guide on EU Green Bond Standards.

In light of the initiatives existing at international and national level, also taking into account the new elements and transversal nature of the issues related to sustainable finance, CONSOB adopted a unified strategy on the subject, by establishing in 2019 a Steering Committee on sustainable finance that will oversee in a coordinated manner the multiple offices involved in dealing with these issues and will enhance the interventions in the regulatory and supervisory areas attributed to the Commission (for further details see paragraph 1 'The development of sustainable finance', Chapter V 'Other strategic goals', Part C).

### 1.5 The FinTech Action Plan

The Financial Technology Action Plan (so-called FinTech Plan) was launched in March 2018. It includes 19 initiatives aiming to promote the expansion of innovative business models, diffusion of new technologies, strengthening of cyber-security and the integrity of the financial system.

As part of the FinTech Plan, the European Commission published a legislative proposal, for which negotiations are still ongoing, to establish a common crowdfunding framework and facilitate funding SMEs and start-ups while ensuring adequate investor protection. More in detail, the above-mentioned proposal for a Regulation aims to reduce the increasing fragmentation of the European crowdfunding market and to facilitate the cross-border operation of platforms through the introduction of an optional EU regime with which crowdfunding portal operators can comply. The proposal covers both investment-based crowdfunding and lending-based crowdfunding for businesses (thus excluding consumer credit) and covers any transferable financial instrument and credit agreement. The consideration will now extend to the possible introduction of a European crypto-asset and cyber-security regulation, on which the European Commission launched two public consultations on 19 December 2019, in order to promote digital finance in the EU (for details on the ongoing consideration at national level on crypto-assets see also Chapter IV 'Application of technological innovations to supervision', Part C).

## 2 International activity

In the context of international cooperation, CONSOB received 165 requests and reports from similar foreign supervisory authorities, while it sent 130 (Tab. all.1).

In implementing the bilateral agreement concluded in 2016 pursuant to art. 47 of Directive 2014/56/EU (Audit Directive), CONSOB also assists the Public Company Accounting Oversight Board (PCAOB) in connection with the execution of joint inspections and investigations into

possible infringements of US legislation regarding audits by Italian companies that are the statutory auditors of issuers with securities traded on US markets (see also paragraph 2 above 'Supervision of issuers and audit firms', Chapter I 'Supervision and other institutional activities').

The Commission also participated in the activities of the standing committees and working groups of ESMA, IOSCO (International Organization of Securities Commissions), FSB (Financial Stability Board) and OECD (Organization for Economic Cooperation and Development). In total, the Commission's staff attended 324 meetings in 2019, compared with 312 in 2018, helping to promote technological innovation in the financial system, the development of sustainable finance and a common supervisory culture geared to promoting substantial compliance with regulatory provisions, protecting investors and supporting confidence in the proper functioning of the market.

## 2.1 Activity in the European context

Within ESMA, CONSOB contributed to the preparation of opinions and technical standards for the implementation of European legislation and participated in activities to promote the convergence of domestic practices in the application of the single rulebook and supervisory approaches.

The Commission chaired two ESMA Standing Committees: the Committee of Economic and Markets Analysis (CEMA), responsible for monitoring the economic situation of financial markets and risk analysis in support of the European Authority and national authorities, and the Market Integrity Standing Committee (MISC), responsible for financial market integrity. In addition, in 2019, CONSOB chaired the ESMA working group that coordinated the negotiation of cooperation agreements with the UK authorities in view of Brexit.

CONSOB also contributed to the work of ESMA's standing committees on post-trading (PTSC), investor protection (IPISC), convergence of supervisory practices (SCSC), disclosure and prospectus transparency (CFSC) and secondary markets (SMSC) respectively.

The Commission also participated in the European Authority's IT projects for the implementation of the MiFID II-MiFIR package and the European Market Abuse Regulation (MAR), which are prioritised in ESMA's Supervisory Convergence Work Programme and which, following the reform of the ESAs, are included among its direct responsibilities.

In the field of financial innovation, the Commission continued to participate in the work to promote cross-sectoral convergence within the Financial Innovation Standing Committees (FISC) set up within each European authority. In 2019, ESMA published an opinion on the adequacy of the existing regulatory framework with respect to innovative phenomena such as

Initial Coin Offerings (ICOs) and crypto-assets, requested by the European Commission under the FinTech Action Plan, and subsequently sent a joint letter with EBA to the Commission. The opinion recalls the sector-specific legislation applicable to digital goods, highlighting risks of regulatory gaps, differences of interpretation at national level and critical issues that would make EU regulation of the sector appropriate. The issue was extensively analysed in a domestic context, with specific reference to ICOs (for further details see Chapter IV 'Application of technological innovations to supervision', Part C).

Also with regard to FinTech, CONSOB contributed to the Report dedicated to regulatory sandboxes and innovation hubs, published by the Joint Committee of ESAs, which represents the main initiatives taken by the sector authorities to support financial innovation and its proper supervision, outlining best practices for the benefit of greater convergence of approaches at EU level. The European Authorities also produced technical opinions on the cost-benefit of developing a common framework on cyber resiliency testing and on the changes to be made to the relevant EU legislation, to follow up the mandate received from the European Commission under the FinTech Action Plan.

In 2019, the Commission participated in the work of the Joint Committee of ESAs on Packaged Retail and Insurance-based Investment Products (PRIIPs), which led, among other things, to the publication of a joint statement by the three European Authorities, aimed at fostering greater convergence in the process of identifying the types of bonds for which a Key Information Document (KID) is required.

In the field of statutory audit, CONSOB continued its work in the Committee of European Auditing Oversight Bodies (CEAOB), established in 2016 under Regulation (EU) no. 537/2014 to replace the European Group of Auditors' Oversight Bodies (EGAOB) and in which national supervisors and ESMA participate (for further details see Chapter I 'Supervision and other institutional activities' above).

## 2.2 Activities related to IOSCO and other international organisations

CONSOB co-chairs the IOSCO Committee 8 on investor protection, which in 2019 prepared a report with the OECD on behavioural finance and financial education and promoted, among other things, the World Investor Week, the implementation of which was coordinated by the Commission (see paragraph 7.1 'Financial education', Chapter I 'Supervision and other institutional activities').

CONSOB also followed the work of the IOSCO networks on the use of blockchain and the potential spread of stablecoins. In addition, the

Commission contributed to ongoing initiatives regarding the use of new technologies (e.g. cloud computing, machine learning and artificial intelligence) and the offer of financial services and products through the digital channel.

Moreover, in 2019, the Commission participated in the Screening Group practices that assesses the ability of supervisors to comply with the IOSCO cooperation standards for the signing of the IOSCO Multilateral Memorandum of Understanding (MMoU), which currently has more than 120 signatories. The Screening Group is assessing applications to join the new IOSCO Multilateral Agreement (so-called Enhanced MMoU), established in 2018 with the aim of further strengthening international cooperation instrument for purposes of enforcement. The Commission also participated in the Assessment Committee, with the task of promoting greater convergence of national rules to IOSCO international principles and regularly updating them.

Finally, CONSOB is a member of the Financial Stability Board (FSB) and contributes to the main working groups on matters within its remit, such as vulnerability assessment in the area of collective management and non-banking intermediation and the impacts of FinTech. With reference to the latter topic, in 2020 the Commission participated in the survey launched by the FSB, which will lead to the publication of a report on the digital technologies currently used by supervisory authorities in the field of regulation and supervision.

CONSOB also participates in the International Forum of Independent Audit Regulators (IFIAR), which brings together auditors' supervisory authorities of public interest entities from more than 50 countries, in order to improve the quality of statutory audit supervision and promote the convergence of supervisory practices at international level.

Finally, within the OECD, the Commission is the vice-chairman of the Committee on Corporate Governance, is a member of the bureau of the Investor Protection Task Force and participates in the OECD-INFE Technical Committee on financial education.

# The national regulatory framework B



# The transposition of European regulation and regulatory activity III

## 1 The amendments to the primary regulation

During 2019, CONSOB contributed to the process of adapting primary national regulations to the evolution of the European framework, providing technical support to the Ministry of Economy and Finance (MEF; for details on the evolution of the European regulatory framework, see the previous Chapter II 'International activity', Part A).

Of particular importance was the transposition into national law of Directive (EU) 2017/828 (so-called Shareholders' Rights Directive or SHRD II), which amended Directive 2007/36/EC (so-called SHRD I) on encouraging long-term shareholder engagement. In this regard, Legislative Decree no. 49 of 10 May 2019, published in the Official Journal of 10 June 2019, made certain amendments both to the Civil Code, with regard to related party transactions, and to the Consolidated Law on Finance (TUF), with regard to the regulation of the central depository (concerning the identification of shareholders), report on remuneration, transparency of institutional investors, asset managers and proxy advisors and penalty provisions in these areas. In order to fully implement SHRD II, further action will be necessary based on the guiding principles and criteria set forth in art. 7 of Law no. 117 of 4 October 2019 (European Delegation Law 2018), in relation to which CONSOB will cooperate with the MEF.

The completion of the transposition of the SHRD II Directive will also entail the revision of the existing secondary regulations on related party transactions and remuneration transparency as well as the exercise of the new regulatory powers with regard to the transparency of asset managers and voting consultants. To this end, between 31 October and 1 December 2019, CONSOB launched a public market consultation on the provisions on related party transactions contained in the relevant Regulations and the Market and Issuer Regulations.

Taking into account the extent and variety of the contributions received until January, the already substantial compliance of the Italian legal system with the Directive and the fact that some choices affect the governance of listed companies, the results of the consultation was evaluated in great depth, with a view to thoroughly weighing up the considerations and

interventions suggested by the market, which are sometimes very different from each other.

In addition, secondary regulations implementing the provisions on the identification of shareholders and the transmission of information within the securities holding chain and the related duties of intermediaries are to be issued by 3 September 2020. On that occasion, there will be a suitable review of the Single Provision on post-trading of 13 August 2018.

In 2019, the Commission also assisted the MEF in the process of transposing Directive (EU) 2018/843 of 30 May 2018 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing (V Anti-Money Laundering Directive), which ended with the publication of Italian Legislative Decree no. 125 of 4 October 2019 in the Official Journal of 26 October 2019. The main innovations concern the widening of the range of entities subject to the anti-money laundering legislation, which now also applies to 'virtual currency service providers' and 'digital portfolio service providers'.

With reference to implementing the MiFID II/MiFIR regulations, CONSOB provided technical support to the MEF for the preparation of Italian Legislative Decree 165/2019, containing provisions supplementing and correcting Italian Legislative Decree 129/2017 implementing the MiFID II Directive and adapting national legislation to the provisions of the MiFIR Regulation. In particular, certain amendments were made to the TUF in order to ensure greater coordination both internally and with respect to other sources of the system, such as, for example, the Private Insurance Code. The main amendments concerned: i) the allocation of responsibilities between CONSOB and IVASS with reference to the obligations imposed by Regulation (EU) no. 1286/2014 on key information documents (KIDs) for Packaged Retail and Insurance-based Investment Products (PRIIPs); ii) the elimination of the obligation of prior notification to CONSOB of KIDs for the marketing of PRIIPs, subject to the prior exercise of regulatory powers by the Commission (to be activated by 22 July 2020), and the simultaneous repeal of sanctions for failure to notify; iii) the extension of CONSOB's power to adopt measures aimed at suspending or excluding a financial instrument from trading also in relation to systematic internalisers; iv) the extension of the objective scope of application of the rules governing door-to-door selling to all financial products other than financial instruments (and not only those issued by banks) in order to avoid an unjustified limitation of the levels of protection for the investor depending on the issuer; v) the attribution to the Supervisory Body and the keeping of the single register of financial advisors (OCF) of supervisory powers over financial advisors authorised to carry out door-to-door selling that distribute insurance investment products (IBIP) on behalf of licensed parties authorised to distribute insurance products; vi) the sanctioning system of the TUF with the introduction of new administrative sanctions for violations by licensed parties authorised to distribute insurance

under the Private Insurance Code and for operators of regulated markets with regard to the right of participants in the markets they manage to designate a settlement system different from that designated by the market itself.

Finally, during 2020, the European regulations issued in 2019 will have to be transposed or implemented in the primary national regulations, including Directive (EU) 2019/1160 and Regulation (EU) 2019/1156 (aimed at facilitating the cross-border distribution of undertakings for collective investment in transferable securities), Regulation (EU) 2017/1991 (containing amendments to the European regulation on venture capital funds - EuVECA and social entrepreneurship funds - EuSEF) and Regulation (EU) 2019/1238 (on pan-European individual pension products - PEPP).

CONSOB will also cooperate with the MEF with regard to the full implementation of the internal rules of the Prospectus Regulation (Regulation (EU) 2017/1129 on the prospectus to be published for public offering or admission to trading of securities on a regulated market) and Regulation (EU) 2017/1131 on monetary funds, in the context of the delegation to the Government contained in the aforementioned European Delegation Law 2018.

## 2 The amendments to the secondary regulation

During 2019, CONSOB amended the Issuers' Regulation in order to bring it in line with the aforementioned Prospectus Regulations (resolution 21016 of 24 July). In particular, the regulatory provisions concerning matters now governed by the Prospectus Regulation were repealed. At the same time, separate rules were established for securities falling within the scope of application of the Prospectus Regulation and for those that remain excluded pursuant to art. 1 of the Regulation itself (for the latter, the national rules have been maintained, suitably coordinated with the new European rules). Finally, a number of simplification measures were introduced, aimed at reducing the administrative burden for issuers, with regard to the content and methods of completing the application for approval of the prospectus, shortening the maximum duration of the investigation in certain specific cases identified at regulatory level and extending the use of the English language for debt securities prospectuses.

CONSOB also significantly innovated the Crowdfunding Regulation (Regulation no. 18592/2013), adapting it to the innovations introduced by the 2019 Budget Law, pending the adoption at European level of common rules on the subject. In short, following resolution 21110 of 10 October 2019, small and medium-sized companies can now raise capital on the crowdfunding portals also through bonds and debt securities in addition to equity instruments. In addition, the main regulatory changes concerned: (i) the identification of entities other than professional customers eligible to subscribe bonds and debt securities as part of a crowdfunding offer; (ii) the

possibility for portal managers to offer an electronic bulletin board service for the public display of expressions of interest in buying and selling financial instruments offered on their platform; iii) the possibility that offers promoted through online portals may relate to financial instruments issued by companies either from Italy or from a Member State of the European Union or party to the agreements on the European Economic Area (for details on the supervisory activity see paragraph 4 above 'Supervision of intermediaries', Chapter I 'Supervision and other institutional activities', Part A).

Finally, certain revisions to the secondary regulations issued by CONSOB, already subjected to public consultations launched in 2019, are still in progress. These concern: i) the Intermediaries' Regulations for disclosure obligations and the rules of conduct for the distribution of insurance investment products, in implementing Directive (EU) 2016/97 on insurance distribution (IDD); ii) the Issuers' Regulations on the admission to trading of reserved open-ended alternative investment funds (AIF), AIF marketing and advertising activities and on corporate transparency; (iii) the Regulation on the Alternative Financial Dispute Resolution Scheme (for further details see paragraph 3 'Strengthening of the Alternative Financial Dispute Resolution Scheme', Chapter V 'Other strategic goals', Part C).

With regard to technological innovations in the financial sector, special attention was paid to the applicability of the rules on investment services to crypto-assets. On 19 March 2019, CONSOB published a discussion paper on 'Initial offers and trades in crypto-assets' (for details see Chapter IV 'Application of technological innovations to supervision', Part C).

During 2020, the Commission will continue its work of revising secondary regulations, in line with the 2020 Regulatory Activities Plan. The Plan, an annual document for the non-binding planning of CONSOB's production and regulatory review activities, was approved and published on the Commission's website on 25 February 2020 pursuant to art. 2 of the Regulation concerning procedures for the adoption of acts of general regulation (resolution 19654 of 5 July 2016).

### 3 Additional activities

CONSOB has taken a number of regulatory actions in execution of the 2019 Regulatory Activities Plan, in addition to those described in the previous paragraph.

With resolution 21028 of 3 September 2019, a number of amendments were made to the Market Regulation, in order to broaden the scope of the regulation on shareholdings that can be held by operators of the regulated market, as per art. 4, sec. 2, of the Regulation. Specifically, the

operator may also take shareholdings in companies authorised to receive and transmit orders.

In view of the innovations to the rules on market abuse introduced by the MAR Regulation, the related delegated Regulation (EU) 2016/908 and Italian Legislative Decree 107/2018, during the year the Commission intervened on three market practices permitted under the previous regulations. In particular, after conducting a public consultation, the Commission amended the rules on activities supporting market liquidity (Practice no. 1), while resolution no. 20876 of 3 April 2019 provided for the termination of two practices relating, respectively, to the shares warehouse position buyback (Practice no. 2) and the repurchase of bonds at predetermined conditions (Practice no. 3) since they are no longer compatible with the new regulatory framework. On 19 July 2019, CONSOB provided guidance on how to continue the operations covered by these last two market practices by submitting for consultation a document on the proposal to adopt guidelines on operations on treasury shares in an intact market context and a communication on the repurchase of bonds at predetermined conditions that, however, do not constitute accepted market practices.

In early 2019, market consultation on two communications concerning the transparency of information on the outcome of the suitability of the Supervisory Review and Evaluation Process (SREP) was launched and concluded. In particular, communication 5 of 15 March 2019 drew attention to the assessment of the prerequisites for the application of the reporting obligations on market abuse set out in Regulation (EU) no. 596/2014 (MAR) and the TUF, with regard to the results of the SREPs. Communication 6 of 15 March 2019 dealt with the information to be provided in the prospectuses relating to the public offer and/or upon admission to trading of instruments issued and/or guaranteed by banks and in the periodic financial reports published by them (for further details see paragraph 3 above 'Supervision of public offers and corporate disclosure', Chapter I 'Supervision and other institutional activities', Part A).

In 2019, a compendium of all the guidelines developed by CONSOB in the area of takeover bids or exchange tender offers was published on the institutional website. The aim was to facilitate market operators' access to this information (about 200 communications and reasoned measures for exemption from takeover bid obligations), making the systematic and prospective analysis of the Commission's guidelines as well as the identification of cases susceptible to regulation easier.

On 1 January 2019, the amendment to art. 3, sec. 1, of Italian Legislative Decree 254/2016 (made by art. 1, sec. 1073, of Law no. 145 of 30 December 2018 - 2019 Budget Law), which concerns the content of the non-financial declaration (NFD) drawn up by Public Interest Entities and which contains information on environmental and social issues considered relevant

to the company's activities, came into force. With the amendment made, it is specified that the non-financial statement, in describing "*the main risks connected with the above issues and arising from the activities of the company, its products, services or commercial relations, including, where relevant, supply and subcontracting chains*", must also indicate "*how to manage the [risks] generated or suffered*". Pursuant to the above mentioned regulation, on 28 February 2019 CONSOB drew the attention of the addressees of the regulation to the need to provide in the NFDs to be published in 2019, together with the information on the aforementioned main risks, also information on how the risks are managed.

#### 4 The Committee of Market Operators and Investors as an instrument of better regulation

The Committee of Market Operators and Investors (COMI), established by CONSOB with resolution 20477 of 12 June 2018, is a permanent forum to discuss and communicate with the industry and investors, increasing their involvement in the preparation of regulations and general documents relating to institutional tasks, in application of the better regulation principles.

With resolution 20824 of 20 February 2019 and following a public notice of selection for the collection of expressions of interest, the Commission appointed the thirty members of the COMI, among persons with specific and recognised experience and professionalism, able to express, according to a criterion of proportionality, the point of view of market operators (including technology companies and small and medium-sized companies), retail investors and users of financial services, universities and research centres. The term of office of the President of the COMI is two years and can be renewed once. Participation in the Committee is free of charge.

At the inaugural meeting of the COMI, held on 29 May 2019, the members of the Committee unanimously approved the charter, which defines the Committee's self-regulation rules. The COMI meets at least quarterly at the CONSOB headquarters in Milan. In order to carry out its advisory function, the Committee has set up six internal working groups, which formulate opinions and assessments on proposals for legislative and regulatory actions, at European and national level, submitted by the Commission. The working groups are divided into areas of competence, relating to the following topics: i) access to the capital market and issuers' obligations; ii) corporate governance and corporate control market; iii) markets for financial instruments and investor protection; iv) development of sustainable finance; v) CONSOB's institutional activities; vi) technical innovation in the financial sector (FinTech).

According to the charter, at the end of the first year of activity and, subsequently, on an annual basis, the Committee will draw up a report on the activities carried out. To date, the Committee has issued opinions as part of the public consultations carried out by CONSOB.

## 5 Brexit related activities

During 2019, in the light of the continuing difficulties encountered in the UK's negotiations to leave the European Union (Brexit), CONSOB contributed to preparing national emergency solutions, parallel to the European discussions, and took steps to mitigate the negative effects that a no-deal scenario could have in areas of institutional competence at operational, technical and legal level.

In particular, the Commission participated (together with the Bank of Italy, IVASS and COVIP) in the work of the Technical Committee set up at the MEF, which led to enacting Law Decree no. 22 of 25 March 2019 on 'Urgent measures to ensure security, financial stability and market integrity and to protect the health and freedom of residence of Italian and UK citizens in the event of the UK withdrawal from the European Union', converted, with amendments, by Law no. 41 of 20 May 2019. In line with these provisions, CONSOB resolved on measures aiming to ensure the continuity of the relationship between market infrastructures, intermediaries and customers to and from the United Kingdom, as well as protecting depositors and investors.

Law 41/2019 and the CONSOB measures relating to trading platforms lost their effect following the ratification of the United Kingdom's withdrawal agreement on 30 January 2020 pursuant to Article 50, paragraph 2 of the Treaty on the European Union. The United Kingdom ceased to be a Member State and to be represented in the European institutions on 1 February 2020. However, European law will continue to apply in the United Kingdom and to the United Kingdom as if it were still an EU Member State until 31 December 2020 (unless extended).

At the end of the transitional period, legislation relating to third country entities will be applied to UK entities operating in the territory of the Union. Similarly, legislation governing non-EU operations will be applied to EU entities operating in the UK.

On 26 March 2020, CONSOB published three cautionary statements concerning both the provision of investment services and activities and trading venues.

With reminder 3/20, CONSOB specified that how UK investment firms access the EU market will depend primarily on the type of clientele served (retail and professional on demand versus professional by law and qualified counterparties) and whether or not the European Commission

adopts an equivalence judgement. The Commission also drew the attention of UK investment service and business providers to the need for them, having regard to the regulatory and supervisory regimes applicable to them, to take all of the measures to ensure continuity in providing investment services and activities to Italian customers and to plan and carry out, where appropriate, an orderly exit from the domestic market, where they are determined to cease activity in Italy. Finally, UK intermediaries were requested to provide Italian customers with updated information on the consequences of the changed operating conditions resulting from Brexit, also with reference to the specific implications for outstanding OTC derivative contracts.

Regarding trading venues, with reminder 4/20, CONSOB invited the UK trading venue operators that, at the end of the transitional period, intend to operate in Italy to promptly submit to the Commission a specific application for recognition (for markets 'equivalent' to regulated markets) or authorisation (such as MTFs or OTFs) in accordance with articles 70, sec. 1 and 28, TUF. CONSOB issued these measures in the presence of a judgement of 'equivalence' of the regulatory and supervisory regimes as well as a cooperation agreement between the Commission and the Financial Conduct Authority (FCA) of the United Kingdom. CONSOB also invited trading venues in the United Kingdom that have already applied for recognition or authorisation in Italy to: communicate whether there is still an interest in obtaining a measure, as the case may be, for recognition under art. 70, sec. 1, or authorisation under art. 28, TUF; present any changes to the information already communicated in the first instance by sending any supporting documentation.

Finally, with reminder 5/20, CONSOB drew attention to the fact that operators of Italian trading venues wishing to operate in the United Kingdom at the end of the transitional period will have to obtain, as appropriate, either a clearance (for regulated markets and MTFs operated by operators of regulated markets) or an authorisation (for MTFs operated by investment firm) to extend their operations in the United Kingdom, pursuant to articles 70, sec. 2 and 26 sec. 6, TUF. CONSOB issued these measures for all trading venues (with the exception of the wholesale regulated market for government bonds), in the presence of a judgement of 'equivalence' of the regulatory and supervisory regimes as well as a cooperation agreement between the Commission and the FCA. Therefore, Italian trading venue operators were invited to submit a timely application for clearance or authorisation to CONSOB according to the applicable regulatory regime. The Italian trading venues that had already submitted an application for authorisation to extend their operations in the United Kingdom were invited to: (i) communicate whether there is still an interest in obtaining the clearance or authorisation, pursuant to art. 70, sec. 2 or art. 26, sec. 6, TUF, respectively; (ii) present any changes to the information already provided in the first instance by sending any supporting documentation.

# CONSOB's strategic lines C

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# Application of technological innovations to supervision IV

The application of technological innovations to finance (so-called FinTech) pose major challenges for the protection of retail investors and investors. New business models and new products make the scope of regulation and controls uncertain. The prerequisites for regulatory arbitrage are emerging, from which new players in competition with traditional operators can benefit.

In this context, financial market regulators and supervisory authorities need to understand market developments and assess whether and how to intervene in the existing regulatory framework, following a multidisciplinary approach capable of capturing the economic, legal and technological aspects of the phenomena.

It is also essential to study the application of technology to surveillance activities and to have adequate human and instrumental resources.

## 1 Considerations on the regulation of FinTech

CONSOB has long been at the forefront of FinTech analysis. In September 2016, in cooperation with some of Italy's leading universities, the Commission launched an applied research project called "FinTech: digitisation of financial intermediation processes", in the context of which several studies were conducted and published in a special series of Papers available on the institutional website.

In particular, a number of thematic studies were conducted that among other things, concern the economics of data, the digitisation of financial investment advice (robo advice), the evolution of services of aggregation of the financial information of consumers and businesses according to the regulatory typing operated by Directive (EU) 2015/2366 (so-called PSD II). This analysis activity will be continued in 2020, exploring further issues including the use of automated asset management techniques.

As of 2018, CONSOB's FinTech Steering Committee is also engaged in the analysis of new products and services and in the definition of possible operational regulatory proposals that can promote technological development

without compromising the stability of the financial system and the protection of retail investors.

Special attention was paid to the applicability of the rules on investment services to crypto-assets. On 19 March 2019, CONSOB published a discussion paper on 'Initial offers and trades in crypto-assets' containing a description of the phenomenon of initial coin offerings (ICOs) with reference to technological, financial and legal aspects, as well as a comparative analysis of the initiatives undertaken in other European countries. The document also illustrates a possible option for regulatory intervention with regard to both the offer of crypto-assets in the first issue and the subsequent trading phase, after defining the objective scope of the crypto-assets that are relevant for the application, with the explicit exclusion of those that take the form of financial instruments or products subject to European regulations that are not subject to disapplication or differentiation at national level, i.e. those issued by insurance companies or packaged retail and insurance investment products or packaged retail investment products. On 21 May 2019, a public hearing was held at Bocconi University on the topics addressed in the above mentioned document, in which more than 200 people took part. The consultation closed the following 5 June, with 61 responses received from academics, trade associations, market operators, legal/professional firms and individuals. On 2 January 2020, the Final Report was published on the CONSOB website with the final assessments concerning the defining aspects, the platforms for the offer of newly issued crypto-assets, the crypto-asset trading systems and the custodial and transfer of ownership services. The Report reiterated the need for a national ICO regime, which would protect investors without hindering the development of initiatives that could represent an alternative and less burdensome channel of access to sources of financing, especially for small and medium-sized companies and start-ups, as well as alternative forms of savings investment (for details on the possible introduction of a European crypto-asset discipline see the previous Chapter II 'International activity', Part A).

CONSOB participates in the FinTech Committee set up at the Ministry of the Economy and Finance (MEF), which expands the Round Table with the supervisory authorities of the financial sector started in 2017, recently formalised with the 'growth decree' (art. 36, sec. 2-*octies*, of Italian Law Decree no. 34/2019 converted into Law 58/2019). This Committee, which also includes the Ministry of Economic Development, the Ministry of European Affairs, the Bank of Italy, IVASS, the Italian Competition Authority, the Guarantor for the protection of personal data, the Digital Italy Agency and the Revenue Agency, is assigned the tasks of "*identifying the objectives, defining the programmes and implementing the actions to promote the development of FinTech, also in cooperation with foreign entities, as well as formulating proposals of a regulatory nature and facilitating the contact of operators in the sector with the institutions and authorities*". CONSOB must also provide the MEF, as well as the Bank of Italy and IVASS, with its opinion

on the rules of the FinTech Committee and carrying out experiments in Italy relating to FinTech activities.

In this context, CONSOB participated in the work leading to the public consultation on the draft MEF regulation on establishing a regulatory sandbox in Italy, i.e. a closed system in which eligible entities can test new services and products related to using IT technology in the financial, credit and insurance sectors, being monitored by the supervisory authorities. The consultation ended on 19 March 2020.

## 2 Staff training and experimentation

Technological innovation can make a significant contribution to strengthening financial market supervision. However, in order to seize this opportunity, it is necessary to increase the skills of staff as well as develop adequate instrumental resources.

With reference to the first profile, the Commission's resources with IT skills will participate in the 1st level Master's degree in Data Science at the Tor Vergata University of Rome, selected in 2019 as part of the public training offer on big data and machine learning. With reference to the second profile, a series of lectures for staff was planned on issues related to the impact of the digital revolution on the operations of market players and the relative set of rules.

These projects continue in line with the activities carried out in 2019. In particular, reference is made to the staff training sessions carried out in cooperation with the Polytechnic University of Milan and the course on artificial intelligence techniques used in the financial sector, aimed at the top management of CONSOB and officers of the financial crime police. This last initiative, started in October 2019 and supervised by academics expert in the subject, was organised to implement the new Memorandum of Understanding stipulated between CONSOB and the financial crime police which provides, among other things, for a series of periodic educational initiatives for staff of both of them (see paragraph 9 'Back-office activities', Chapter I 'Supervision and other institutional activities', Part A).

With regard to developing instrumental resources, the Commission, also in cooperation with the academy, is exploring the applicability of artificial intelligence technologies to surveillance activities and is engaged in creating prototypes and experimental projects based on the most innovative artificial intelligence techniques and aimed at improving the effectiveness of information systems (for details see paragraph 9 'Back-office activities', Chapter I 'Supervision and other institutional activities', Part A).

In particular, CONSOB's IT Plan includes experiments regarding the application of technology to control activities. Three prototypes are currently

being developed to manage and analyse information concerning, respectively, the key audit aspects contained in the Audit Reports of Public Interest Entities (so-called Key Audit Matters), the supervisory reports of the managers of the crowdfunding portals and the complaints reported in the Compliance Report that intermediaries are required to prepare pursuant to the joint CONSOB-Bank of Italy Regulation on the organisation and procedures of intermediaries.

As already mentioned (see paragraph 3 'Supervision of public offers and corporate disclosure', Chapter I 'Supervision and other institutional activities', Part A), in cooperation with the Computer Engineering Department of the La Sapienza University of Rome, the Commission also created a prototype to automate the extraction and analysis of the information contained in the information documents of packaged retail and insurance investment products (the so-called KIDs of the PRIIPs). During 2020, this prototype will be accompanied by new systems for the automated analysis of the information contained in key documents, also based on the use of machine learning techniques. To this end, an artificial intelligence market product for semantic analysis was acquired.

Finally, in order to enhance the sharing of the Commission's information among the internal structures, the creation of a common and integrated database (so-called data lake) for the application of artificial intelligence technologies to support supervisory activities is being studied. In this perspective, the Data Warehouse tool currently in use will also be improved.

### 3 The modernisation and security of IT infrastructures

In order to strengthen the staff dedicated to developing and maintaining the Commission's IT infrastructures, a number of resources with specialist skills were recruited in 2019.

In addition, projects to modernise servers and network infrastructures and to upgrade networks, data storage and security systems continued. The revision of the Commission's website was also launched, with the aim of offering users new services, making it easier to search for documentation or services and improving communication with external parties.

With reference to the computerisation of control processes, during 2019 the tools for the analysis of transaction reporting data were updated (i.e. the reports relating to executed transactions received daily by the Supervisory Authority; for further details see paragraph 1 'Market supervision', Chapter I 'Supervision and other institutional activities', Part A). To implement the project, developed in-house since 2017, CONSOB launched

a competition to hire computer engineers starting from 5 November 2018. In this context, over the next three years, CONSOB intends to integrate transaction reporting with data from trading platforms and other supervisory reports available at the Commission.

The design of systems to support and strengthen the supervision of central counterparties and financial and non-financial counterparties of derivative contracts (governed by the EMIR, European Market Infrastructure Regulation) also began, which will make use of new data queries, automated verification of reports and a control station (dashboard) to monitor derivative transactions.

The adaptation of the Commission's IT systems to the new Prospectus Regulation, which will be completed in 2020 in line with the launch of the new prospectus management system prepared by ESMA, was also undertaken.

With regard to 'internal' whistleblowing, the use of ANAC's management software is currently being considered in order to ensure the adequate and efficient management of reports by CONSOB personnel in accordance with art. 54-*bis* of the Consolidated Law on Public Employment (Italian Legislative Decree 165/2001).

Within the framework of the regulations on market abuse (Regulation (EU) no. 596/2014 or MAR and Implementing Regulation (EU) 2016/523), the creation of IT tools is envisaged, which will allow the automatic acquisition from supervised entities of the data resulting from fulfilling certain disclosure obligations.

With reference to innovation and security projects, the IT infrastructure is being modernised, in line with the best technologies available on the market, in order to achieve a more homogeneous and efficient overall architecture. Therefore, a dedicated island was set up to house the various innovative applications that will gradually be integrated into the Commission's IT systems.

In order to deal with the risk of cyber-crime, in addition to strengthening the organisational unit in charge, it was decided to entrust some security services and related operational activities to a qualified external partner. The policies and governance of the security of the Commission's critical infrastructures will in any case remain entrusted to internal resources. In addition, surveys of the vulnerabilities of IT systems and controls relating to the implementation of the necessary countermeasures were planned. In this context, CONSOB signed and started to sign agreements with some organisations in charge of collecting reports of IT security incidents and vulnerabilities in the software used (so-called Computer Emergency Response Teams or CERTs). In order to improve effectiveness in countering cyber security threats, new platforms will also be considered to replace or complement those currently in use.

In addition, an operational agreement is currently being signed with the Bank of Italy in order to guarantee the security of the IT and communication systems managed by the two authorities through a set of activities, including the timely sharing of information regarding IT incidents, vulnerabilities and critical issues that may affect the counterparty's infrastructure.

Finally, special attention will be paid to the development of common European IT systems needed to support ESMA in carrying out the broader supervisory activities assigned to it by the reform of the European Supervisory Authorities and to facilitate cooperation with the competent national authorities.

## 1 The development of sustainable finance

In February 2019, CONSOB set up a Steering Committee to enhance interventions in the areas of regulation and supervision relating to the development of sustainable finance. Staff training initiatives, studies and research were undertaken, as well as activities aimed at encouraging greater attention by institutional and non-institutional investors and issuers, to ESG (environmental, social and governance) themes. The Steering Committee was renewed for 2020.

With regard to training the Commission's staff, about 20 internal seminars were organised with academics and market operators as well as three four-hour workshops focusing on the analysis of non-financial declarations (NFDs) according to processes aimed at supporting models of substantial compliance by companies (in line with the second objective of the 2019-2021 Strategic Plan).

Research has made it possible to examine multiple profiles concerning: the metrics used by issuers in NFDs on ESG factors; the corporate governance policies of listed companies, also with regard to the relationship between sustainability and the remuneration policies of directors and managers with strategic responsibilities; product innovation and ESG ratings available on the market; the stance of retail investors towards sustainable and responsible investment (SRI) products; referred to in the Observatory on the investment choices of Italian households; see also paragraph 2 below 'Strengthening financial education initiatives'). A survey on the consideration of SRI investments by a sample of consultants and their customers and the second edition of a report on NFDs of Italian listed companies are expected to be published during 2020.

With regard to activities aimed at engaging the various stakeholders, the Commission organised a workshop on the transparency of information on sustainability, which involved representatives of the European Commission, trade associations, intermediaries and academics and allowed the participants' considerations on the critical issues related to producing and using information on ESG themes to be gathered. CONSOB also held meetings with trade associations (Assonime, ABI, Assogestioni, ANIA, Confindustria) and launched, in cooperation with Assogestioni, a recognition of ESG criteria

integration into investment policies and stewardship activities by institutional investors, whose results will become available in 2020.

## 2 Strengthening financial education initiatives

Italian citizens, as is well known and noted in the CONSOB Observatory on the investment choices of Italian households, continue to feature a very low level of financial skills. An inadequate level of financial knowledge and skills makes citizens more vulnerable to the complexity of the investment choices they are required to make and can also have a negative impact on the process of educating and allocating savings in the country. Therefore, it is important to increase retail investors' ability to make correct financial decisions, also with a view to enhancing the effectiveness of the protection instruments provided by our system.

The 2020 financial education activity plan aims to ensure continuity and extend the projects undertaken in previous years both internationally and domestically (see paragraph 7.1 'Financial education', Chapter I 'Supervision and other institutional activities', Part A).

In particular, the OECD-INFE Group will continue to participate in defining methodological standards for financial education initiatives for different groups. In the context of the International Organization of Securities Commissions (IOSCO) Committee 8 (Retail Investors), the fourth edition of World Investor Week will be organised in 2020 and will be promoted by CONSOB at domestic level.

CONSOB will also contribute to the initiatives of the Committee to plan and coordinate the financial education activities it participates in, cooperating in the development of a methodological framework to identify training needs, define content and evaluate the effectiveness of financial education initiatives aimed at adults and students.

Regarding the financial education activities carried out independently, CONSOB will intensify its study and research activities, taking advantage of useful profiles to enhance the effectiveness of financial education initiatives related to motivational and behavioural levers that can affect learning. An additional survey profile will concern the educational role of financial advisors towards their customers. With reference to teaching contents, a topic that may require targeted financial education initiatives concerns the effects of digitalising investment services on the perception of financial risk and the propensity to invest. Finally, also in the light of the initiatives of the Steering Committee on Sustainability and the analysis of the Observatory on the investment choices of Italian households, the programme of initiatives concerning the knowledge of sustainable finance will be assessed.

In 2020, the target audience of the initiatives carried out in recent years and aimed at students, adults, and small and medium-sized companies will increase. Concerning students, the experience of the pilot project for secondary schools that started in Lombardy in 2018 and extended to Lazio in 2019, is intended to be replicated in other regions of the country, with suitable adaptations. With reference to adults, the cooperation with consumer associations will be followed in the territory and the forms of collaboration with subjects already active in the training offer will be expanded to specific segments (e.g. women). For the entrepreneur category, the meetings focusing on the funding channels of small and medium-sized companies will continue, also in the context of the cooperation launched with Federterziario and Unioncamere.

Finally, there are plans to expand the educational tools available and improve the communication methods used in training programmes. Interactive choice simulation games will be enhanced with the aim of activating the cognitive and emotional levers at the basis of learning. The experience gained in the field of edutainment and conference-shows, which in the case of the 'Finance on Stage' Project proved effective in reaching young people and adults, will continue to be enhanced.

Finally, the design of initiatives and contents as well as the development of educational programmes will benefit from the cooperation with a host of public and private interlocutors, and from the interaction with the subjects involved in implementing the National Strategy for financial, insurance and social security education, also due to the synergies that can be achieved through sharing experiences and educational contents.

### 3 Strengthening the Alternative Financial Dispute Resolution Scheme

Data relating to the work of the Alternative Financial Dispute Resolution Scheme (ACF) highlights its growing role in the system of investor protection. It can now access an out-of-court dispute resolution mechanism to provide investment services in an easy and free manner (see paragraph 7.3 'The activity of the Alternative Financial Dispute Resolution Scheme', Chapter I 'Supervision and other institutional activities', Part A). As a result, CONSOB identified strengthening the Arbitrator as one of its strategic objectives, through initiatives aimed at increasing efficiency and timeliness of action.

The revision of the Regulation governing the operation and procedure of the ACF, which was subject to a public consultation that ended on 3 February 2020, meets this objective. Among other things, the revision aims to better define the scope of operation and the competences of the Arbitrator, taking into account the regulatory changes that occurred in the matters that are relevant to its activity, as well as to simplify the rules

governing the initiation and conduct of the proceedings to ensure a more effective management of appeals.

On 19 March 2020, CONSOB also signed a Memorandum of Understanding with the Bank of Italy to establish mechanisms for the coordination and exchange of information between the Banking and Financial Arbitrator (ABF) and the ACF, not only on issues of substance and procedure of possible interest for the decision-making activity, but also on procedural and organisational aspects related to the proper functioning of the systems (for example, through the sharing of good practices), public disclosure and financial education initiatives. By promoting the aforementioned coordination and information exchange mechanisms, the Protocol aims to make the activities of the two out-of-court dispute resolution systems more efficient, while respecting the autonomy of their respective Boards and guaranteeing a higher and more effective level of client protection, thus promoting the widest possible knowledge of the two systems among retail investors.

Finally, the experience gained by the ACF in the first three years of activity reveals the need to promote a systematic dialogue with both consumer associations, for constant interaction on issues of mutual interest, and intermediaries, in order to promote the alignment of the relevant operating practices with ACF case law, to improve relations with customers and minimise any the cases of possible disputes.

Finally, in order to raise retail investors' awareness about their rights and encourage greater responsibility in relations with intermediaries, educational and awareness-raising initiatives will be organised in the territory and at universities and study centres.

## 4 Covid-19 related activities

In February 2020, the Covid-19 epidemiological emergency became evident in Italy, with infection outbreaks emerging in Lombardy and Veneto. In view of the particularly widespread nature of the epidemic and the significant increase in the number of cases recorded in Italy, the Government thus adopted numerous urgent measures in order to contain and manage the emergency, which first affected only a few Regions and then the entire country. These measures were aimed, on the one hand, at combating the spread of the virus through so-called 'social distancing' (i.e. limiting the free movement of individuals on national territory and the performance of activities other than the provision of essential services) and, on the other, at containing the negative effects that these measures inevitably produce on the national socio-economic fabric.

As early as 20 February, the domestic stock market began to suffer from the uncertainties arising from the epidemiological situation in Europe.

As the number of Covid-19 cases detected outside China rose, there was an increase in market volatility and, at the same time, a general decline in prices on all major European and US stock exchanges. Therefore, supervisory authorities in Europe took action to safeguard the integrity and proper functioning of financial markets and to ensure investor protection.

ESMA issued recommendations or clarifications aimed at ensuring compliance with EU legislation, given the difficult context generated by the pandemic, by involving national competent authorities in the decision-making process. At the same time, CONSOB took a number of domestic decisions aimed at ensuring the integrity and proper functioning of the Italian financial market and investor protection.

At European level, on 11 March 2020, ESMA published a Recommendation on the impacts of the Covid-19 emergency on financial operators and markets. The European Authority drew the attention of several categories of supervised entities: market participants and infrastructures as regards the need to ensure operations in line with current legislation, including the use of business continuity plans; issuers with reference to the need to inform the market in a timely manner about the impact of Covid-19 spread on their fundamentals as well as the information to be provided in periodic financial declarations on the economic repercussions of the epidemiological emergency; fund managers, who will have to continue to apply risk management measures in line with current regulations.

On 16 March, pursuant to art. 28 of the Short Selling Regulation, ESMA temporarily lowered the threshold for reporting net short positions on shares traded on European markets to the competent national authorities, from 0.2% to 0.1% of the capital issued. The measure was taken with the objective of providing supervisors with more detailed information on operations at a time of severe tensions in financial markets.

On 20 March 2020, the European Authority published a Public Statement on the recording of customer telephone conversations by intermediaries in the context of the provision of investment services, pursuant to art. 16, paragraph 7 of MiFID II, providing clarification on the application of the provision in cases where intermediaries are unable to record the relevant conversations, given the exceptional context related to the Covid-19 pandemic.

Finally, on 25 March 2020, ESMA published a Public Statement on the accounting implications of the Covid-19 epidemic for the calculation of expected credit losses under IFRS 9 in order to mitigate possible divergences in the application of this accounting standard at European level. The Statement only covers aspects related to the financial reporting of credit losses but has been appropriately coordinated with a similar Statement published by the EBA on prudential supervision profiles. The general criteria set out by ESMA in its Statement of 11 March 2020 with regard to disclosure

and financial reporting, and in its Statement of 25 March on the effects of Covid-19 in the application of IFRS 9, were taken into account by CEAOB (Committee of European Auditing Oversight Bodies), the European committee for the coordination of oversight of external auditors, in which CONSOB participates, in its reminder published on 25 March. This reminder highlights the areas of special importance for the conduct of audit work in relation to the effects of the Covid-19 pandemic. Specifically, the auditors' attention was drawn, also in relation to group audits, to the need to acquire probative elements for the purposes of expressing their opinion, on issues of business continuity, on adequate disclosure of the effects of 'events following the end of the financial year', on the importance of discussion with those responsible for the governance of the companies and on the representation of 'key aspects' in the audit report.

On 27 March 2020, ESMA published a Public Statement on the requirements that the Transparency Directive imposes on issuers listed on regulated markets, asking the competent national authorities to recognise a grace period because of the difficulties issuers may encounter, in complying with the deadlines set by national law transposing the Transparency Directive, and auditors, in completing their activities in a timely manner.

CONSOB, in addition to participating in the above-mentioned work within ESMA, took various decisions relating to the Italian market. With resolution no. 21301 of 12 March 2020, CONSOB temporarily banned the short selling of 85 Italian shares listed on the Mercato Telematico Azionario (MTA market) for the entire trading day of Friday 13 March 2020. The ban was adopted in application of art. 23 of Regulation (EU) no. 236/2012 on short selling, taking into account the price change recorded by the shares on 12 March 2020, above the thresholds laid down in the reference regulation. The ban concerned short selling assisted by the availability of the securities and extended and strengthened the scope of the ban on uncovered short selling, already in force for all shares since 1 November 2012, by virtue of mentioned Regulation.

With resolution 21299 of 12 March 2020, the Commission also suspended until 22 March the terms of the proceedings pending before the Alternative Financial Dispute Resolution Scheme (ACF). With subsequent resolution 21308 of 18 March 2020, this suspension was further extended until 15 April 2020.

With resolution 21300 of 12 March 2020, CONSOB also suspended until 3 April 2020 the intra-procedural terms of the sanctioning proceedings in progress, aiming to ensure that the addressees of sanctioning proceedings are fully entitled to participate in them in the discussion with the Commission, in a context in which the restrictions introduced by government measures to counter the spread of Covid-19 could slow down, and in part compromise, participation in the proceedings.

Following the above-mentioned lowering by ESMA of the reporting thresholds for net short positions in shares traded on European markets, CONSOB decided to initiate the procedure to adopt further restrictive measures pursuant to art. 20 of the above Regulation. Also on 16 March, the Commission renewed the daily ban on the short selling of 20 shares listed on the Mercato Telematico Azionario (MTA market) pursuant to art. 23 of the Regulation for the stock exchange session of 17 March 2020;

In light of the continuing turbulence in the markets, the Commission took two further measures. In order to contain the volatility of the financial markets, with resolution 21303 of 17 March 2020, it introduced a ban on net short positions (short sales and other shorting transactions) starting from the session on 18 March 2020 and for a period of three months, pursuant to art. 20 of the Short Selling Regulation and after having obtained the approval of ESMA. The prohibition concerned all of the shares traded on the Italian regulated market and was aimed at banning all forms of short speculative transactions, including those carried out through derivatives or other financial instruments, as well as intraday short transactions. With resolution 21304 of 17 March 2020, the Commission also temporarily introduced a strengthened transparency regime on the equity investments held by investors in 48 Italian listed companies identified according to a dual criterion (capitalisation of more than 500 million euros and broad shareholder base, thus excluding subsidiaries by right), pursuant to art. 120, sec. 2-*bis*, TUF. Notwithstanding the thresholds already provided for by current legislation, the measure, valid for three months, establishes thresholds below which there is an obligation to disclose the investment in listed companies, i.e. 1% for companies that do not qualify as SMEs pursuant to art. 1, sec. 1, letter *w-quater.1*), TUF and 3% for companies that qualify as SMEs.

CONSOB also extended the time-limits to fulfil various obligations, considering the fact that the containment measures adopted by the Government to deal with the Covid-19 emergency could preclude timely compliance by supervised entities. Resolution 21305 of 18 March 2020 suspended until 15 May 2020 the time-limit, already set at 15 April, for the payment of supervisory fees for 2020 due by Italian and foreign supervised entities. Resolution 21314 of 25 March 2020 extended by 60 days the time-limit for intermediaries to send the report on how the services were provided and the report on the organisational structure required in resolution 17297/2010. Resolution 21315 of 25 March 2020 extended by 60 days the time-limits for portal operators to send the communications provided for by art. 21, sec. 3, of the Crowdfunding Regulation. The attention of these operators was also drawn to the need to adopt measures aimed at ensuring the operational continuity of the activities carried out on the portal as well as the timely updating of information relating to offerers on significant facts likely to influence investment decisions.

With communication 2 of 25 March 2020, the Commission also provided further clarification on the applicability of the rules on the suspension of time limits for proceedings pending before public administrations under art. 103, sec. 1 of Decree Law 18/2020. In particular, with regard to administrative proceedings falling within CONSOB's jurisdiction, including sanctioning proceedings, the suspension applies automatically, pursuant to law, and the period included in the time limit calculation will start again from 16 April 2020. Furthermore, it is clarified that CONSOB will continue to carry out its administrative activity according to the time limits ordinarily established, in compliance with the procedural guarantees and without prejudice to those cases in which its activity is conditioned by the procedural contribution of third parties, private or public, which may avail themselves of the suspension provided for by the law, also without notifying CONSOB. The measures of a precautionary and urgent nature falling within CONSOB's competence, as well as the obligations to send information or documents to the Commission, are outside the scope of the suspension provided for by art. 103 of the decree. The Commission reserves the right to extend the time limits prescribed in regulations or decisions of a general nature on certain specific topics.

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# I SUPERVISION AND OTHER INSTITUTIONAL ACTIVITIES

## 1 MARKET SUPERVISION

Tab. al.1 Italian trading platforms

market	market segment	financial instrument	trading volumes <sup>1</sup>			no. of transactions <sup>2</sup>		average value of transactions <sup>3</sup>	
			no.	2019	percentage change <sup>4</sup>	2019	percentage change <sup>4</sup>	2019	percentage change <sup>4</sup>
<b>regulated markets</b>									
Borsa Italiana	MTA <sup>5</sup>	equities, rights	242	543	-13	63,224	-10	9	-3
	<i>of which: MTA Domestic capitalisation<sup>1</sup></i>		239	524	-13	61,216	-11	9	-3
	<i>MTA Foreign</i>		3	19	4	2,008	-1	10	5
	MIV	equities	1	0.02	-74	5	-68	5	-20
	MOT	bonds	1,265	189	12	3,912	8	48	4
	EtfPlus	listed funds	1,266	106	-3	5,167	29	20	-25
	IDEM <sup>6</sup>	derivatives	48,180	987	-21	30,703	-15	32	-6
	MTS	MTS Italy	bonds	120	921	-21	181	-15	5,092
<b>multilateral trading facilities</b>									
Borsa Italiana	Borsa Italiana Equity <sup>7</sup>	equities	87	2	9	257	23	6	-12
	AIM Italia-MAC <sup>8</sup>	equities	132	3	19	800	56	4	-24
	<i>capitalisation<sup>1</sup></i>		6.6						
	ExtraMot	bonds	1,307	2	32	65	45	36	-9
	SeDeX <sup>9</sup>	securitized derivatives	8,605	18	4	2,067	-11	9	17
	ATFund <sup>10</sup>	funds	114	0.21	26	4	56	56	-19
MTS	BondVision Europe <sup>11</sup>	bonds	19,223	733	11	166	-4	4,428	-7
EuroTLX Sim	EuroTLX	equities	619	1	-5	77	-2	8	-2
		bonds, certificates	5,723	45	30	1,966	41	23	-8
Hi-MTF Sim	<i>order driven capitalisation<sup>12</sup></i>	equities	22	0.05	25	15	6	3	12
		bonds	964	0.5	-36	33	-31	15	-9
		<i>quote driven</i>	bonds	860	5	25	113	38	47
e-MID Sim	e-MID repo	repo transactions		0.84	-97	0.05	-88	16,800	-74

- follows -

*- follows - Italian trading platforms*

market	market segment	financial instrument	trading volumes <sup>1</sup>			no. of transactions <sup>2</sup>		average value of transactions <sup>3</sup>	
			no.	2019	percentage change <sup>4</sup>	2019	percentage change <sup>4</sup>	2019	percentage change <sup>4</sup>
systematic internalisers <sup>13</sup>	:	equities	94	73	80	3,923	69	19	7
		other financial instruments	6,746	357	261	905	247	395	4
		<i>of which<sup>14</sup>:</i>							
		<i>government bonds</i>	1,976	272	566	128	263	2,135	83
		<i>bonds issued by parent group</i>	364	4	146	32	2	120	140
		<i>bank bonds</i>	1,266	4	-92	12	85	357	-95
		<i>corporate bonds</i>	2,618	4	216	9	416	426	-32

Source: Consob calculations on market data. Rounding may cause deviation from total figure. <sup>1</sup> Amounts in billions of euro. <sup>2</sup> Expressed in thousands. <sup>3</sup> Amount in thousands of euro. <sup>4</sup> Percentage change to previous year. <sup>5</sup> Since 11 July 2016 MTA does not include the MTA International segment anymore, now merged with the new daily trading Global Equity Market operated by Borsa Italiana Equity MTF (previously named TAH). <sup>6</sup> IDEM market includes the following segments: Equity, Idex (derivatives on commodities), and Agrex (agriculture derivatives); notional values. <sup>7</sup> Previously named Global Equity Market. <sup>8</sup> AIM Italia from April 2019. <sup>9</sup> The multilateral trading facility (MTF) since 24 November 2017; the figures for 2017 also refer to trading on the regulated market prior to its termination. <sup>10</sup> MTF started on 1 October 2018, within which the open-ended funds in compliance with Directive 2009/65/EC (UCITS) have migrated from the Etf tplus. <sup>11</sup> Starting from 3 January 2018, BondVision Europe MTF within which trading in government and corporate bonds previously traded on the BondVision and MTS Corporate regulated market respectively. The figures for 2017 volumes were obtained by summing the trading on both the BondVision regulated market and the BondVision Italia MTF. <sup>12</sup> In billions of euros; figure calculated on the basis of the average price recorded in December (i.e. on the basis of the last available price in case of lack of trade during the period). <sup>13</sup> The 2019 data are not comparable with 2018 data due to the entry into force of the new mandatory systematic internalisation regime from the second half of 2018 under MiFID II and the MiFIR Regulation. <sup>14</sup> The detailed data reported refer to a share of the total under 'other instruments'.

**Tab. al.2 Main indicators of equity markets operated by Borsa italiana**  
(amounts in billions of euro)

	2013	2014	2015	2016	2017	2018	2019
<b>MTA</b>							
capitalisation <sup>1</sup>	445	480 <sup>1</sup>	570	522	634	536	638
of which Ftse Mib shares (%)	80.0	80.6	78.7	79.4	76.9	74.5	79.5
as % of GDP	27.5	29.7	35.1	31.6	39.6	33.1	36.0
trading volumes	526	702	792	615	606	604	524
of which related to high frequency traders (as % of total)	....	....	....	29	29	32	26
no. of domestic listed companies <sup>2</sup>	243	239	236	234	237	240	239
no. of listed companies <sup>3</sup>	6	7	10	7	12	12	9
of which Ipo	2	5	8	3	7	4	4
no. of revoked companies <sup>4</sup>	12	11	13	9	9	9	10
dividend yield ratio <sup>5</sup>	3.1	3.0	2.7	3.4	2.9	3.9	3.5
price-earnings ratio <sup>6</sup>	20	18.9	23.7	19.1	17.7	11	14.0
<b>MIV</b>							
capitalisation	0.3	0.2	0.4	0.5	0.6	0.2	0.2
no. of listed companies	6	6	6	6	3	2	1
<b>AIM Italia-MAC</b>							
capitalisation	1.2	2.0	2.9	2.9	5.6	6.6	6.6
trading volumes	0.1	0.3	0.8	0.3	2.0	2.4	2.9
no. of listed companies	36	57	74	77	95	113	132
of which new entries	15	21	18	11	24	26	31
<b>total indicators</b>							
capitalisation	447	482	573	525	640	542	644
listed companies <sup>7</sup>	326	342	356	387	421	452	462
Ftse Mib (% change) <sup>8</sup>	16.6	0.2	12.7	-10.2	13.6	-16.1	28.3

Source: Borsa Italiana, Bloomberg, Thomson Reuters Datastream. Year-end data. <sup>1</sup> Data refer to companies first listed on MTA. Data referred to domestic companies prior to 2014 are not comparable with following years' data, following Borsa Italiana reclassification of MTA listed companies. The percentage ratio between capitalization and GDP for the latest data in the series is provisional. <sup>2</sup> Following Borsa Italiana approach, some companies are classified as domestic even after the transfer of their registered office abroad. <sup>3</sup> Figures referred to newly admitted companies following IPO, company division, merger and companies previously listed on a different market. Ipo data does not include transactions related to transitions from AIM to MTA (5 in 2019). <sup>4</sup> Figures referred to companies revoked following takeover bid, merger, change of listing market and other provisions of Borsa Italiana Regulation. <sup>5</sup> Percentage values relative to Datastream index of companies listed on Italian market calculated on current prices and expected dividends. The dividend-price ratio (*dividend yield*) is the expected return on the estimated distributed profits. <sup>6</sup> The price-earnings ratio is an indicator of the higher or lower value attributed to listed companies by the market with reference to expected profits. <sup>7</sup> Including foreign listed companies. <sup>8</sup> Percentage changes compared to the previous year.

**Tab. al.3 Wealth under management invested in ETPs traded on EtfPlus market**  
(end of period data; volumes in billions of euro)

	equity Etf advanced countries	equity Etf emerging countries	Etf on bond indexes	Etf other	Etc / Etn	total	change <sup>1</sup>
2013	11.7	2.8	8.0	2.3	1.9	26.7	29.0
2014	15.2	2.9	13.2	3.0	2.7	37.0	38.7
2015	21.1	2.5	15.8	3.9	4.3	47.6	28.6
2016	20.7	3.2	19.3	4.6	5.1	52.9	11.1
2017	24.0	4.6	24.1	6.3	6.1	65.1	23.1
2018	23.0	4.4	28.1	6.5	3.5	66.9	2.7
2019	29.9	5.2	37.9	8.5	6.7	88.3	32.0

Source: calculations based on Borsa Italiana data. <sup>1</sup> Percentage change on previous year. Figures for 2018 cannot be compared with 2017 because Borsa Italiana moved the negotiations of open-end UCITS (undertakings for collective investment in transferable securities) from EtfPlus market to a separate multilateral trading system named ATFund operating from 1 October 2018.

**Tab. al.4 Exchange traded products traded on EtfPlus market**  
(end of period data; volumes in billions of euro)

	volumes	no. of contracts (in millions)
2013	66.4	2.78
2014	73.7	3.07
2015	104.3	4.92
2016	107.7	5.10
2017	97.6	4.40
2018	108.8	4.78
2019	105.7	5.17

Source: Borsa Italiana.

**Tab. al.5 Exchange traded products traded on EtfPlus market by Etp type**  
(end of period data; volumes in billions of euro)

	equity Etf advanced countries	equity Etf emerging countries	Etf on bond indexes	Etf other	Etc / Etn	total
2018 volumes	48.6	7.2	24.0	8.3	20.8	108.9
weight <sup>1</sup>	44.6	6.6	22.1	7.6	19.1	100.0
2019 volumes	39.9	7.0	30.0	9.1	19.7	105.8
weight <sup>1</sup>	37.7	6.6	28.4	8.6	18.6	100.0

Source: Borsa Italiana. <sup>1</sup> In percentage of total volumes.

**Tab. al.6 Financial instruments transactions on IDEM and share transaction on MTA**  
(trading volumes in billions of euro)

	IDEM traded volumes					MTA traded volumes		IDEM/MTA traded volumes
	futures on index	futures on shares	options on index	options on shares	total	domestics shares traded volumes	turnover velocity	
2013	601.2	2.7	139.3	46.0	789.1	526	1.18	1.45
2014	945.7	1.9	203.6	63.0	1,214.2	702	1.46	1.68
2015	1,163.2	14.2	255.2	69.5	1,502.1	792	1.39	1.86
2016	1,002.7	12.3	251.1	51.4	1,317.5	615	1.18	2.11
2017	815.0	12.3	135.1	58.3	1,020.7	606	0.96	1.68
2018	977.0	12.1	200.2	55.3	1,244.9	604	1.06	2.06
2019	771.6	12.2	155.5	46.9	986.8	524	0.9	1.88

Source: calculations based on Borsa Italiana. 'Futures on index' include index 'minifutures'.

**Tab. al.7 Covered warrant and certificates traded on SeDeX market**  
(end of period data; amounts in billions of euro)

	no. of issues			trading volumes
	outstanding issues	new issues <sup>1</sup>	expired issues <sup>2</sup>	
2013	5,140	5,425	5,044	16.3
2014	4,173	4,606	5,494	24.7
2015	5,609	7,006	5,524	33.6
2016	6,696	8,549	7,461	23.2
2017	9,420	10,274	7,261	19.1
2018	8,515	9,475	9,733	17.6
2019	8,605	11,417	11,036	18.4

Source: calculations on Borsa Italiana. <sup>1</sup> Issues admitted to trading during the year. <sup>2</sup> Emissions expired during the year. Figures include instruments withdrawn, at the issuer's request, before natural maturity.

**Tab. al.8 Covered warrant and certificates listed on SeDeX market**  
(end of period data; amounts in billions of euro)

	plain vanilla		investment		leverage		exotics		total	
	no. of issues	trading volumes								
2013	3,575	6.3	941	4.0	546	5.9	78	..	5,140	16.3
2014	3,105	6.2	827	4.1	172	14.1	69	..	4,173	24.4
2015	4,128	10.4	1,143	4.9	275	18.3	63	..	5,609	33.6
2016	4,559	7.4	1,191	3.2	891	12.5	55	..	6,696	23.2
2017	6,956	2.8	1,271	4.4	1,141	11.9	52	..	9,420	19.1
2018	5,367	2.4	1,596	3.3	1,328	12.0	224	..	8,515	17.7
2019	4,320	2.1	1,512	5.8	2,390	10.4	383	0.1	8,605	18.4

Source: calculations on Borsa Italiana data. Rounding may cause deviation from total figure.

**Tab. al.9 Concentration of trade on SeDeX**

(percentage values of the first five most traded securities by category out of total trade)

category	2013	2014	2015	2016	2017	2018	2019
leverage	31.6	43.6	46.0	41.0	42.9	40.8	52.2
plain vanilla	19.8	14.3	13.5	14.1	8.1	10.7	69.4
investment certificates	2.3	1.7	1.9	1.4	1.6	1.2	12.5
<i>total five most traded securities</i>	<i>53.8</i>	<i>59.6</i>	<i>61.5</i>	<i>56.5</i>	<i>52.6</i>	<i>45.5</i>	<i>41.6</i>

Source: calculations on Borsa Italiana data.

**Tab. al.10 Bonds traded on Italian markets**

(end of period data; amounts in billions of euro)

	regulated markets and wholesale MTF			regulated markets and retail MTF					<i>total</i>
	MTS Italy (gov. bonds)	BondVision <sup>1</sup> (gov. bonds)	BondVision MTF <sup>2</sup> (non gov. bonds)	BondVision Europe MTF <sup>3</sup> (gov. bonds, corporate)	MOT <sup>4</sup>	EuroTLX MTF	Hi-MTF MTF	ExtraMOT MTF	
2013	904	804	7	—	330	90	24	5	<i>2,164</i>
2014	1,487	1,041	9	—	323	91	23	6	<i>2,980</i>
2015	1,225	1,082	36	—	277	79	19	4	<i>2,722</i>
2016	1,385	924	25	—	215	....	15	....	<i>2,788</i>
2017	1,216	856	12	—	204	56	8	2	<i>2,354</i>
2018	1,164	—	—	661	168	35	5	2	<i>2,035</i>
2019	921	—	—	733	189	45	6	2	<i>1,896</i>

Source: calculations on MTS, Borsa Italiana and EuroTLX data. Rounding may cause deviation from total figure. <sup>1</sup> From 3 January 2018 MTS Corporate and BondVision Italia trading venues are no longer operational; securities previously traded on such markets were transferred to BondVision. The latter was eventually transformed into BondVision Europe MTF, which now hosts government and corporate bonds; trades other than dealing on own account are also hosted on BondVision Europe MTF. As a consequence MTF was classified as a non wholesale market.

<sup>2</sup> Transactions on bonds traded on EuroMOT are included.

## Regulatory supervision of trading platforms

Tab. al.11 Amendments to the Regulations of regulated markets and their implementing provisions in 2019

market operator and regulation date	content of intervention	involved market
<b>Borsa Italiana</b>		
Changes to the instructions (CONSOB's consent of 22 March 2019)	Review of the way in which the obligations of specialist traders and market makers under MiFID II are exposed Extension of the Mifid II obligation for market makers to auction phases on MTA and MIV markets Expansion of the list of eligible equity markets for securities underlying equity derivatives contracts MIBO Options: generation of strike prices for monthly options on the Ftse Mib Index. Weekly stock options: time of introduction of the new strike prices for monthly options, according to a different, and reduced, price generation range (so-called 'thickening').	IDEM
Amendments to the Rules and related Instructions (Resolution 20906 of 2 May 2019)	Distribution on the market - selection of operators Review of the discipline of alternative funds to be listed on the MIV and ETFplus markets Disclosure requirements: a) research that sponsors and specialists are required to publish, b) reverse merger transactions and c) structured bond requirements and admission to trading Minimum quantities for RFQ proposals Expansion of the underlyings of share options and share futures contracts	All Miv and ETFplus  MOT and ExtraMOT IDEM
Amendments to the Rules and related Instructions (Resolution 21018 of 31 July 2019)	Introduction of sponsored access interconnection mode; trading phases and reference price	All MOT
Changes to the Instructions (Consent of CONSOB of 31 July 2019)	Obligations of market makers under MiFID II, specialist traders and voluntary market makers	IDEM
Changes to the Instructions (Consent of CONSOB of 31 July 2019)	Revision of the rules for the admission of foreign-law FIA to the MIV market; disclosure requirements in the ETFPlus market and the ATFund system	MIV ETFPlus and ATFund

Source: Consob.

**Tab. al.12 Amendments to the Regulations of multilateral trading facilities in 2019**

market operator and regulation date	content of the intervention	involved MTF
<b>Borsa Italiana</b>		
January 2019	Fine tuning on the application of the system of minimum deviations	AIM Italia BIT Equity
February 2019	Simplification of the membership process, in order to take into account the settlement and compensation arrangements communicated by the member/participant	SeDeX ExtraMOT
February 2019	Amendments to the Nomad discipline: i) obligations and responsibilities in case of replacement of the Nomad; ii) requirements for Nomads that are companies belonging to a network of statutory audit firms; iii) clarifications on the Nomad discipline in case of Brexit	AIM Italia
March 2019	Expansion of the number of persons admitted to trading on MTFs managed and organised by Borsa Italiana	All
March 2019	Improvement of market error management methods	SeDeX ExtraMOT
March 2019	Clarification of how Exchange Market Size is calculated and published Admission on ATFund also of open-ended AIFs, if marketable to retail investors	ATFund
March 2019	Changes to the parameters on the basis of which automatic trade controls are conducted for securitised derivatives traded in the leverage certificates class B segment	SeDeX
April 2019	Amendment of the rules on the disclosure of shareholdings by significant shareholders in the case of multiple-vote share issues Revision of the minimum lot discipline in case of reaching certain free float and capitalisation thresholds  Fine-tuning on Nomad activities and certifications on SPAC in case of reverse-take-over operations, corporate transparency, preparation of consolidated financial statements. Redenomination of the AIM Italia/Alternative Capital Market in AIM Italia	AIM Italia
May 2019	Changes in the settlement of contracts with regard to the method of calculating net balances, and the rules of conduct and failures management	SeDeX
May 2019	Expansion of the number of persons admitted to trading on MTFs managed and organised by Borsa Italiana  Clarification of the information on the transaction relating to financial instruments issued for securitization purposes; alignment of the provisions relating to the cancellation of financial instruments with a limited duration with the provisions of Borsa Italiana's Market Regulations; fine-tuning with regard to the minimum quantity envisaged for specialist operators and market makers Expansion of information channels to Borsa Italiana on privileged information Public disclosure for large agreed transactions Fine tuning with regard to the minimum quantity for specialist operators and market makers MiFID II	All  ExtraMOT  SeDeX  AIM Italia Blt Equity
June 2019	Distribution on the market - selection of operators	ExtraMOT
July 2019	Minimum quantities for RFQ proposals	ExtraMOT
July 2019	Introduction of quote driven trading mode	SeDeX
July 2019	Amendments to the prospectus formats required for admission procedures in order to adapt them to the new Prospectus Regulations	AIM Italia SeDeX ExtraMOT
August 2019	Extension of market making obligations to the auction phases	AIM Italia Blt Equity
September 2019	Introduction of the ExtraMOT Pro3 Segment and related Regulations Regulation of Infrastructures bonds Requirements for interconnection to the Professional Segment and Extramot Pro3	ExtraMOT
September 2019	Introduction of sponsored access interconnection mode	All
September 2019	Minimum size for the conclusion of contracts resulting from RFQ negotiation proposals	ExtraMOT
November 2019	Expansion of CCPs operating in the market	Blt Equity

- follows -

**- follows - Amendments to the Regulations of multilateral trading facilities in 2019**

market operator and regulation date	content of the intervention	involved MTF
<b>MTS</b>		
March 2019	Extension of eligibility criteria for market participants to take on the role of Dealer	MTS Cash Domestic
March 2019	Extension of the eligibility criteria for market participants to take on the role of Principal Operator.	BondVision Europe
March 2019	Change in the admission criteria for financial instruments and operators	BondVision Europe
December 2019	Introduction of a new 'Mid-Price' calculation method and refinement of the order cancellation policy	MTS Cash Domestic and EBM
<b>EuroTLX Sim</b>		
May 2019	Revision of the arrangements for the settlement of contracts on a net basis and consequent revision of the rules of conduct of operators	EuroTLX
June 2019	Introduction of the method of interconnection to the market in the form of sponsored access; introduction, for the Bond-X and Equity segments, of two new trading phases (opening and closing auctions) as well as the method of trading at the closing auction price and consequent revision of the method of determining the reference price	EuroTLX
<b>Hi-MTF</b>		
February 2019	Changes to the liquidity obligations of market makers in situations of market stress and exceptional conditions for mixed order driven and quote driven markets; refinement of provisions relating to the cancellation of orders and contracts and error handling	Hi-MTF Quote Driven Mixed Hi-MTF Order Driven
	Prediction of the activation of mechanisms to manage market volatility (circuit breaker) also for the request for quotas system; refinement of the provisions relating to the cancellation of orders and contracts and the management of errors	Hi-MTF RFQ
November 2019	Review of the methodology for calculating the significance thresholds and the length of the monitoring period. Introduction of further disclosure requirements relating to the issuer, to be carried out by the direct member on an ongoing basis; provision of the obligation for the issuer to make a timely official disclosure to the market, in the event of a decrease or increase in the number of shares in circulation, and any impact on the reference price; introduction of the possibility for issuers to enter into a contract with a liquidity provider, to carry out the activity of supporting the liquidity of their shares	Hi-MTF Order Driven Equity

Source: Consob.

## Supervision of trading and market information integrity

**Tab. al.13 Shares revoked from MTA in 2019**

date	company	motivation
02/01/2019	Beni Stabili	Merger by incorporation in Covivio
30/01/2019	Ansaldo Sts	Opa promoted by Hitachi RailItaly
05/03/2019	Luxottica Group	Opa promoted by EssilorLuxottica
05/03/2019	Parmalat	Opa promoted by Sofil
02/04/2019	Nice	Opa promoted by B-Age Nice
26/04/2019	Gruppo Ceramiche Ricchetti	Opa promoted by Finkeramos
26/04/2019	Damiani	Opa promoted by LeadingJewels
11/06/2019	Gruppo Waste Italia	Approval of an arrangement with creditors on a continuous basis (art. 2.5.1, letter b) of Borsa Italiana rules of the markets
05/11/2019	Gima TT	Merger by incorporation of Gima TT into IMA
11/11/2019	Italiaonline	Opa promoted by Sunrise Investment

Source: calculations on Borsa Italiana data.

**Tab. al.14 Shares revoked from AIM Italia in 2019**

date	company	motivation
02/01/2019	Archimede	Merger by incorporation into Net Insurance
05/03/2019	Spaxs	Merger by incorporation into Interprovincial Bank renamed IllimityBank- Business combination
13/03/2019	Gear 1	Merger by incorporation into ComerIndustries - Business combination
18/04/2019	Alp.I	Merger by incorporation into Antares Vision - Business combination
26/04/2019	Plt Energia	Opa promoted byNexte 1, Baya, Nous
20/05/2019	SprintItaly	Merger by incorporation - Business combination between SprintItaly and Sicit 2000 change of name into Sicit Group (listed)
20/05/2019	Bomi Italia	Opa promoted by Med Platform Holding
08/11/2019	Industrial Stars for Italy3	Merger by incorporation into Salcef Group - Business combination
11/12/2019	Biodue	Opa promoted by Aurora Dodici
12/12/2019	Ideami	Dissolution of the company due to expiry of the statutory deadline
16/12/2019	EPS Equita Pep2	Purchase of treasury shares and exercise of the right to redeem pursuant to the articles of association

Source: calculations on Borsa Italiana data.

## Supervision of post-trading and OTC derivatives

**Tab. al.15 Net short positions on Italian shares: concentration of investors**  
(percentage data on total net short positions)

	2018	2019
investor # 1	14	20
investor # 2	14	10
investor # 3	8	6
investor # 4	7	5
other investors	57	59
<i>total</i>	<i>100</i>	<i>100</i>

Source: calculations on Borsa Italiana data.

**Tab. al.16 Net short positions on Italian shares by nationality of investors**  
(percentage data on total net short positions)

	2018	2019
United Kingdom	29	33
USA	48	32
United Kingdom - Overseas Territories	15	21
Switzerland	3	2
other	5	12
<i>total</i>	<i>100</i>	<i>100</i>

Source: calculations on Borsa Italiana data.

## Supervision of analyst researches and ratings

**Tab. al.17 Distribution of studies by typology**

	2018		2019		change <sup>1</sup>
	number	weight	number	weight	
monographic	2,481	11.9	3,833	18.6	+54.5
non-monographic	18,392	88.1	16,722	81.4	-9.1
<i>total</i>	<i>20,873</i>	<i>100.0</i>	<i>20,555</i>	<i>100.0</i>	<i>-1.5</i>

Source: Consob. <sup>1</sup> Percentage change on 2018 figures.

**Tab. al.18 Distribution of monographic studies by nationality of intermediaries**

	2018		2019		change <sup>1</sup>
	number	weight	number	weight	
Italian	1,294	52.2	2,059	53.7	59.1
foreign intermediaries with Italian branch	1,187	47.8	1,774	46.3	49.4
<i>total</i>	<i>2,481</i>	<i>100.0</i>	<i>3,833</i>	<i>100.0</i>	<i>54.5</i>

Source: Consob. <sup>1</sup> Percentage change on 2018 figures.

**Tab. al.19 Distribution of monographic studies by type of operational advice**  
(percentage values)

	buy	hold	sell	other <sup>1</sup>	<i>total</i>
2018	54.6	37.3	7.5	0.6	<i>2,481</i>
2019	54.6	38.9	5.8	0.7	<i>3,833</i>

Source: Consob. <sup>1</sup> Includes ratings such as under review, not rated and the like.

**Tab. al.20 Companies listed on regulated markets managed by Borsa Italiana subject to monographic studies by degree of coverage**

	number	≥ 100	51 - 99	25 - 50	13 - 24	5 - 12	≤ 4
2018	193	26.5	15.3	11.2	14.9	13.2	18.9
2019	194	29.0	14.3	13.4	13.9	18.5	10.9

Source: Consob. The coverage degree is expressed in percentage values.

**Tab. al.21 Companies negotiated on the AIM subject to monographic studies by degree of coverage**

	number	> 50	25 - 50	13 - 24	5 - 12	≤ 4
2018	20	--	10.0	30.0	25.0	35.0
2019	40	--	7.5	12.5	30.0	50.0

Source: Consob. The coverage degree is expressed in percentage values.

## Supervision of market abuse

Tab. al.22 Results of investigations on market abuse

	cases of administrative and/or criminal offence		cases in which no offence was found	total
		of which for insider trading		
2013	13	4	9	22
2014	13	4	9	22
2015	14	10	3	17
2016	4	2	5	9
2017	6	4	4	10
2018	9	7	11	20
2019	6	3	1	7

Source: Consob.

Tab. al.23 Type of inside information in cases of insider trading

	change of control, takeover bids	economic results, patrimonial and financial situation	assets equity transactions, mergers, spin-offs	other		total
					of which cases of front running	
2013	1	1	--	2	--	4
2014	1	1	1	2	1	5
2015	1	1	1	7	1	10
2016	1	--	--	1	--	2
2017	2	--	1	1	--	4
2018 <sup>1</sup>	5	--	1	3	2	9
2019	2	--	--	1	--	3

Source: Consob. <sup>1</sup> The total is higher than the number of the concluded investigations leading to the detection of offences because in one case the alleged insider trading referred to different facts concerning three listed companies.

Tab. al.24 Operators involved in cases of market abuse

	authorised intermediaries <sup>1</sup>	institutional insider <sup>2</sup>	other <sup>3</sup>	foreign entities	total
insider trading					
2013	3	1	10	3	17
2014	--	5	4	1	10
2015	2	9	7	2	20
2016	--	2	12	--	14
2017	--	2	27	--	29
2018 <sup>4</sup>	1	7	56	2	66
2019	--	5	9	--	14

- follows -

– follows – Operators involved in cases of market abuse

	authorised intermediaries <sup>1</sup>	institutional insider <sup>2</sup>	other <sup>3</sup>	foreign entities	<i>total</i>
<b>market manipulation</b>					
2013	2	12	12	--	<i>26</i>
2014	1	18	9	1	<i>29</i>
2015	--	7	2	--	<i>9</i>
2016 <sup>4</sup>	--	23	--	--	<i>23</i>
2017	--	1	3	2	<i>6</i>
2018	--	5	2	--	<i>7</i>
2019	--	3	5	2	<i>10</i>

Source: Consob. <sup>1</sup> Banks, Italian investment firms (SIMs), asset management companies (AMCs) and stockbrokers. <sup>2</sup> Shareholders, directors, executives of listed companies and other institutional insiders. <sup>3</sup> Secondary insiders (art. 187-bis, par. 4 Tuf). <sup>4</sup> The figure includes a number of foreign intermediaries and their executives and employees

Tab. al.25 Codes of conduct assessed at the request of the Ministry of Justice

	no. of assessed codes	
		<i>of which with suitability assessment</i>
2013	14	<i>11</i>
2014	13	<i>8</i>
2015	11	<i>8</i>
2016	7	<i>4</i>
2017	3	<i>2</i>
2018	11	<i>8</i>
2019	11	<i>8</i>

Source: Consob.

**Tab. al.26 Request for data and information on market abuse**  
(number of addressed entities)

	authorised intermediaries <sup>1</sup>	listed companies and parent companies or subsidiaries	private entities		public sector entities	foreign entities	total	of which on behalf of foreign entities <sup>2</sup>
				of which hearings				
2013	154	14	78	39	81	23	350	11
2014	173	6	37	20	63	36	315	45
2015	215	19	100	42	47	75	456	42
2016	370	21	145	58	147	80	763	59
2017	375	15	135	51	128	66	719	53
2018	166	5	58	27	104	24	357	6
2019	165	23	109	15	102	21	420	17

Source: Consob. The data relating to the public sector entities include CONSOB accesses to the website Anagrafe dei rapporti finanziari managed by Agenzia delle Entrate. <sup>1</sup> Banks, Italian investment firms (SIMs), asset management companies (AMCs) and regulated markets managers. <sup>2</sup> Figures refers to the number of parties involved in the requests received from foreign authorities (for 2019 a total of 10; Tab. all.1).

**Tab. al.27 Participation of CONSOB as civil party in criminal proceedings for insider trading and market manipulation offences**

year	no. of proceedings	offence	outcome as of 31 December 2019
2009	1	market manipulation	1 conviction
2010	3	insider trading, market manipulation	2 conviction <sup>2</sup> 1 acquittal
2011	6 <sup>3</sup>	market manipulation	3 conviction <sup>4</sup> 1 settlement 1 prescription of the offence
2012	2	insider trading, market manipulation	1 conviction <sup>5</sup> 1 acquittal <sup>6</sup>
2013	5	insider trading, market manipulation	2 convictions <sup>7</sup> 3 settlements <sup>8</sup> 1 prescription of the offence
2014	9	insider trading, market manipulation	5 convictions <sup>9</sup> 1 settlement 2 territorial incompetence <sup>10</sup>
2015	6	insider trading, market manipulation	4 convictions <sup>11</sup> 3 acquittal <sup>12</sup>
2016	6 <sup>13</sup>	insider trading, market manipulation	1 conviction <sup>14</sup> 1 settlement
2017	3	insider trading, market manipulation	1 settlement
2018	2	insider trading	
2019	3	market manipulation	2 settlement

Source: Consob. For insider trading definition, see art. 184 of the Consolidated Law on Finance; for market manipulation see art. 185 of the Consolidated Law on Finance. For details on proceedings, please refer to the Italian version of Annual Report 2019, available at <http://www.consob.it/documents/46180/46181/rel2019.pdf/12ba0788-ec9b-4c53-80fd-e91c6a5de98a#page=137>.

## 2 SUPERVISION OF ISSUERS AND AUDIT FIRMS

### *Ownership structure disclosure*

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**Tab. al.28 Disclosure of major shareholdings in Italian listed companies**

	notification of significant shareholding	change in significant shareholding previously disclosed	reduction below significant threshold	<i>total</i>
2013	241	305	246	<i>792</i>
2014	246	301	266	<i>813</i>
2015	267	266	275	<i>808</i>
2016	240	326	250	<i>816</i>
2017	213	214	194	<i>621</i>
2018	167	212	138	<i>517</i>
2019	154	167	136	<i>457</i>

Source: Consob.

## Takeover bids and exchange tender offers

Tab. al.29 Takeover bids and exchange tender offers in 2019

offering company	company object of takeover bid	period	kind of offer			amounts <sup>1</sup>	weight <sup>2</sup>	
<b>ORDINARY SHARES</b>								
Aurora Dodici Spa <sup>3</sup>	BioDue Spa	04/11/19-29/11/19	takeover bid	mandatory	full	9.9	1.5	
Sunrise Investments Spa	Italiaonline Spa	29/07/19-12/09/19	takeover bid	voluntary	full	14.6	2.1	
Astm Spa	Sias Società Iniziative Autostradali e Servizi Spa	08/07/19-26/07/19	takeover bid	voluntary	partial	199.1	29.3	
Saes Getters Spa	Saes Getters	06/05/19-24/05/19	takeover bid	voluntary	partial	89.7	13.2	
Medplatform I Holding Srl <sup>3</sup>	Bomi Italia	08/04/19-10/05/19	takeover bid	voluntary	full	67.6	9.9	
Nexste 1 Srl, Baya Srl, Nous Srl <sup>3</sup>	PLT	25/03/19-12/04/19	takeover bid	voluntary	full	6.8	1.0	
SolarEdge Investment <sup>3</sup>	Smre	18/03/19-05/04/19	takeover bid	mandatory	full	50.9	7.5	
B-Age Nice	Nice	04/03/19-22/03/19	commitment to buy		full	25.6	3.8	
Finkéramos	Ceramiche Ricchetti	25/02/19-29/03/19	takeover bid	mandatory	full	3.9	0.6	
Sofil	Parmalat	04/02/19-22/02/19	commitment to buy		full	174.8	25.7	
Leading Jewels	Damiani	04/02/19-01/03/19	takeover bid	voluntary	full	5.9	0.9	
Rossini Investimenti	Recordati	02/01/19-29/01/19	takeover bid	mandatory	full	1.6	0.2	
<b>SAVING SHARES</b>								
BPer	Banco di Sardegna	25/11/19-31/12/19	exchange offer	voluntary	full	22.3	3.3	
Sunrise Investments Spa <sup>4</sup>	Italiaonline Spa	29/07/19-12/09/19	takeover bid	voluntary	full	1.1	0.2	
<b>ABS BONDS</b>								
Medplatform I Holding Srl <sup>4</sup>	Bomi Italia	08/04/19-10/05/19	takeover bid	voluntary	full	5.9	0.9	
						<i>total</i>	<i>679.8</i>	<i>100.0</i>

Source: Consob. Takeover bids and exchange tender offers launched in 2019. <sup>1</sup> Amounts in millions of euro. <sup>2</sup> Percentage on total amount. <sup>3</sup> The offer refers to shares negotiated on AIM. <sup>4</sup> The offer was prepared as part of the procedure for the approval of the document relating to the offer of ordinary shares, to which it was combined – despite its value was than 8 million euros – with the consequent inapplicability of the rules laid down by the Tuf and the Issuers' Regulations on takeover bids.

Tab. al.30 Takeover bids and exchange tender offers on ordinary shares

	mandatory bids (full)			non mandatory bids		total	of which				
	acquisition of control	consolidation	commitment to buy	full	partial		AIM	unlisted	competing	aimed at delisting	takeover bid/exchange offer
2015	4	--	--	2 <sup>1</sup>	--	6	--	--	--	4	--
2016	10	--	--	3	1	14	--	--	4	9	1
2017	6	--	1	7 <sup>2</sup>	2	16	2	--	--	9	4 <sup>2</sup>
2018	9	--	2	7	--	18	2	3	--	11	3
2019	4	--	2	4	2	12	4	--	--	9	--

Source: Consob. <sup>1</sup> The mandatory takeover bid on Pirelli&C spa shares went alongside a full voluntary bid on saving shares. <sup>2</sup> The voluntary full takeover bid on Borgosesia Spa shares refers to ordinary and savings shares. The figure does not include an exchange tender offer declared ineffective.

**Tab. al.31 Takeover bids and exchange tender offers on ordinary shares for delisting purpose**

bidder	company object of takeover/exchange bid	voluntary/mandatory	delisting as a result of takeover bid	amounts <sup>1</sup>	
1	Aurora Dodici Spa <sup>2</sup>	Bio Due Spa	mandatory	Yes	73.1
2	Sunrise Investments Spa	Italiaonline Spa	voluntary	Yes	323.6
3	Med Platform I Holding Srl <sup>2</sup>	Bomi Italia	voluntary	Yes	67.6
4	Nexite 1 Srl, Baya Srl, Nous Srl <sup>2</sup>	PLT	voluntary	Yes	67.0
5	SolarEdge Investment <sup>2</sup>	Smre	mandatory	Yes	133.5
6	B-Age Nice	Nice	commitment to buy	Yes	406.0
7	Finkéramos	Ceramiche Ricchetti	mandatory	Yes	42.4
8	Sofil	Parmalat	commitment to buy	Yes	5,287.2
9	Leading Jewels	Damiani	voluntary	Yes	70.6
<i>total</i>					<i>6,470.9</i>

Source: Consob. <sup>1</sup> Amounts in millions of euros, computed based on the bid price, i.e., the current value in the case of unsuccessful bids. <sup>2</sup> Shares traded on AIM.

**Tab. al.32 Takeover bid subscription on ordinary shares in 2019**

bidder	target company	financial instrument	marketplace	bid type	scheduled delisting	% subscribed <sup>11</sup>	one year premium <sup>2</sup>
Aurora Dodici Spa	Bio Due Spa	ordinary shares	AIM	mandatory	Yes	74.5	22.3
Sunrise Investments Spa	Italiaonline Spa	ordinary shares	MTA	voluntary	Yes	24.1	23.0
Medplatform I Holding Srl	Bomi Italia	ordinary shares	AIM	voluntary	Yes	98.6	32.9
Nexite 1 Srl, Baya Srl, Nous Srl	PLT	ordinary shares	AIM	voluntary	Yes	41.7	1.2
SolarEdge Investment	Smre	ordinary shares	AIM	mandatory	Yes	80.8	-0.3
Finkéramos	Ceramiche Ricchetti	ordinary shares	MTA	mandatory	Yes	32.3	-30.7
Leading Jewels	Damiani	ordinary shares	MTA	voluntary	Yes	45.6	-9.0
Rossini Investimenti	Recordati	ordinary shares	MTA	mandatory	No	0.1	-16.1

Source: Consob. Commitments to buy and offers on instruments other than shares are excluded. <sup>1</sup> As a percentage of the quantity offered. <sup>2</sup> Value reported in the offer information documents, calculated by comparing the consideration offered with the weighted average price of the target company's shares for the 12 months prior to the first communication of the offer to the market.

## Supervision of related party transactions, corporate governance and internal control bodies

Tab. al.33 Material related party transactions disclosed by Italian listed companies in 2019

object	counterparty			total
	directors/companies related to directors	controlling or relevant shareholders	subsidiary or associate company	
supply of goods and services, sponsoring, investment	--	6	--	6
financing	--	14	3	17
capital transactions	4	7	3	14
transfer of assets	--	17	3	20
<i>total</i>	<i>4</i>	<i>44</i>	<i>9</i>	<i>57</i>

Source: Consob.

## Supervision of audit firms

Tab. al.34 Breakdown of Italian listed companies by independent audit firm

	independent audit firm							
	<i>big four</i>		medium-sized companies		small-sized companies		<i>total</i>	
	no. of appointments	market share <sup>1</sup>	no. of appointments	market share <sup>1</sup>	no. of appointments	market share <sup>1</sup>	no. of appointments	market share <sup>1</sup>
2013	211	87	30	12	3	1	244	100
2014	207	86	26	11	8	3	241	100
2015	211	91	12	5	8	4	231	100
2016	203	88	23	10	4	2	230	100
2017	204	89	18	8	7	3	229	100
2018	202	88	18	8	9	4	229	100
2019	199	88	19	8	8	4	226	100

Source: Consob. <sup>1</sup> Percentage value.

**Tab. al.35 Cases of dismissal of independent auditors**

	dismissal	consensual termination	resignation
2013	37	45	3
2014	32	16	6
2015	24	62	2
2016	27	37	7
2017	36	67	2
2018	32	55	2
2019 <sup>1</sup>	93	190	--

Source: Consob. <sup>1</sup> Data on dismissal and consensual terminations include 48 and 133 cases related to the reform of cooperative credit banks (BCC), respectively.

**Tab. al.36 Opinions issued by audit firms on Italian listed companies financial statements**

	adverse opinion or disclaimer of opinion	qualified opinion	opinion with emphasis of matters paragraph
2012	13	4	54
2013	13	8	52
2014	7	1	41
2015	8	3	40
2016	9	4	38
2017	7	3	20
2018	8	--	6

Source: independent auditors reports. Data refer to different types of judgments or findings that may also refer to the same issuer. 'Adverse opinion' relate to situations in which the effects of the qualified opinions are so significant as to compromise the reliability and informative capacity of the financial statements. The 'disclaimer of opinion' arises from a serious limitation of information, such that an opinion cannot be expressed, or in the presence of significant situations of uncertainty that could affect the reliability of the financial statements or business continuity. 'Qualified opinions' imply significant non-conformities or disagreements about accounting criteria, limitations to the audit process and significant uncertainties. 'Opinions with emphasis of matters paragraph' include the reporting of significant uncertainties relating to business continuity (as per Auditing Standard no. 700).

### 3 SUPERVISION OF PUBLIC OFFERS AND CORPORATE DISCLOSURE

#### *Supervision of public offerings and admission to trading of shares*

**Tab. al.37 Supervision of public offerings and admission to trading of equity instruments**  
(number of prospectuses)

	2013	2014	2015	2016	2017	2018	2019
admissions to listing of shares <sup>1</sup>	5	10	16	13	15	15	18
<i>of which: through public offering</i>	3	9	13	6	2	--	3
rights issue <sup>2</sup>	11	17	9	4	7	11	2
other offerings <sup>3</sup>	1	--	--	--	--	1	--
unlisted securities offerings of italian issuers <sup>4</sup>	10	19	15	6	2	2	--
judgements of equivalence <sup>5</sup>	6	2	4	5	3	2	--
<i>totale</i>	<i>33</i>	<i>48</i>	<i>44</i>	<i>28<sup>6</sup></i>	<i>26</i>	<i>31</i>	<i>20</i>

Source: Consob. Figures do not include the offerings cancelled following the decision to forgo the listing before the approval of the prospectus (four cases in 2019). <sup>1</sup> Data refer to transactions which received the authorisation to file the listing prospectus. <sup>2</sup> Listed companies' capital increase (including warrants and convertible bonds). <sup>3</sup> The figure relates to public or private offerings for sale or subscription (not for listing purposes), and employee stock option plans; it does not include offerings involving the recognition of foreign prospectuses. <sup>4</sup> Including prospectuses relating to issuers of widely distributed securities, issuers of non-widely distributed shares and newly founded banks; it does not include bonds, covered warrants, certificates, and employee stock option plans. <sup>5</sup> Following the entry into force of Regulation (EU) 2017/1129 (Prospectus Regulation), from 21 July 2019 no equivalence judgment is issued. <sup>6</sup> Total amount does not include 3 registration documents pursuant to art. 5, par. 5, Issuers' Regulation, that not were completed with the summary note and the information note during the year.

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

**Tab. al.38 Supervision of public offerings and admission to trading of non-equity instruments**  
(number of prospectuses)

	2013	2014	2015	2016	2017	2018	2019
bonds	517	313	272	146	86	57	45
<i>of which: base prospectuses</i>	<i>196</i>	<i>148</i>	<i>117</i>	<i>58</i>	<i>30</i>	<i>23</i>	<i>14</i>
<i>prospectuses</i>	<i>3</i>	<i>8</i>	<i>8</i>	<i>3</i>	<i>1</i>	<i>2</i>	<i>2</i>
<i>registration documents and supplements</i>	<i>327</i>	<i>157</i>	<i>147</i>	<i>85</i>	<i>55</i>	<i>32</i>	<i>29</i>
<i>covered warrant and certificates</i>	<i>104</i>	<i>58</i>	<i>33</i>	<i>46</i>	<i>43</i>	<i>24</i>	<i>13</i>
admission to listing of warrants	--	1	1	--	4	6	3
UCITS <sup>1</sup>	478	537	424	412	417	431	384
<i>total</i>	<i>1,009</i>	<i>909</i>	<i>730</i>	<i>604</i>	<i>550</i>	<i>518</i>	<i>445</i>

Source: Consob. <sup>1</sup> Figures include public offering of Italian mutual funds and SICAV shares, admission to listing of units of Italian closed-end funds and financial instruments issued by foreign management companies; distributed harmonised foreign UCITS funds are also included. It is noteworthy that: i) from 1 July 2009, no prior authorisation is required for the publication of prospectuses for open-end Italian UCITS; ii) the 1 July 2011 marked the entry into force of a new notification procedure between the authorities of the originator member state and CONSOB, pursuant to article 93 of Directive 2009/65/EC and Regulation EU 584/2010.

**Tab. al.39 Bonds, certificates and covered warrants offered by Italian banks by type of prospectus**  
(domestic prospectuses; amounts in billions of euro)

	placed amounts				no. of placed securities			
	base prospectus	prospectus	simplified prospectus	total	base prospectus	prospectus	simplified prospectus	total
2013	73.0	--	5.6	<i>78.6</i>	2,266	--	1,397	<i>3,663</i>
2014	54.8	0.2	5.9	<i>60.9</i>	2,287	5	1,458	<i>3,750</i>
2015	36.3	1.0	3.8	<i>41.1</i>	1,451	5	986	<i>2,442</i>
2016	19.7	--	2.0	<i>21.6</i>	704	--	568	<i>1,272</i>
2017	8.1	--	2.2	<i>10.3</i>	302	--	436	<i>738</i>
2018	7.4	0.1	1.8	<i>9.3</i>	169	1	287	<i>457</i>
2019	10.6	--	1.3	<i>11.9</i>	200	--	182	<i>382</i>

Source: Consob.

**Tab. al.40 Bond, certificates and covered warrants offered by Italian banks**  
(domestic prospectuses; amounts in billions of euro)

	offered amounts			no. of placed securities		
	bonds	certificates and covered warrants	total	bonds	certificates and covered warrants	total
2013	68,794	4,225	<i>73,019</i>	2,029	237	<i>2,266</i>
2014	47,438	7,593	<i>55,031</i>	1,683	609	<i>2,292</i>
2015	30,267	7,037	<i>37,304</i>	1,062	394	<i>1,456</i>
2016	15,979	3,681	<i>19,66</i>	518	186	<i>704</i>
2017	3,566	4,507	<i>8,073</i>	200	102	<i>302</i>
2018	3,706	3,926	<i>7,632</i>	103	67	<i>170</i>
2019	3,794	6,791	<i>10,585</i>	93	107	<i>200</i>

Source: Consob. Data refer to offers pursuant artt. 94 et seq. of Consolidated Law on Finance

**Tab. al.41 Bank bond issues authorised by CONSOB: breakdown by bond category**  
(amounts in millions of euro)

		fixed rate	step up/down	variable rate	mixed rate	other
2018	placed amount	2,635.0	537.0	43.0	490.0	--
	no. of placed securities	45	28	12	18	--
2019	placed amount	3,069.9	639.2	0.2	84.2	--
	no. of placed securities	61	21	1	10	--

Source: Consob.

**Tab. al.42 Offer to the public and admission to trading of non-equity financial instruments – passported instruments in 2019**

	Luxembourg	Germany	Ireland	UK	France	other	total
2018 base prospectus	37	40	17	8	17	3	122
stand alone	8	--	11	--	--	3	22
publication of supplements and registration documents	212	53	57	39	19	3	383
<i>total</i>	<i>257</i>	<i>93</i>	<i>85</i>	<i>47</i>	<i>36</i>	<i>9</i>	<i>527</i>
2019 base prospectus	43	43	17	12	8	7	130
stand alone	3	--	2	--	--	1	6
publication of supplements and registration documents	218	46	55	6	39	6	370
<i>total</i>	<i>264</i>	<i>89</i>	<i>74</i>	<i>18</i>	<i>47</i>	<i>14</i>	<i>506</i>

Source: Consob. 'Other' includes The Netherlands, Austria and Liechtenstein.

**Tab. al.43 KIDs notified under the PRIIPs Regulation by product type**

typology of financial product <sup>1</sup>	new products		updates		total notifications	
	number	weight <sup>2</sup>	number	weight <sup>2</sup>	number	weight <sup>2</sup>
securities	15,116	87.5	684,121	99,0	699,237	98.8
derivatives	1,560	9.0	3,677	0,5	5,237	0.7
lbip	500	2.9	2,778	0,4	3,278	0.5
Cis	101	0.6	112	0,0	213	0.0
deposits	2	..	24	..	26	..
<i>total</i>	<i>17,279</i>	<i>100.0</i>	<i>690,712</i>	<i>100.0</i>	<i>707,991</i>	<i>100.0</i>

Source: Consob. <sup>1</sup> Classifications related to the type of financial product are indicated in the operating instructions for the notification of the KID for PRIIPs, dated 22 December 2017. In particular: securities include bonds, securitised derivatives and asset backed securities; derivatives include derivatives, both Etd and Otc; lbip stands for insurance based investment products; Cis stands for collective investment schemes; deposits are structured deposits. <sup>2</sup> Percentage of total number.

**Tab. al.44 Manufacturer of products subject to the PRIIPs Regulation by sector and geographical origin**

(number of manufacturers who notified at least one KID in 2019)

sector	Italian	foreign	total
banks	57	27	84
insurance companies	44	23	67
non-financial companies	48	1	49
AMC	41	--	41
investment firms	--	42	42
Spac	6	--	6
market operators	2	--	2
<i>total</i>	<i>198</i>	<i>93</i>	<i>291</i>

Source: Consob.

**Tab. al.45 KIDs notified by sector and geographical origin of manufacturers of products subject to the PRIIPS Regulation**  
(number of products and updates by type of manufacturer with at least one KID notified in 2019)

geographical origin	sector	no. of products	no. of updates	total
italian		2,040	14,163	16,203
of which:	banks	1,488	11,740	13,228
	insurance companies	431	2,300	2,731
	Amc	81	65	146
	market operators	1	26	27
	non-financial companies	36	28	64
	Spac	3	4	7
foreign		15,238	676,548	691,786
of which:	banks	13,008	545,118	558,126
	insurance companies	71	478	549
	investment firms	2,159	130,952	133,111
	<i>total</i>	<i>17,278</i>	<i>690,711</i>	<i>707,989</i>

Source: Consob.

## Supervision of corporate disclosure

**Tab. al.46 Supervision of corporate disclosure and ownership structure**

	2013	2014	2015	2016	2017	2018	2019
request of information pursuant to art. 115, TUF <sup>1</sup>	691	633	502	448	539	414	394
request to publish data and information pursuant to art. 114, TUF <sup>2</sup>	171	106	89	65	28	19	17
waiver of disclosure of data and information pursuant to art. 114, par. 6, TUF	17	5	--	--	--	5	4
delays in disclosure pursuant to art. 114, par. 3, TUF	13	--	3	--	--	--	--
request for immediate publication of researches when there are rumours, pursuant to art 69-novies of Issuers' Regulation	9	29	14	11	4	7	4
delay in disclosure of inside information pursuant to art. 17, par. 4 and par. 5 of Market Abuse Regulation	—	—	—	70	264	362	322
written reprimand	2	10	6	3	3	5	4
challenges of financial statements	1	1	--	--	1	--	--
non-compliance proceedings pursuant to art. 154-ter, par. 7, TUF	5	5	2	1	1	3	2
reports to the judiciary	13	18	8	22	10	5	6

Source: Consob. <sup>1</sup> The figure includes information requests on ownership structure. The figure referred to 2014 includes requests for information related to the approval of takeover bids and exchange tender offer documents. <sup>2</sup> The figure for 2012 includes a request for supplementary information concerning related party transactions.

## 4 SUPERVISION OF INTERMEDIARIES

Tab. al.47 Authorised investment service intermediaries

	2013	2014	2015	2016	2017	2018	2019
<i>total number of authorised providers</i>	<i>723</i>	<i>692</i>	<i>663</i>	<i>603</i>	<i>543</i>	<i>516</i>	<i>503</i>
<b>banks</b>							
<i>no. of authorised providers</i>	<i>629</i>	<i>605</i>	<i>583</i>	<i>528</i>	<i>473</i>	<i>449</i>	<i>435</i>
advice	602	583	560	510	456	419	405
trading on one's own account	461	445	421	382	338	309	296
trading on behalf of third parties	461	447	425	386	339	307	297
placement with prior subscription <sup>1</sup>	201	195	184	173	152	135	131
placement without prior subscription <sup>1</sup>	603	587	565	511	453	419	407
individual management	169	166	158	154	143	131	125
receipt and transmission of orders and brokerage	614	593	572	518	463	432	417
MTF management	1	1	2	2	2	2	4
<i>average number of services per provider</i>	<i>4.6</i>	<i>5.0</i>	<i>4.6</i>	<i>4.7</i>	<i>4.6</i>	<i>4.8</i>	<i>4.8</i>
<b>investment firms</b>							
<i>no. of authorised providers</i>	<i>94</i>	<i>87</i>	<i>80</i>	<i>75</i>	<i>70</i>	<i>67</i>	<i>68</i>
advice	84	77	70	64	61	57	56
trading on one's own account	15	16	15	14	14	13	13
trading on behalf of third parties	22	23	22	20	19	62	60
placement with prior subscription <sup>1</sup>	5	5	4	5	5	5	5
placement without prior subscription <sup>1</sup>	44	45	42	40	39	40	40
individual management	43	39	38	38	37	32	34
receipt and transmission of orders and brokerage	48	46	43	39	36	35	38
MTF management	3	3	3	3	3	3	3
<i>average number of services per provider</i>	<i>2.8</i>	<i>2.9</i>	<i>3.0</i>	<i>3.0</i>	<i>3.1</i>	<i>3.7</i>	<i>3.7</i>

Source: Consob and Bank of Italy. <sup>1</sup> Includes underwriting and placement based on an irrevocable commitment towards the issuer.

**Tab. al.48 Supervision of banks, Italian investment firms (SIM) and European investment companies**  
(number of initiatives)

		banks	Italian and European investment companies
2013	request of data information pursuant to art. 8, par. 1 of TUF <sup>1</sup>	101	68
	convening of directors and management pursuant to art. 7, par. 1 lett. a) of TUF	20	2
	<i>total</i>	<i>121</i>	<i>70</i>
2014	request of data information pursuant to art. 8, par. 1 of TUF	79	25
	convening of directors and management pursuant to art. 7, par. 1 lett. a) of TUF	47	2
	<i>total</i>	<i>126</i>	<i>27</i>
2015	request of data information pursuant to art. 8, par. 1 of TUF	129	46
	convening of directors and management pursuant to art. 7, par. 1 lett. a) of TUF	35	1
	<i>total</i>	<i>164</i>	<i>47</i>
2016	request of data information pursuant to art. 8, par. 1 of TUF	132	33
	convening of directors and management pursuant to art. 7, par. 1 lett. a) of TUF	7	1
	<i>total</i>	<i>139</i>	<i>34</i>
2017	request of data information pursuant to art. 8, par. 1 of TUF	77	37
	convening of directors and management pursuant to art. 7, par. 1 lett. a) of TUF	14	--
	<i>total</i>	<i>91</i>	<i>37</i>
2018	request of data information pursuant to art. 8, par. 1 of TUF	87	109
	convening of directors and management pursuant to art. 7, par. 1 lett. a) of TUF	13	1
	warnings / reminders	440	1
	<i>total</i>	<i>540</i>	<i>111</i>
2019	request of data information pursuant to art. 8, par. 1 of TUF	142	51
	convening of directors and management pursuant to art. 7, par. 1 lett. a) of TUF	18	2
	warnings / reminders	7	--
	<i>total</i>	<i>167</i>	<i>53</i>

Source: Consob. <sup>1</sup> The figure does not include a request to an auditing firm pursuant to art. 8, sec 2 of TUF (following investigation concerning an Italian investment firm).

## Investment firms

**Tab. al.49 Register of Italian investment firms (SIMs) and trust companies**

	2013	2014	2015	2016	2017	2018	2019
Sim registered as of year end	94	87	80	75	70	67	68
Sim registered in year course	3	1	1	3	1	3	5
Sim cancelled in year course	10	8	8	8	6	6	4

Source: Consob.

## Asset management companies

**Tab. al.50 Infra-group interlocking in asset management companies**  
(number of directors)

		executive directors			independent directors			other directors			total
			of which: chair	CEO		of which: chair		of which: chair			
2013	position held in parent company	5	4	--	3	--	16	4	24		
	position held in other group companies	12	--	7	6	1	20	2	38		
	no position held in other group companies	7	1	5	40	2	20	3	67		
	<i>total</i>	<i>24</i>	<i>5</i>	<i>12</i>	<i>49</i>	<i>3</i>	<i>56</i>	<i>9</i>	<i>129</i>		
2014	position held in parent company	3	2	--	2	--	6	1	11		
	position held in other group companies	11	--	7	4	1	27	5	42		
	no position held in other group companies	8	2	5	39	2	10	2	57		
	<i>total</i>	<i>22</i>	<i>4</i>	<i>12</i>	<i>45</i>	<i>3</i>	<i>43</i>	<i>8</i>	<i>110</i>		
2015	position held in parent company	1	--	1	3	1	6	1	10		
	position held in other group companies	6	--	6	4	1	27	6	37		
	no position held in other group companies	7	--	7	41	3	13	3	61		
	<i>total</i>	<i>14</i>	<i>--</i>	<i>14</i>	<i>48</i>	<i>5</i>	<i>46</i>	<i>10</i>	<i>108</i>		
2016	position held in parent company	1	--	1	2	1	8	1	11		
	position held in other group companies	6	--	6	4	2	28	7	38		
	no position held in other group companies	7	--	7	41	2	7	2	55		
	<i>total</i>	<i>14</i>	<i>--</i>	<i>14</i>	<i>47</i>	<i>5</i>	<i>43</i>	<i>10</i>	<i>104</i>		
2017	position held in parent company	1	--	1	2	1	4	1	7		
	position held in other group companies	5	--	5	5	2	26	6	36		
	no position held in other group companies	7	--	7	41	2	12	4	60		
	<i>total</i>	<i>13</i>	<i>--</i>	<i>13</i>	<i>48</i>	<i>5</i>	<i>42</i>	<i>11</i>	<i>103</i>		
2018	position held in parent company	1	--	1	5	1	4	1	10		
	position held in other group companies	5	--	5	4	3	19	5	28		
	no position held in other group companies	6	--	6	38	2	16	3	60		
	<i>total</i>	<i>12</i>	<i>--</i>	<i>12</i>	<i>47</i>	<i>6</i>	<i>39</i>	<i>9</i>	<i>98</i>		
2019	position held in parent company	2	1	1	1	--	3	1	6		
	position held in other group companies	5	--	5	6	2	18	5	29		
	no position held in other group companies	6	--	6	37	1	17	4	60		
	<i>total</i>	<i>13</i>	<i>--</i>	<i>12</i>	<i>44</i>	<i>3</i>	<i>38</i>	<i>10</i>	<i>95</i>		

Source: information sheets. Data relate to a sample based on the 15 major asset management companies (AMCs) controlled by banking or insurance groups, by volumes of assets under management in 2019; in the case of directors holding office both in the parent group and in other companies belonging to the group, the position in the former is considered prevalent. For the definition of Executive Director reference was made to article 2381 of the Italian Civil Code, while the definition of Independent Director derives from Assogestioni Independence Protocol.

## 5 COUNTERACTION OF UNAUTHORISED BUSINESS ACTIVITIES

Tab. al.51 Unauthorised activity

*channels through which the unauthorised activity was conducted*

	internet		other means		total	
	number	weight <sup>1</sup>	number	weight <sup>1</sup>	number	weight <sup>1</sup>
2018	146	70.0	62	30.0	208	100.0
2019	270	71.0	110	29.0	380	100.0

*unauthorised activity breakdown*

	intermediary activity	offer to the public	offer and intermediation	crowdfunding	inappropriate warning	total
2013	94	6	6	5	9	120
2014	99	20	6	1	7	133
2015	66	15	8	0	1	90
2016	128	24	19	2	0	173
2017	140	36	13	6	14	209
2018	154	38	13	2	1	208
2019	303	63	7	5	2	380

Source: Consob. <sup>1</sup> Percentage of total number.

Tab. al.52 Investigation of websites for market abuse

	2013	2014	2015	2016	2017	2018	2019
no. of investigations	115	140	147	217	271	276	427
investigated websites	433	503	293	468	530	555	846

Source: Consob.

Tab. al.53 Enforcement measures for unauthorised provision of investment services, unauthorised offer of financial products and related advertisement

	infringement of regulations on investment solicitation		infringement of regulations on intermediaries		report to legal authorities	total
	temporary prohibition to provide investment services <sup>1</sup>	prohibition to provide investment services	communications aimed at investor protection	cease and desist order <sup>2</sup>		
2013	2	2	25	—	50	79
2014	3	2	47	—	66	118
2015	6	5	44	—	63	118
2016	14	12	44	—	77	147
2017	12	13	54	—	88	167
2018	12	16	9	98	136	271
2019	19	22	3	164	218	426

Source: Consob. <sup>1</sup> The figure relative to 2014 includes an initiative which eventually resulted in the prohibition to provide investment services during 2015. <sup>2</sup> Starting from 2019 the figure includes orders to obscure websites.

## 6 INSPECTION ACTIVITY

### *Inspections*

**Tab. al.54 Inspection activity**

	2013	2014	2015	2016	2017	2018	2019	of which:			
								I quarter	II quarter	III quarter	IV quarter
opened investigations	31	41	24	46	18	21	23	4	8	4	7
concluded investigations	36	30	34	47	18	15	24	4	6	2	12

Source: Consob. Figures for 2019 include 16 investigations that were opened and concluded in the year course on capital strengthening of bank branches.

**Tab. al.55 Investigated entities**

	2013	2014	2015	2016	2017	2018	2019 <sup>1</sup>
intermediaries	16	26	16	33	9	12	9
listed companies	7	4	1	5	2	2	3
auditing firms	6	4	6	6	6	2	9
other	2	7	1	2	1	5	2

Source: Consob. The class 'listed companies' does not include listed intermediaries, which are reckoned among 'intermediaries'. <sup>1</sup> Figures related to intermediaries includes six banks.

**Tab. al.56 Inspection activity**

	intermediaries and products		issuers and audit firms			markets		other		
	investment services	real estate funds and retail investors	corporate disclosure	ownership structure/ takeover bid	audit appointments/ quality control	market abuse	EMIR	crowdfunding	money laundering	other areas <sup>1</sup>
2013	5	1	2	9	4	4	--	--	4	2
2014	11	3	1	--	1	16	--	--	6	3
2015	7	--	3	--	4	3	--	--	5	2
2016	23	--	4	8	1	2	--	--	7	1
2017	5	--	2	--	1	--	--	1	7	2
2018	5	1	5	--	2	2	1	1	2	3
2019	7	--	2	1	3	2	--	--	7	1

Source: Consob. <sup>1</sup> Figures refer to areas subject to Banca d'Italia supervision other than money laundering.

### *Prevention and contrast of money laundering and terrorist financing*

**Tab. al.57 Investigated entities for suspected money laundering**

	2014	2015	2016	2017	2018	2019
audit firms	3	2	5	5	--	6
Investment firms (Sim) or asset management companies (AMC)	3	3	2	2	2	1

Source: Consob.

## 7 ADDITIONAL ACTION TAKEN TOWARDS INVESTOR PROTECTION

### Complaint handling

**Tab. al.58 Complaint handling**  
(year-end data)

		2014	2015	2016	2017	2018	2019
received complaints	number <sup>1</sup>	1,506	1,762	4,354	2,287	2,866	2,838
accepted complaints	number	940	1,372	3,907	1,948	2,510	2,491
	weight <sup>2</sup>	62	78	90	85	88	88

Source: Consob. <sup>1</sup> Figures may include a number of complaints still under review. <sup>2</sup> In percentage of the total number of complaints received.

**Tab. al.59 Prosecutable complaints breakdown by reported entity and topic**

#### reported entities

	banks	unauthorised parties	listed companies	financial advisors	audit firms	Investment firms (Sim)	other	total
2014	533	142	147	89	1	71	85	1,068
2015	767	189	336	85	1	115	106	1,599
2016	3,051	255	444	126	66	231	124	4,297
2017	1,150	493	388	81	147	133	132	2,524
2018	1,517	629	242	64	54	158	192	2,856
2019	1,431	852	244	27	10	50	387	3,001

#### topic

	provision of investment services	unauthorised financial activity	trading platforms	advisor conduct	auditing	governance and corporate disclosure	other	total
2014	616	154	117	109	3	113	203	1,161
2015	837	198	116	89	11	377	202	1,830
2016	3,292	260	163	166	88	303	404	4,676
2017	1,294	507	107	78	226	350	267	2,829
2018	1,545	634	128	73	67	173	326	2,946
2019	1,382	854	113	41	15	155	440	3,000

Source: Consob. Total number of complaints may exceed the number of received complaints because each of these can refer to more than one entity/matter. With reference to involved entities, the category 'listed companies/other issuers' includes: companies issuing widely held securities, foreign issuers of securities listed in Italy and issuers of securities traded on multilateral trading facilities; 'Italian and European investment companies, trust companies' includes both European investment firms with a branch and those without a branch in Italy; 'other' includes: insurance companies, AMC, companies operating regulated markets, companies that are no more listed, foreign collective investment managers, offering entities, equity crowdfunding platform operators. The topic 'financial abusivism', introduced from January 2015, includes both the unauthorised provision of investment services, previously part of 'investment service provision', and the unauthorised offers, previously included in 'other'. The category 'other' includes the complaints referred to: company extraordinary transactions, administrative procedures of the intermediary, public offer for subscription and sale, takeover and/or exchange bid, central depository and dematerialization, equity crowdfunding.

## The activity of the Alternative Financial Dispute Resolution Scheme

**Tab. al.60 Received complaints**

	2017	2018	2019
January	82	117	197
February	148	137	154
March	178	149	169
April	168	118	173
May	219	182	170
June	273	157	123
July	200	166	150
August	93	72	59
September	130	122	123
October	140	243	149
November	99	211	117
December	104	150	94
<i>total</i>	<i>1,834</i>	<i>1,824</i>	<i>1,678</i>
<i>of which procedural</i>	<i>1,469</i>	<i>1,408</i>	<i>1,407</i>

Source: Alternative Financial Dispute Resolution Scheme.

**Tab. al.61 Received complaints by geographical area**

	2017	2018	2019
Abruzzo	15	21	20
Basilicata	13	96	42
Calabria	31	70	39
Campania	65	77	136
Emilia Romagna	108	140	115
Friuli Venezia Giulia	76	36	27
Lazio	127	113	147
Liguria	32	29	23
Lombardia	239	215	170
Marche	73	135	50
Molise	1	7	7
Piemonte	119	74	66
Puglia	128	305	394
Sardegna	8	10	10
Sicilia	84	113	100
Toscana	81	154	157
Trentino Alto Adige	42	34	28
Umbria	20	38	26
Veneto	567	147	113
Valle d'Aosta	1	2	--
<i>total</i>	<i>1,830</i>	<i>1,816</i>	<i>1,670</i>

Source: Alternative Financial Dispute Resolution Scheme. Figures do not include complaints received from natural and legal persons having their residence abroad.

**Tab. al.62 Reported entities**

	banks	asset management company (AMC)	Italian investment firm (Sim)	insurance companies	European investment companies	collective investment schemes	<i>total</i>
2017	87	10	4	1	3	1	<i>106</i>
2018	71	9	4	1	2	1	<i>88</i>
2019	75	7	5	--	5	1	<i>93</i>

Source: Alternative Financial Dispute Resolution Scheme.

**Tab. al.63 Received complaints by type of intermediary and compensation amount**

*number of complaints sent to intermediaries*

	banks	asset management companies (AMC)	Italian investment firms (Sim)	insurance companies	European investment companies	collective investment schemes	<i>total</i>
2017	1.409	16	5	1	4	4	<i>1.439</i>
2018	1.299	39	7	1	7	1	<i>1.354</i>
2019	1.289	25	8	--	14	1	<i>1.337</i>

*amount of requested refund<sup>2</sup>*

	not specified	0 - 5	5 - 10	10 - 30	30 - 50	50 - 100	> 100	<i>average amount</i>
2017	27	203	266	340	197	212	223	<i>56</i>
2018	11	210	191	355	188	226	222	<i>59</i>
2019	16	188	143	329	206	264	261	<i>67</i>

Source: Alternative Financial Dispute Resolution Scheme. <sup>1</sup> The number of complaints is lower than the total number of complaints declared receivable because, in some cases, claimant withdrew their claim before it was forwarded to the intermediary concerned. <sup>2</sup> Amount in thousands of euro.

## 8 SANCTIONS

**Tab. al.64 Monetary sanctions imposed by Consob**  
(amounts in millions of euro)

	provision of investment services	investment solicitation and corporate disclosure	market abuse	<i>total</i>	<i>no. of sanctioned entities</i>
2013	2.3	8.2	21.5	<i>32.0</i>	<i>289</i>
2014	3.7	4.9	11.9	<i>20.5</i>	<i>351</i>
2015	2.8	4.3	4.6	<i>11.7</i>	<i>533</i>
2016	0.8	2.1	4.6	<i>7.5</i>	<i>229</i>
2017	11.8	11.0	4.0	<i>26.8</i>	<i>601</i>
2018	6.6	5.2	10.4	<i>22.2</i>	<i>418</i>
2019	1.6	4.5	4.3	<i>10.4</i>	<i>88</i>

Source: Consob. Data refer to precautionary measures inflicted on advisors authorised to make door-to-door selling as of 30 November 2018. After that date, supervision on such advisors was transferred to a special body following Consob Resolution no. 20704 of November 15, 2018. The total of sanctioned entities and the total amount of monetary sanctions do not include unauthorised offer, internal dealing, short selling, transaction reporting and crowdfunding and legal persons who are jointly and severally liable with the perpetrators of market abuse violations and, since 2019, persons to whom the administrative sanction for 'public statement' has been applied.

**Tab. al.65 Disciplinary measures for market abuse offences**  
(in millions of euro)

	no. of cases	no. of entities fined	jointly and severally liable entities	amount of sanctions	amounts confiscated	no. of entities given additional penalties	additional penalties (months)
2013	14	26	8	21.6	1.8	20	231
2014	9	21	3	11.9	0.4	13	156
2015	20	33	7	4.6	0.6	31	138
2016	7	16	1	4.6	1.1	13	142
2017	6	16	1	4.0	1.2	12	112
2018	11	53	4	10.4	9.6	51	492
2019							
insider trading	9	16	1	2.5	0.8	15	131
manipulation	2	9	2	1.8	--	7	123
<i>total</i>	<i>11</i>	<i>25</i>	<i>3</i>	<i>4.3</i>	<i>0.8</i>	<i>22</i>	<i>254</i>

Source: Consob. Insider trading is punishable pursuant to art.187-bis, *quarter, quinquies* and *sexies* of the Consolidated Law on Finance (TUF); market manipulation is punishable pursuant to art. 187-ter, *quarter, quinquies* and *sexies* of the Consolidated Law on Finance (TUF). For details on fined entities, please refer to the Italian version of Annual Report 2019, available at:  
<http://www.consob.it/documents/46180/46181/rel2019.pdf/12ba0788-ec9b-4c53-80fd-e91c6a5de98a#page=154>.

**Tab. al.66 Monetary sanctions imposed on financial intermediaries**  
(millions of euro)

	no. of involved intermediaries <sup>1</sup>				no. of representatives sanctioned				amount of penalties			
	banks	SIMs	AMCs	total	banks	SIMs	AMCs	total	banks	SIMs	AMCs	total
2013	5	3	6	14	30	17	55	102	0.8	0.2	1.3	2.3
2014	4	8	4	16	42	31	28	101	2.6	0.9	0.3	3.7
2015	8	3	7	18	121	26	74	221	1.6	0.3	0.9	2.8
2016	2	5	3	10	38	23	19	80	0.2	0.4	0.2	0.8
2017	9	5	1	15	224	47	11	282	11.0	0.7	0.1	11.8
2018	9	2	2	13	154	1	20	175	4.2	0.2	2.2	6.6
2019	4	--	2	6	24	--	6	30	1.3	--	0.2	1.6

Source: Consob. Rounding may cause discrepancies in the total figure. <sup>1</sup> Figures reported for investment firms include: one European investment firm not having a branch in Italy in 2013; five AMCs (three not having a branch in Italy) in 2014; two foreign investment firms in 2016; one foreign investment firms and an Italian branch of foreign investment firm in 2017. As of 2019, the number of persons sanctioned includes both natural persons (24) and entities (six).

**Tab. al.67 Sanctions and precautionary measures imposed on financial advisors<sup>1</sup>**

	sanctions						precautionary measures	report to legal authorities
	reprimand	cancellation from register	temporary suspension from register	monetary sanction	total	as a percentage of the registered advisors	temporary suspension of activity	
2013	--	44	18	1	63	0.27	20	27
2014	--	37	22	9	68	0.31	39	67
2015	--	83	39	--	122	0.42	30	76
2016	2	38	39	2	81	0.27	19	55
2017	1	28	23	--	52	0.29	54	85
2018	--	64	14	--	78	0.34	42	71
2019	—	—	—	—	—	—	—	—

Source: Consob. <sup>1</sup> Data refer to precautionary measures inflicted on advisors authorised to make door-to-door selling as of 30 November 2018. After that date, supervision on such advisors was transferred to a special body following Consob Resolution no. 20704 of November 15, 2018.

**Tab. al.68 Administrative sanctions imposed for breach of Issuers Regulation and breach of regulation on corporate and financial disclosure**  
(millions of euro)

	no. of cases							no. of entities fined							amount of sanctions						
	initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	independent auditing	board of auditors responsibility	<i>total</i>	initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	independent auditing	board of auditors responsibility	<i>total</i>	initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	independent auditing	board of auditors responsibility	<i>total</i>
2013	10	4	11	8	1	4	<i>38</i>	18	4	11	26	1	18	<i>78</i>	1.8	0.6	1.1	0.6	..	4.1	<i>8.2</i>
2014	6	--	12	9	5	8	<i>40</i>	53	--	13	9	9	38	<i>122</i>	2.1	--	0.3	0.5	1.0	1.1	<i>4.9</i>
2015	5	--	24	4	3	12	<i>48</i>	22	--	24	4	3	74	<i>127</i>	0.6	--	0.3	0.1	0.5	2.8	<i>4.3</i>
2016	3	--	10	1	6	4	<i>24</i>	4	--	10	1	6	12	<i>33</i>	0.2	--	0.3	..	1	0.5	<i>2.1</i>
2017	18	--	16	5	5	4	<i>48</i>	160	--	16	5	5	11	<i>197</i>	7.8	--	1.9	0.4	0.6	0.3	<i>11.0</i>
2018	21	1	1	1	6	3	<i>33</i>	50	1	1	4	6	8	<i>70</i>	3.3	...	0.2	0.3	1.1	0.3	<i>5.2</i>
2019	14	0	1	1	0	0	<i>16</i>	31	0	1	1	0	0	<i>33</i>	4.4	--	0.05	0.06	0	0	<i>4.5</i>

Source: Consob. Rounding may cause deviation from total figure. For details on sanctioned cases, please refer to the Italian version of Annual Report 2019, available at <http://www.consob.it/documents/46180/46181/rel2019.pdf/12ba0788-ec9b-4c53-80fd-e91c6a5de98a#page=156>.

## 9 BACK-OFFICE ACTIVITIES

### Financial management

**Tab. al.69 Revenues and expenditure**

(year-end data; millions of euro)

items	2013	2014	2015	2016	2017	2018	2019 <sup>1</sup>
<b>EXPENDITURES</b>							
<b>current expenditure</b>							
commission members	1.1	0.6	0.7	1.2	1.3	1.4	1.4
staff	83.9	84.2	86.3	87.5	91.6	96.6	102.2
fees and taxes	6.0	5.9	5.9	6.8	6.0	6.3	6.9
goods and services	14.6	12.6	12.4	13.4	13.3	14.2	15.5
property refurbishment <sup>2</sup>	4.8	5.7	5.0	9.8	14.6	17.7	32.6
provisions for legal risks	0.0	0.0	0.0	0.0	0.0	25.0	0.0
other expenditures	0.3	2.5	2.7	2.8	0.8	1.2	1.3
<i>total current expenditure</i>	<i>110.7</i>	<i>111.5</i>	<i>113.0</i>	<i>121.5</i>	<i>127.6</i>	<i>162.4</i>	<i>160.0</i>
capital expenditure	3.3	0.8	2.9	2.5	4.1	2.5	2.4
<i>total expenditure</i>	<i>114.0</i>	<i>112.3</i>	<i>115.9</i>	<i>124.0</i>	<i>131.7</i>	<i>164.9</i>	<i>162.4</i>
<b>REVENUES</b>							
previous year surplus <sup>3</sup>	18.3	13.7	14.0	15.0	12.1	5.5	25.6
state funding	0.0	0.0	0.0	0.3	0.2	25.3	0.3
supervisory fees	98.0	99.9	108.9	108.3	111.6	148.0	130.6
other revenues	10.4	8.6	8.7	11.0	13.4	11.8	14.2
<i>total revenues</i>	<i>126.7</i>	<i>122.2</i>	<i>131.6</i>	<i>134.6</i>	<i>137.3</i>	<i>190.6</i>	<i>170.7</i>

Source: Consob. <sup>1</sup> Preliminary data. <sup>2</sup> For 2019, this item includes a provision of EUR 13.1 million for the stabilisation fund for contribution income. <sup>3</sup> The surplus results from the difference between total revenue and total expenditure and the difference deriving from the management of residual assets and liabilities. The 2019 surplus, including the amount of the multi-year restricted fund, is carried over to the 2020 revenue.

**Tab. al.70 Fees breakdown by category of supervised entities**

(millions of euro)

	investment firms and stockbrokers	banks	audit firms	financial advisors	market operators <sup>1</sup>	issuers	UCITs <sup>2</sup>	entities soliciting retail investment	other	<i>total supervisory fees</i>
2013	1.5	16.2	12.5	4.7	5.2	22.5	8.8	23.9	2.7	<i>98.0</i>
2014	2.6	17.1	12.9	4.7	5.3	22.5	9.5	23.5	1.8	<i>99.9</i>
2015	2.8	17.1	12.5	4.9	5.5	27.6	11.0	25.5	2.0	<i>108.9</i>
2016	2.8	18.6	12.2	5.1	5.5	26.5	12.5	23.3	1.8	<i>108.3</i>
2017	2.9	21.1	13.0	5.5	5.5	29.3	15.0	15.9	3.4	<i>111.6</i>
2018	3.4	25.5	16.5	5.5	6.5	38.3	20.2	29.7	2.4	<i>148.0</i>
2019	3.6	24.1	15.3	0.0	7.0	37.1	17.7	21.8	4.0	<i>130.6</i>

Source: Consob. <sup>1</sup> Including Borsa Italiana, MTS Spa, Cassa di compensazione e garanzia Spa, Monte Titoli Spa and Organismo dei consulenti finanziari. <sup>2</sup> Including supervisory fees paid by individual portfolio management provided by asset management companies (AMCs).

## Human resource management and the acquisition and management of goods and services

**Tab. al.71 Human resources**  
(as of 31 December)

	permanent positions				fixed-term positions <sup>1</sup>	total
	managers and middle managers	white collars	other employees	total		
2013	317	232	17	566	52	618
2014	349	198	13	560	54	614
2015	365	180	13	558	48	606
2016	400	183	13	596	7	603
2017	429	159	14	602	7	609
2018	446	203	12	661	3	664
2019	438	212	11	661	9	670

Source: Consob. <sup>1</sup> Figures include personnel seconded to Consob from other entities.

**Tab. al.72 Personnel breakdown by qualification and organisational unit**  
(as of 31 December)

organisational unit	dirigenti	funzionari	impiegati	altro <sup>1</sup>	totale
General Direction	4	9	16	3	32
Secretary General	1	4	2		7
Attorney General	1				1
Alternative Financial Dispute Resolution Scheme	1				1
Legal Advisor	9	21	8		38
Offices non coordinated within a Division <sup>2</sup>	8	49	34		91
<b>Divisions</b>					
Issuers Information	4	38	16		58
Corporate Governance	7	28	16		51
Markets	10	52	14		76
Intermediaries	5	46	21		72
Inspectorate	7	25	9		41
Research and studies	4	24	11		39
Administration	7	26	32	9	74
Information Infrastructures	4	19	21		44
Regulatory Strategies	2	11	5		18
Consumer Protection	4	13	9	1	27
<i>total</i>	<i>78</i>	<i>365</i>	<i>214</i>	<i>13</i>	<i>670</i>

Source: Consob. Temporary employees are distributed in the qualifications according to their equivalence. As at 31 December 2019 there were two employees seconded from other administrations. <sup>1</sup> The item 'other' is made up of career staff of general services. <sup>2</sup> The uncoordinated offices within the Divisions include the Technical Secretariat Office of the Alternative Financial Dispute Resolution Scheme, with a staff of 22 resources, consisting of one manager, 14 officials and seven employees.

## External relations, researches and conferences

**Tab. al.73 Number of accesses to Consob website**  
(in thousands)

section	2013	2014	2015	2016	2017	2018	2019
home page (what's new)	1,178	904	1,601	1,505	1,347	1,759	1,478
for investors	159	220	460	475	833	888	684
for supervised entities	271	218	380	390	413	443	342
for journalists	4	5	9.5	9	10	10	12
Consob	968	703	705	680	852	949	1,034
issuers	2,706	1,283	1,883	1,785	1,382	2,596	3,089
intermediaries and markets	988	771	987	957	1,200	2,000	2,880
Consob decisions / newsletter	891	476	531	612	732	863	903
regulation	1,618	730	1,436	1,341	1,621	1,567	1,223
publications and press releases	126	55	45	195	404	400	616
link to other websites	5	3	9	10	14	19	8
help and site map	7	4	19	57	42	40	36
English site	343	532	762	901	473	1,169	1,718
transparency <sup>1</sup>	–	168	229	241	255	182	130

Source: Consob processing of Google Analytics data. <sup>1</sup> The page 'transparency' was first published on March 2014.

**Tab. al.74 Request of documents and information on Consob activity**

	applicants			applications breakdown				
	institutional investors, intermediaries, operators	retail investors, students, other	total	resolutions, communications, prospectuses	amended laws and regulations	data and information	other	total
2013	340	1,265	<b>1,605</b>	175	260	830	340	<b>1,605</b>
2014	346	1,254	<b>1,600</b>	180	258	810	352	<b>1,600</b>
2015	542	1,260	<b>1,802</b>	194	240	1,008	360	<b>1,802</b>
2016	548	1,502	<b>2,050</b>	210	230	1,160	450	<b>2,050</b>
2017	591	1,410	<b>2,001</b>	221	250	1,110	420	<b>2,001</b>
2018	880	1,520	<b>2,400</b>	240	235	1,515	410	<b>2,400</b>
2019	595	1,403	<b>1,998</b>	251	210	1,122	415	<b>1,998</b>

Source: Consob.

## II INTERNATIONAL ACTIVITY

### 2 THE ACTIVITY CARRIED OUT AT INTERNATIONAL LEVEL

Tab. all.1 Exchange of information between Consob and foreign supervisory authorities

topic	2013	2014	2015	2016	2017	2018	2019
<b>Requests to foreign authorities</b>							
insider trading	12	21	65	68	56	15	17
market manipulation	11	15	10	12	10	9	4
unauthorised public offerings and provision of investment services	42	26	27	21	26	28	20
transparency and corporate disclosure	2	1	1	1	23	20	21
relevant shareholding in listed companies and authorised intermediaries	1	0	1	--	--	--	--
integrity and professional requirements	1	2	3	1	2	1	8
infringement of rules of conduct	8	3	3	1	2	--	5
short sales	--	2	1	8	1	--	1
requests to remote member pursuant to art. 80 MIFID II (previously art 57 MIFID)	97	70	51	89	38	10	--
provision of cross border investment services	--	5	8	7	11	17	9
audit	--	--	--	--	--	--	1
<i>total</i>	<i>174</i>	<i>145</i>	<i>170</i>	<i>208</i>	<i>169</i>	<i>100</i>	<i>86</i>
<b>Reports to foreign authorities</b>							
suspicious transactions	3	9	12	23	32	21	29
unsolicited assistance	--	20	16	23	58	15	15
<i>total</i>	<i>3</i>	<i>29</i>	<i>28</i>	<i>46</i>	<i>90</i>	<i>36</i>	<i>44</i>
<b>Requests from foreign authorities</b>							
insider trading	7	17	15	21	23	3	7
market manipulation	1	3	2	1	1	1	3
unauthorised public offerings and provisions of investment services	1	2	1	2	2	2	4
transparency and corporate disclosure	--	--	1	1	--	1	1
relevant shareholding in listed companies and authorised intermediaries	--	--	--	--	--	--	2
integrity and professional requirements	38	65	62	43	44	45	32
infringement of rules of conduct	--	--	--	--	--	--	--
short sales	--	--	--	--	1	--	--
requests to remote member pursuant to art. 80 MIFID II (previously art 57 MIFID)	--	--	--	--	--	--	--
audit	--	--	--	--	--	15	12
<i>total</i>	<i>47</i>	<i>87</i>	<i>81</i>	<i>68</i>	<i>71</i>	<i>67</i>	<i>61</i>
<b>Reports received from foreign authorities</b>							
suspicious transactions	41	40	59	55	95	141	100
unsolicited assistance	--	8	6	6	6	3	4
<i>total</i>	<i>41</i>	<i>48</i>	<i>65</i>	<i>61</i>	<i>101</i>	<i>144</i>	<i>104</i>

Source: Consob.



# Contents

## A CONSOB activity

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