

# Annual Report 2021

Rome, 31 March 2022



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# CONSOB

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COMMISSIONE NAZIONALE  
PER LE SOCIETÀ E LA BORSA



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Rome, 31 March 2022

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# CONSOB

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PER LE SOCIETÀ E LA BORSA

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# Annual Report 2021

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# Annual Report 2021

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# Introduction

This Report regards CONSOB's activities in 2021 and the programmatic lines for the three-year period 2022-2024.

During the year, the composition of the Board changed with the appointment of Professor Chiara Mosca, on 6 August 2021. On 25 January 2022, Mr Carlo Comporti was appointed.

The past year was marked by numerous changes in the reference context, many of which are still being defined. CONSOB took them into account by continuing to profoundly renew the processes, systems and instruments that are part of the institutional activity undertaken in the last three years. This renewal will be effective over several years, but already reveals new approaches to supervision, supported also by the intense training of staff in the issues of digitisation and sustainability and by collaboration with leading Italian universities.

Also in 2021, CONSOB's activities continued according to hybrid working methods (both in-person and remotely), taking into account the various government provisions for containing contagion applied throughout the year. In 2020, 97 Commission meetings were held over 48 weeks (the figure was 110 in 2020), during which 1,277 files were examined (1,297 in 2020) and 484 resolutions were issued (459 in 2020; Table a.1). Among the resolutions issued in 2021, those aimed at obscuring unauthorised websites amounted to 246, bringing the total number of websites obscured to 600 as of 1 July 2019, when the rule came into force that attributes CONSOB the power to block in Italy the access to websites to which illegal practices are attributable. The Commission and the Offices participated remotely in numerous international activities, which, compared to the beginning of the pandemic, have seen an increase in opportunities for meetings and coordination, made easier and in some cases more timely thanks to the technological applications available.

The Report is organised as follows. Part A, 'CONSOB's strategic lines', describes the schedules for the three-year period 2022-2024, identifying, in particular, the actions that are intended to be carried out in order to support the process of channelling savings towards the real economy and ensuring adequate levels of investor protection on an ongoing basis. Part B, 'CONSOB activity', illustrates the most relevant activities of last year with regard to all areas of institutional interest, highlighting the main innovative profiles. The document concludes with the 'Statistical Appendix' in Part C.

\* \* \* \* \*

In February 2022, following Russia's invasion of Ukraine, the reference context changed suddenly and profoundly, not only geopolitically but also economically.

The shock to the supply of energy and raw materials induced by the conflict exacerbates the dynamics of inflation already well over the targets of the major central banks and interferes with the fragile economic recovery, which in Europe was beginning to show signs of consolidation. Unlike the crisis due to the pandemic, this new crisis may affect the advanced economies in a different way depending on the degree of energy dependence on and the commercial and financial ties with Russia, to then expand to other sectors. In this context, there is growing uncertainty about the policy measures that can be adopted to counteract the economic effects of the conflict.

Since the start of the war, the markets have recorded increased volatility and a worsening of various indicators. With particular reference to the stock market, the Ftse Mib index ended the period 3 January - 25 March 2022 with a 10% decrease, while the Ftse Italia Banche index ended the same period with a more marked decrease, equal to about 18%. The Italian stock market performance reflects Italy's high exposure to the current crisis, largely linked to its strong Russian energy dependence.

Since the onset of the conflict, the major advanced countries have introduced a number of restrictive measures, mainly involving economic sanctions but also restrictions on individuals and diplomatic relations. CONSOB has intensified its monitoring of the markets and compliance with the measures adopted, in coordination with other foreign authorities within ESMA and IOSCO.

On 7 March 2022, CONSOB, together with the Bank of Italy, IVASS and the Financial Information Unit (FIU), drew the attention of the supervised entities to the full compliance with the restrictive measures decided by the European Union in response to the situation in Ukraine; in the joint press release, it is also recommended to exercise the utmost attention to the risk of cyber attacks, to intensify monitoring and defence activities in relation to possible malware activities and to adopt all risk mitigation measures that may be necessary; the supervised entities are invited to carefully consider business continuity plans and to ensure the correct functioning and prompt restoration of backups.

On 18 March 2022, the attention of the supervised issuers was finally drawn to the impact of the war in Ukraine on inside information and financial reporting.

CONSOB strategic lines A



# CONSOB strategic lines

## 1 CONSOB strategic objectives in the new context

The framework in which CONSOB operates is undergoing profound changes, driven by several factors: technological innovation, increased focus on environmental and social sustainability, the governance of economic activities and the Covid-19 pandemic. The framework of EU rules is also undergoing a profound evolution, aimed at fostering the development of a European capital market to service recovery and sustainable growth.

In this context, CONSOB intends to work so that the market can support the green and digital transition and enhance the expansive public interventions and reforms outlined in the National Recovery and Resilience Plan (PNRR). To this end, the Strategic program for artificial intelligence 2022-2024 approved by the Council of Ministers on 24 November 2021 will take on a fundamental importance. According to it, the pursuit of the National strategy for artificial intelligence (AI) is no longer a choice, but a necessity for the competitiveness of the Italy-System in the private and public components; the Institutions have the task of defining the path for the implementation of the Strategy.

CONSOB's Strategic Plan for 2022-2024 sets out the course of action to integrate its institutional activities with the Programs launched by the Government to implement the PNRR. In particular, the context analysis underlying CONSOB's three-year plan highlights the central role played by innovation in the economic and financial system. Therefore, CONSOB not only fully shares the objectives and tools to create an Italian AI ecosystem, within a European AI ecosystem, but considers it strategic to identify the best solutions in the financial sector and share them with the other competent authorities.

This is the direction taken by the Strategic Plan's guideline entitled 'Digitisation and assessment of the Commission', to which the projects based on using AI technology solutions to increase the efficiency and effectiveness of the institutional action are referred (for further details see section 4 below). In this context, collaborations have also been started both with leading Italian universities and with other institutions.

In particular, in July 2021 a framework agreement was signed with the Ministry of University and Research and the Conference of Rectors of Italian Universities (CRUI), aimed at *"jointly developing opportunities and cooperation initiatives in the field of higher education and research applied to the context of public administration"*.

In the same month, a framework agreement was signed with the State Council, which seeks to "*initiate synergistic cooperation relationships aimed at sharing experiences in the field of digital technology and research, at carrying out activities to use artificial intelligence and blockchains and at training its staff*". In this context, a digital library of decisions/rulings will be created that will facilitate comparative analyses to support the activity of the Alternative Financial Dispute Resolution Scheme (ACF).

During the year, a working group was also set up with the Guardia di Finanza (Italian Finance Police) to study applications for monitoring illicit phenomena based on using artificial intelligence.

The pursuit of the objectives indicated in the 2022-2024 Strategic Plan is supported by a wide range of initiatives aimed at increasing the skills of staff in high-technology subjects.

In this context, for the two-year period 2021-2022, training initiatives were organised for the staff of the Commission and for the wider public of market operators. Reference is made to: the *CONSOB EUREKA* series of seminars, dedicated to the new digital frontiers and possible applications to CONSOB's activities; the workshops and action learning in the field of financial innovation (FinTech, artificial intelligence, blockchain, big data, RegTech) organised with the Polytechnic University of Milan; the series of seminars '*Le nuove frontiere della Tokenization, implicazioni per il mercato nazionale* (The new frontiers of Tokenization, implications for the national market)' aimed at examining and discussing the theme of crypto-assets in cooperation with the Blockchain & Distributed Ledger Observatory of the Polytechnic University of Milan.

Italy has also adopted the European sustainability strategy, and the green transition is one of the founding objectives of the PNRR. This area is thus also crucial for CONSOB, which intends to continue to work to support the development of an efficient ecosystem of sustainability information, as outlined in the first guideline of the 2022-2024 Strategic Plan called 'Innovation and sustainability' (see section 2 below).

The rapid evolution of the reference context allows new risks to arise, building on pre-existing fragilities and requiring new regulatory and supervisory approaches. The digitisation of investment services can increase participation in financial markets. However, as also shown by CONSOB surveys, investors participating in markets for the first time in 2020 appear more vulnerable than more experienced investors, demonstrating less financial and digital knowledge. The interest in social media as a channel for acquiring investment information and indications still seems limited in Italy, but the potential risks associated with a phenomenon that has undergone significant developments in other contexts cannot be ignored. Interest in crypto-assets and decentralised finance has increased, especially among young people. However, investing in crypto-assets, and in particular in

crypto-currencies, may expose investors to significant risks from sudden price fluctuations and from certain features of the underlying trading systems and technologies. The remaining imperfections in the sustainability information ecosystem can increase the risk of greenwashing and socialwashing, undermining the allocative efficiency of the market and triggering a progressive loss of confidence in sustainable financial products.

Faced with these developments, in line with the strategic guidelines already approved by the Commission, CONSOB's primary objective is to support the process of channelling savings towards the real economy, ensuring adequate levels of protection of savings on an ongoing basis. To this end, the Commission is collaborating in the ongoing work under the interinstitutional initiative launched by the Ministry of Economy and Finance (MEF) in 2021, aimed at identifying possible areas of simplification and rationalisation of legislation to support the growth of companies and the competitiveness of Italian financial markets. In applying the principles of better regulation, CONSOB maintains a permanent dialogue with the industry and investors also through the Committee of Market Operators and Investors (COMI), established in 2018.

The objective of helping to channel savings towards the real economy will be developed in the three-year period 2022-2024 along three lines: innovation and sustainability, trust and investor protection and the Commission's directive on digitisation and assessment. CONSOB's Strategic Plan associates three objectives with each guideline, identifying the key actions for their achievement.

## 2 Innovation and sustainability

The guideline 'Innovation and sustainability' aims to support sustainable economic growth and capital market innovation, through simplifications and reforms that facilitate matching investment demand and supply. These refer to the following three objectives: promote the access of companies to the Italian capital market; encourage the development of FinTech solutions; increase the flow of investments towards sustainable activities. To achieve these objectives, the Commission will act on several fronts, also in line with actions already undertaken in the past.

### *Promote companies' access to Italian capital market*

CONSOB will continue the initiatives to reduce the costs of issuing financial instruments, also by simplifying prospectuses in line with the work in progress in Europe and the reduction of the approval timeframe. In the first part of 2022, it will complete, after the market consultation in December 2021, the activity aimed at defining some changes to the regulatory provisions on the terms of approval of the prospectus, the strengthening of the so-called pre-filing and the possibility of drafting the prospectus in

English. Further simplifications and cost reductions in the changeover to the main market of issuers already traded on Euronext Growth Milan (formerly AIM Italia) will be considered. Tools for simplifying and standardising the methods of access to accounting information will be enhanced, following the transposition of the ESEF (European Single Electronic Format) Regulation, which requires listed issuers to prepare their annual financial reports in electronic format.

Initiatives to promote market access for small and medium-sized enterprises (SME) and to mobilise new savings flows will be strengthened, encouraging the development of a differentiated range of investment instruments, including long-term ones (ELTIF, PIR, funds of funds) and more 'agile' ways of raising capital, such as crowdfunding (within the appropriate supervisory safeguards and within the framework of the competence that will hopefully be confirmed in the national implementation of the new Regulation (EU) 2020/1503).

Proposals for the regulatory segmentation of both the concept of investor, in order to identify categories of parties potentially better suited – in terms of the necessary safeguards – to participate in the securities market of SMEs, and the same definition of SMEs, for a further streamlining of the regulatory obligations imposed on companies, will be examined.

Education and information initiatives, which are valuable to both investors and smaller issuers, will continue. In its overall action targeting SMEs, the European Commission has set up a group of experts dedicated to growth markets for SMEs (such as the Euronext Growth Milan multilateral trading system). During 2021, this group published a Final Report that outlines 12 recommendations to promote the listing of SMEs. In light of the proposals contained in the Final Report, the European Commission will evaluate the areas that require new interventions or different policy approaches (lighter listing requirements, research incentives, development of SME market indices).

#### *Promote the development of FinTech solutions*

Early in 2022, with the cooperation of the market and the other authorities involved, a regulatory proposal is being discussed and finalised to introduce into national legislation some rules for using the distributed ledger technology (DLT) in issues and the trading of digital financial instruments – security token offerings (STO). The initiative is based on studying the phenomenon of digital representation of financial instruments carried out by CONSOB in 2021. The analysis made it possible to identify the main legislative and regulatory obstacles to developing this technology and to hypothesize solutions for the issuance and circulation in the distributed register of financial instruments, also necessary for the future implementation of the initiatives underway within the EU. In fact, during the three-year period, the trials provided for by the European Pilot Regime



Regulation for the STO market will also begin. The European regime will allow CONSOB, in coordination with ESMA, to allow the market infrastructures that use DLT technology to operate in temporary exemption from some provisions of the ordinarily applicable regulations (in particular, the Regulation on central depositories and the rules regarding the markets of financial instruments defined by the MiFID II Directive and the MiFIR) with reference to simple and less liquid financial instruments (see Chapter X 'International activity', Part B). It will thus be possible to create the conditions for a new funding model, as an alternative to issuances in paper form and managed centrally (see Chapter III 'Supervision of public offerings and corporate disclosure', Part B).

CONSOB intends to promote the development of FinTech solutions by leveraging an experimental approach in order to cooperate with the market in innovative processes. In this spirit, CONSOB-TECH was launched as an initiative focusing on companies and/or individuals that have prepared or launched projects aimed at introducing technological innovations in the financial sector. The initiative runs on two tracks, called Liftech and Sandbox respectively. The former includes a channel dedicated to dialogue with FinTech companies and operators. The latter offers support to operators in the preliminary phase to request access to the so-called regulatory sandbox for FinTech trials, established by Ministerial Decree 100/2021 of the MEF, in which, in addition to CONSOB, the Bank of Italy and IVASS participate; the first time window to request access to the sandbox closed in January 2022. Through CONSOB-TECH, the Commission aims to act proactively in promoting the development of innovative solutions in the financial sector by identifying, at an early stage, technological options compatible with the investor protection rules, any barriers to innovation and the need to update and review supervisory rules and approaches.

From August 2021 to 15 January 2022, 44 conversations were held with 25 Italian and foreign companies, often very small, and with young talent engaged in the digital world, confirming the interest of the market in meeting with the supervisory authority and receiving support to achieve the complex synergy among technological, legal and financial know-how required for FinTech initiatives. Of the 15 companies that applied for sandbox admission, 12 had informal preliminary discussions. Most of the projects proposed for the trial concern DLT-based activities.

#### *Increase the flow of investment towards sustainable activities*

Pending the establishment of the new European regulatory framework for sustainability reporting, the Commission intends to follow an approach inspired by the principle of proportionality and the encouragement of voluntary reporting, in order not to overburden smaller companies.

A possible new regulation on issuing ESG (environmental, social and governance) ratings based on converging metrics, which are the subject of

proposals at European level, could make a valuable contribution to transparency in the coming years.

Also on these topics, the G20 conference '*Regulating innovation in the financial system to power a resilient recovery: Squaring the circle between regulation, finance, innovation, and sustainability*', organised by CONSOB as part of the G20 official events calendar, explored, thanks to the contribution of international experts, the role that financial regulators can play in promoting a sustainable recovery. The proceedings of the conference will be summarised and made public in order to offer a contribution to the ministers of finance and central bank governors of the G20 countries who recognise financial inclusion and sustainable finance as a priority.

### 3 Trust and investor protection

The Trust and investor protection guideline aims to ensure that the integrity of the market and the interests of savers and investors are continuously monitored in the process of recovery and reform. The following objectives of the 2022-2024 Strategic Plan are related to it: protect investors in the FinTech and post-Covid world; combat greenwashing phenomena; improve CONSOB communication and strengthen financial education.

#### *Protect investors in the FinTech and post-Covid world*

CONSOB intends to study and oversee the new risks for investors linked to the development of remote interactions – via the app or the internet – with intermediaries, a phenomenon accelerated by the restrictions due to the pandemic.

The activities of Italian savers related to crypto-currencies, online trading and phenomena such as robo advice and crowdfunding are still limited.

However, CONSOB believes that these phenomena will soon become a new priority for supervision, also based on the analysis of the investment choices of Italian households carried out annually by the Commission. In this perspective, the exchange of information with the Alternative Financial Dispute Resolution Scheme (ACF) allows for the early recognition of issues of concern arising from investors' complaints.

#### *Curbing greenwashing*

CONSOB is involved in activities aimed at monitoring the risks deriving from incorrect communications on sustainability profiles, so-called greenwashing or social washing risk. With this in mind, the Commission will strengthen supervisory actions on the correct disclosure of 'sustainable investments' and the methodologies and criteria used to issue sustainability

judgements by entities that produce ratings: credit rating agencies, data providers and benchmark producers.

Innovation ability and risk management are the guidelines that should guide the Commission's work. The activity of the Commission will also benefit from strengthening the synergies between studies and supervision.

#### *Enhance financial education*

CONSOB intends to strengthen the methodological aspects and broaden the range of financial education programmes. With regard to the first aspect, joint research projects have been initiated with academics and practitioners aimed at exploring, among other things, the factors that contribute to determining the motivation and propensity of individuals to raise their financial culture. With regard to the second aspect, the Commission will continue to target education activities at students (primary and secondary school as well as university), teachers and the general public of adults. A programme for SMEs will be launched, with a particular focus on the listing procedure, ways of raising capital other than bank credit and sustainable finance instruments. Activities raising awareness on the importance of increasing the financial culture of individuals will continue, also in the context of events such as World Investor Week Italy.

The strengthening of such activities will benefit from coordination with the National Committee for Financial Education and with other institutional entities with which protocols are being signed (Ministry of Education and Ministry of Economic Development) as well as from consolidated collaborations with third parties (foundations, trade associations, market operators).

## **4 Digitisation and organisational structure assessment**

The guideline 'Digitisation and assessment of the Commission' aims to facilitate CONSOB's technological transition, in order to make the supervisory action more effective and efficient while taking advantage of new technologies and adapting its organisational structures to the digital transformation. Three objectives can be attributed to this guideline: strengthening data-driven supervision by applying a SupTech approach; modernising IT infrastructures and strengthening cyber security; adapting the organisational structure to the new context.

#### *Enhance data-driven supervision via SupTech approach*

The growing availability of large volumes of data and information and their greater complexity require further development of supervisory approaches from a risk-based perspective, through more advanced technological early warning and rating systems. CONSOB has almost 50 databases, containing structured data for a total of about 20 terabytes, to

which large volumes of unstructured data (about 20% of the total information asset) must be added. Estimates also indicate a growth in the size of data over the next three years of over 4 terabytes per year.

Technological innovation applied to supervision (SupTech) will help define innovative paradigms, with reference to both data management and analysis and the management of internal processes within authorities. The capacity of public supervisory bodies for innovation and data governance will also make it possible to increase synergies, reduce administration time and give certainty to behaviour, resulting in an overall reduction in the burden on operators. The ongoing evolution will have to take place, at every stage, by ensuring an adequate monitoring of the new risks for investors.

The digital transition of the Commission's processes and the strengthening of data-driven surveillance will inevitably be gradual. Therefore, the first supervision prototypes will be tested in 2022. As a result of the trials, the first innovations applied to CONSOB's administrative and organisational processes can be put into production. The projects launched include: the innovation of supervisory procedures on the information contained in the prospectuses, in the key information documents (KIDs) of the packaged retail investment and insurance-based products (PRIIPs) and in the financial and non-financial documentation of the issuers; the use of AI tools to supervise the phenomenon of abuse via the web; the use of AI technologies to analyse inspection documentation; supervisory data analysis models, based on machine learning techniques, aimed at the 'clustering' of trading activities to identify market abuse hypotheses (see Chapter I 'Market supervision', Chapter III 'Supervision of public offering and corporate disclosure', Chapter VI 'Inspection activity' and Chapter IX 'Supporting activities', Part B).

#### *Modernise IT infrastructures and enhance cyber security*

CONSOB will acquire a technological infrastructure that can cope with the changes taking place in terms of performance, resilience and security. New resources will be devoted to the overall modernisation of existing infrastructure and to recruiting and training staff capable of carrying out future tasks in line with the National Strategy for AI and the PNRR.

The new project initiatives will be launched according to the principle of security by design, providing for the analysis of possible vulnerabilities right from the embryonic version of the projects, in order to minimise the risks deriving from the exposure of the systems on the network. Finally, work will be started to assess the risks and benefits of migrating to the cloud, according to national guidelines, as part of a multi-year project (see Chapter IX 'Supporting activities', Part B).

### *Adapt the organisational structure to the new context*

Change will have to be based on adequate human capital and organisational and technological infrastructures. Significant training programmes on new technologies are now permanent and will continue over the three-year period for all the Commission's staff, also in the context of cooperating with universities and research centres of excellence (see Chapter IX 'Supporting activities', Part B).

Starting from 2022, an assessment of the current organisational structure will also be carried out and the need to make changes will be assessed with the aim of strengthening a proactive approach to supervision, capable of: anticipating phenomena, making greater use of the synergies among research, supervision and the activities of the Alternative Financial Dispute Resolution Scheme (ACF); strengthening risk-based supervision in all areas of competence; defining innovative supervisory models on issues that affect different areas of activity, such as sustainability and FinTech. On these topics, CONSOB has already established specific transversal task forces.

At the same time, more effective instruments will be identified for monitoring operating costs that will allow, among other things, a more granular definition of the Commission's financial needs and the contributions required from supervised entities.



CONSOB activity B





## 1 Innovative profiles

### *Pandemic-related activities*

In 2021, in light of the persistent uncertainty related to the health emergency, CONSOB paid particular attention to operations in Italian trading venues, monitoring intraday liquidity indicators, the conditions of access to trading and the behaviour of market participants and liquidity providers, with the aim of preserving the orderly functioning of markets and the protection of investors.

### *Cyber security of market infrastructures*

In line with the objectives of the strategy to strengthen the cyber security of Italian financial infrastructures, outlined in 2020 by CONSOB and the Bank of Italy, the assessment of Cyber Resilience Oversight Expectations for Financial Market Infrastructures (CROE) with reference to Italian trading venues and post-trading infrastructures continued.

In defining further tools for assessing the resilience of market infrastructures, the activities aimed at adapting and using the European Threat Intelligence Based Ethical Red Teaming (TIBER EU) in the Italian context continued, which outline the European framework for carrying out advanced cyber security tests.

### *Aggregation of market infrastructures*

In February 2021, Euronext NV's decision to acquire a relevant shareholding in the various companies of the Borsa Italiana Group was notified to CONSOB and the Bank of Italy, in compliance with industry regulations (for details on the start-up phases of the aggregation process, see the Annual Report 2020). The competent authorities have a power of prior evaluation of the proposed takeover concerning the central counterpart Cassa di Compensazione e Garanzia Spa, pursuant to Regulation (EU) no. 648/2012 (EMIR), the central depository Monte Titoli Spa, pursuant to Regulation (EU) no. 909/2014 (CSDR), as well as Borsa Italiana Spa and MTS Spa, pursuant to art. 64-*bis* of the Consolidated Law on Finance. In April 2021, following the investigations carried out, CONSOB and the Bank of Italy, according to their respective responsibilities, adopted the relative decisions of non-opposition/approval of the transaction, ending on 29 April 2021, for an amount of about 4.4 billion euro. Following the takeover, the holding company of the Borsa Italiana Group changed its name to *Euronext Holding Italia Spa*.

With the start of the integration of the Borsa Italiana Group companies into Euronext, CONSOB carried out the necessary monitoring aimed at ensuring the sound and prudent management of Italian trading and post-trading infrastructures. Controls were also carried out in coordination with the Bank of Italy, considering the sharing of competences and the transversal nature of the operation with respect to the various companies involved. On 8 November 2021, Euronext announced its decision to make Cassa di Compensazione e Garanzia (renamed Euronext Clearing) the central counterpart of reference for its markets, pursuing an internalisation strategy for clearing within the Group. The organisational and operational changes related to this project will be subject to the necessary assessments and approvals by CONSOB and the Bank of Italy pursuant to the EMIR.

## 2 Trading platforms, trade volumes and market information integrity

Markets supervision is broken down into a set of controls concerning both the trading platforms (whose main indicators are shown in the Appendix Table al.1-Table al.5) and the post-trading facilities.

### *Supervision of trading platforms*

During 2021, CONSOB carried out the usual supervision on the changes made by operators to the regulations of the respective markets (regulated markets and multilateral trading facilities or MTFs), the related implementing provisions, in order to verify their compliance with applicable regulations.

The changes to the regulations of the trading venues managed by Borsa Italiana were needed, among other things, in order to integrate the rules on distributing financial instruments on the market, the listing of special purpose acquisition companies (SPACs) that carry out multiple acquisitions of companies, the admission requirements for alternative investment funds (AIFs), as well as the renaming of the managed markets, as part of the process of integrating the Company into the Euronext Group.

With reference to MTFs, in July 2021 Hi-MTF SIM Spa launched the operation of a new MTF dedicated to trading certificates and covered warrants, called Hi-Cert, featuring a market model based on a central limit order book in which the orders of direct members and the shares of specialists (market makers) compete with each other. The MTF offers specialists the opportunity to use a mechanism to validate their shares in order to optimise the risk management of the activity, with the aim of facilitating presence and reducing the spreads applied to investors.

With regard to systematic internalisers, supervision focused on continuously verifying the relative operating conditions and checking the

channels used to ensure compliance with the transparency requirements of MiFID II/MiFIR. In particular, the designation of a publication (Approved Publication Arrangements - APA) was established, which is set up and authorised in one of the Member States of the European Union, when the United Kingdom left the Union (Brexit), together with the consequent impossibility for European investment firms (including systematic internalisers) to continue using an APA based in the United Kingdom, including for the purposes of reporting trading data to ESMA.

CONSOB also continued to monitor the regulatory developments related to Brexit in 2021 and issued some measures aimed at allowing the operations in Italy of British MTF managers and organised trading facilities.

As part of the suspension and revocation measures occurring in the year (Table al.6), on 27 July 2021 the indefinite suspension (ordered on 2 January 2019) was revoked, with consequent readmission to trading of the financial instruments issued by Banca Carige, following the authorisation to publish the prospectus relating to admission to trading on the MTA (now renamed Euronext Milan or EXM), necessary to restore a correct information framework on the issuer (CONSOB resolution no. 21960 of 21 July 2021, adopted pursuant to art. 21 of Regulation (EU) 2017/1129, and Borsa Italiana provision no. 25093 of 22 July 2021).

#### *Transaction reporting*

In 2021, supervision continued on the accuracy of information transmitted by intermediaries to CONSOB in compliance with the transaction reporting regime.

In continuity with the activity started in 2019, clarifications of an implementation nature were provided, based on the experience gained in the first period of entry into force of the new regime and the operational guide on transaction reporting published in 2020.

#### *Transparency and orderly conduct of trading*

In 2021, the supervision of the pre- and post-trade transparency profiles focused, in continuity with the previous two-year period, on the feedback on how market data is made available by trading venues, in compliance with the provisions of MiFID II/MiFIR and in view of the entry into force of the ESMA Guidelines of August 2021 on obligations relating to market data. As a result of further investigations following the entry into force of the aforementioned Guidelines, to which CONSOB has already complied on 7 October 2021, in 2022 the investigations relating to the methods of publishing data by the Italian trading venues will be completed.

With regard to exceptions to pre-trade transparency by the Italian trading venues that did not submit any requests in 2021, CONSOB monitored the adaptation to the conditions established for using the previously approved exceptions, including the interpretative indications of ESMA, with

particular regard to the operation of the request-for-quote systems operated by the supervised trading venues and the consequent amendments to the related regulations. With regard to post-trade transparency, a new application for deferral by an Italian intermediary was authorised.

During 2021, the Commission launched 10 investigations and, with regard to 8 financial instruments, adopted 5 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 the financial instruments concerned, mainly issued by large companies, the suspension resulted from exceeding the 8% threshold at EU level. In this regard, it is recalled that ESMA, as announced in a Public Statement of 10 November 2020, did not publish the data relating to the double volume cap (DVC) in January and February 2021 due to technical checks on its databases necessary for its adaptation following the end of the transitional period relating to Brexit.

The Commission checked, also in coordination with other European authorities, the correctness and completeness in the transmission to ESMA of the trading data required by the MiFIR for the purpose of calculating the parameters necessary for the functioning of the transparency regime.

### 3 Benchmarks

During 2021, continuous, strategic and regulatory supervision activities were carried out deriving from the powers attributed to CONSOB in terms of benchmarks by Regulation (EU) 2016/1011 (so-called BMR). Considering that to date there are no directors of Italian benchmarks, the supervision concerned, in particular, the activity carried out by the Italian contributors of data belonging to the panel of banks that calculate the Euribor index.

During the year, particular attention was also paid to the activities related to the orderly management by market operators of the cessation of some interest rate benchmarks (Libor and Eonia) at the end of 2021. In this context, worth noting are the contributions made in the context of the BMR review work. This review gave the European Commission new powers to designate a replacement rate for a benchmark, whose cessation is likely to have a significant impact on the functioning of the Union's financial markets and on the overall stability of the financial system. In October 2021, the European Commission exercised the new powers, issuing two Implementing Regulations (2021/1847 and 2021/1848) that designated the replacement rates for the Libor in Swiss francs and the Eonia.

## 4 Post-trading and OTC derivatives

As part of the supervision of the reporting obligations for derivative contracts provided for by the EMIR, as amended by Regulation (EU) no. 834/2019 (REFIT Regulation), CONSOB verified the correctness, completeness and accuracy of reports relating to derivative contracts (Data Quality Review) in coordination with ESMA and with reference to the framework for monitoring the quality of EMIR data on an ongoing basis (Data Quality Action Plan). During the year, the Commission considered that the conditions for exempting counterparts to intra-group derivative contracts from the reporting obligation were met in 18 cases, in the light of the possibility introduced by REFIT to that effect.

Regarding the monitoring of risks and the identification of potential chains of contagion in the markets, CONSOB complied with the recommendations published in September 2020 by the European Systemic Risk Committee (ESRB), addressed both to the European Commission and to the competent authorities, regarding the introduction, pending an intervention by the European Commission, of measures at national level regarding the identification of entities operating on the financial markets through the LEI (Legal Entity Identifier) code.

As regards post-trading infrastructures, in applying the EMIR, in the last few months of 2021, 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 counterpart authorised in May 2014 to provide clearing services, without finding any critical issues.

Pursuant to Regulation (EU) no. 909/2014 (Central Securities Depositories Regulation or CSDR), during the year CONSOB and the Bank of Italy completed the first process of review of the provisions, strategies, procedures and mechanisms adopted by Monte Titoli, the Italian central depository authorised in December 2019.

## 5 Short selling

During 2021, CONSOB did not adopt any emergency measures in terms of short selling. At European level, the emergency measure adopted by ESMA on 16 March 2020 ended on 19 March. This had reduced the initial notification threshold for those who take net short positions (NSPs) in shares from 0.2% to 0.1% of the share capital of the issuer concerned.

During the year there were about 6,500 (for a total value of about 7.5 billion euro) NSPs on Italian shares notified to CONSOB, of which almost 14% were published as being equal to or greater than 0.5% of the share capital of the issuer (Table al.7).

At the end of 2021, 17 intermediaries benefited from the exemption from the notification obligation of NSPs and the prohibition to carry out 'nude' short sales for market making activities; 13 intermediaries, mostly foreign, benefited from the exemption for primary dealers of Italian government bonds.

## 6 Company studies and ratings

The monitoring of the studies carried out by financial intermediaries and the rating actions published by rating agencies with regard to Italian companies with listed securities or securities traded on MTFs and Italian sovereign bonds, was also guided by the need to take into account the economic effects of the pandemic and to identify potential critical issues relating to listed issuers, which were studied further.

In 2021, the licensed parties sent CONSOB over 16,000 investment recommendations (-26.5% compared to 2020) relating to issuers listed on regulated markets or traded on Euronext Growth Milan, of which 20.5% were monographic (Table aI.8; with regard to requests to publish investment recommendations, see Chapter III 'Supervision of public offering and corporate disclosure' and Table aIII.8).

The distribution of monographic studies by nationality of the intermediary shows a slight prevalence of studies produced by foreign intermediaries with branches in Italy compared to those referring to domestic licensed parties, although the former experienced a decrease compared to 2020 higher than that of Italian studies (-29.4% and -7.7% respectively).

In 2021, the prevalence of positive assessments, i.e. with 'buy' operating opinions, appears to be market (equal to approximately 64% of the total, from approximately 57% in 2020).

During the year, monitoring on the dissemination of ratings was intensified, not only in conjunction with specific corporate events (such as capital increases, initial public offers, bond issues or admission to trading, public offers of exchange and/or purchase), but also in relation to the assessments of the effects of the Covid-19 crisis. This activity was particularly stringent when disseminating sovereign bond opinions, for which European regulations require the communication of an annual calendar of publication dates. With reference to both sovereign bonds and listed issuers, market performance and the information background were monitored, in view of the increased likelihood of downgrading the rating or worsening its outlook during the pandemic.

## 7 Market abuse

### *Prevention*

In 2021, the usual monitoring of orderly market trading used the evidence of anomalous trends identified by the Commission's supervisory systems (in real time and on a delayed basis), the supervisory data flows received from the competent foreign authorities as well as the detailed data contained in the transaction reports available from 3 January 2018.

The methods of running preliminary analyses and investigations have enhanced the Commission's information assets and have increasingly been based on the evidence produced by the detection systems developed internally. In this context, a project was launched, in cooperation with the Scuola Normale Superiore di Pisa, divided into two phases. The first, starting in September 2021, is aimed at identifying anomalous conduct by using unsupervised machine learning algorithms necessary to select clusters of investors based on the related transactions. The second phase, to be launched in 2022, envisages the development of supervised machine learning methods to classify reports of orders and transactions that are suspected of constituting market abuse by defining a priority for dealing with them in a risk-based logic. The application of the methods illustrated with reference to the two phases mentioned will allow possible abuses to be identified by analysing the behaviour of investors before disclosing price sensitive events. In detail, in the case studies, the algorithmic analysis of the transactions of individual investors in the seven months prior to the price sensitive event made it possible to detect, one month before the event, a discontinuity in behaviour that may underlie an investment strategy driven by illegal intent. The evidence gathered confirms not only the accuracy of the analyses but also a significant increase in efficiency in the process of monitoring and detecting suspicious transactions.

Thanks to the availability of detailed information derived from transaction reporting flows and the improvement of the data quality processes associated with it, the number of written requests for data and information to identify the end customers of transactions placed under observation continues to be particularly limited (six requests). On the other hand, although there were only four requests, the number of requests for international cooperation increased, in particular towards the British FCA, in relation to cases in which one of the counterparts to the transaction was a non-EU party trading on behalf of end customers no longer indicated in the transaction reporting flows following Brexit.

### *Reports of suspicious transactions*

In 2021, the Commission received 457 reports of transactions suspected of constituting market abuse (455 in 2020). Of these, 66% were transmitted by Italian entities obliged under the Market Abuse Regulation

(managers of trading venues and parties that prepare or carry out transactions on financial markets on a professional basis), while 28% refer to counterparts foreign authorities mainly the British FCA, although there has been a significant increase in the reports transmitted by the German, Dutch and French authorities, in whose jurisdictions many foreign intermediaries active on Italian markets once based in London are currently based (Table al.9). The reports concerned conduct attributable - in the first instance - to insider trading in 67% of cases (53% in 2020) and to alleged market manipulation in 32% of cases (40% in 2020).

During 2021, cases of failed receipt of suspicious transaction reports, when due, were investigated to verify the reasons. As a result of these analyses, sanctioning proceedings were initiated in two cases, while in one case an inspection activity was ordered at the intermediary that had failed to report. Discussions were held with several intermediaries in order to stimulate a reflection on the adequacy of the systems and procedures adopted to identify the transactions and orders to be reported.

#### *Repression of abuse*

The investigations on market abuse, totalling 15, led in six cases to the challenge of administrative offences, the subject of as many reasoned reports to the Judiciary, while in the remaining nine cases (of which eight relating to cases of insider trading and one to cases of operational market manipulation) these were closed without any notice of offence (Table al.10). The activity involved sending 442 requests for news, data and documents (Table al.11).

Among the cases of offences, two cases relate to conduct attributable to insider trading concerning, respectively, the transfer of the majority package of a listed company and the consequent promotion of a takeover bid and the successful completion of the studies carried out in cooperation with hospital structures for the development of health devices and the consequent launch of such devices by a listed company. Three cases concern information market manipulation and can be attributed in two cases to the approval and publication of financial statements, documents and press releases expressing false information (making it possible to conceal from the public the inability of a listed company to continue operating as a going concern) and in the third case to the dissemination of false information relating to the entry of certain items in the financial statements by publishing the consolidated financial statements of a listed company and the related press releases relating to five accounting years. The sixth case concerns alleged market manipulation of an operational nature and refers to the transactions on the shares of a listed company carried out by two spouses, consisting in finalising a large number of cross transactions for significant quantities of shares that produced substantially fictitious volumes of trade and in finalising, following the systematic inclusion in the market of



aggressive negotiation proposals, a large number of purchase and sale transactions that led to significant price fluctuations.

CONSOB initiated administrative sanctioning proceedings for market abuse against 49 natural persons, three bodies for joint liability pursuant to art. 6, par. 3 of Law 689/1981 and five bodies both for joint liability pursuant to art. 6, par. 3, of Law 689/1981 and for the own liability provided for by art. 187-*quinquies* of the Consolidated Law on Finance. For one of the natural persons against whom an administrative proceeding for market abuse was initiated, an administrative sanctioning procedure was also initiated for having delayed the exercise of CONSOB's functions (for the sanctioning procedures concluded, see Chapter VIII 'Sanctions').

In 2021, the Commission, at the request of the Ministry of Justice, assessed nine codes of conduct on market abuse prevention submitted by six associations, considering eight of them suitable as a valid reference to exclude the entity's liability for market abuse in the form of administrative offences, whose assessment and related imposition of sanctions are CONSOB's responsibility.

#### *Representation in court*

In 2021, CONSOB brought a civil action in four new criminal proceedings on market abuse (including two for insider trading and two for market manipulation); of these, one was settled on the compensation claim with settlement agreement (Table al.12).

A judgement for insider trading in which the Commission had previously been a civil party was settled in the High Court. The decision of the Supreme Court takes on particular importance because of the multiple principles of law established with regard to market abuse. First of all, the High Court clarifies the notion of 'precision' of relevant information for the purposes of constituting the offence of insider trading, highlighting that when the information relates to news that constitutes the outcome of a progressive formation procedure, information relating to intermediate phases of the prolonged process of information formation itself must also qualify as 'precise' (and therefore 'privileged') where referring *«to a future event that will reasonably take place or will occur and of which the possible effect on prices is foreseeable»*. In the same decision, the High Court recognises the punishability of the so-called 'insider', ruling that they are subject to criminal liability *«who, having possession of 'price sensitive' information by reason of their role and subjective quality, uses it to alter the level playing field of investors, so as to obtain purchase prices of financial instruments not otherwise obtainable»*. In the area of *ne bis in idem*, the Supreme Court, in the wake of the consolidated supranational case law, confirmed the principle according to which, where for the same facts the subject of a criminal proceeding has been applied a formally administrative but substantially criminal sanction that has become definitive, there is no violation of the

European and conventional *ne bis in idem* guarantee «*when there is a substantial and temporal connection between the administrative and the criminal proceedings so that the two sanctions are part of a single sanctioning system and the procedural guarantees aimed at ensuring the fullness of the adversarial proceedings are safeguarded*».

Finally, the Court of Appeal of Rome in the referral, with judgement filed on 16 November 2021, confirmed the ruling of conviction of the defendants for a case of market manipulation; the compensation for damage to the integrity of the market referred to in art. 187-*undecies*, par. 2, of the Consolidated Law on Finance in favour of CONSOB was set at 70 thousand euro.

# Supervision of issuers and audit firms II

## 1 Innovative profiles

In 2021, the supervision of issuers was also guided by the increasingly relevant topic of sustainability (with regard to the developments of the European regulatory framework, see Chapter X 'International activity').

In particular, the Corporate Governance Code, in its version in force since January 2021, assigns a central role to the pursuit of the company's sustainable success and the adoption of procedures for the management of dialogue with the shareholders.

The Code has actually systematised the topic of sustainability as part of the tasks of the board of directors, called upon to pursue the company's 'sustainable success', i.e. create value for shareholders in the long term taking into adequate consideration the interests of relevant stakeholders. Consistently, the sustainability objectives are integrated into the company's strategies, the internal control and risk management system as well as the remuneration policies of directors and management.

The Code promotes the adoption by issuers of a policy of dialogue with shareholders and stakeholders relevant to the activity of the company and adopts, more markedly than in the past, a principle of proportionality, structuring the recommendations according to the size and ownership structure of the companies.

CONSOB will monitor the disclosure provided by companies with regard to their adherence to the Code by analysing the reports on corporate governance to be published in 2022.

In order to effectively address the challenges that sustainability issues pose to regulation and supervision, in 2021 CONSOB renewed the Steering Committee on Sustainable Finance, established in 2019, and set up a task force aimed at launching a model of integrated supervision of ESG (environmental, social and governance) compliance for supervised entities and at preventing and combating greenwashing and underestimation of ESG risks of instruments, products and services.

## 2 Ownership structure disclosure

During 2021, CONSOB received 644 communications relating to changes in significant investments held in Italian listed companies, down compared to the previous year (719; Table all.1). Part of these communications (76) is still attributable to the temporary regime of enhanced transparency of ownership structures adopted from March 2020 and in force until 13 April 2021. In line with the previous year, in 2021 the reporting entities are mainly foreign (64% of cases).

The Commission received 34 declarations of intent (41 in 2020; Table all.1), pursuant to paragraph 4-bis of art. 120 of the Consolidated Law on Finance, which in 16 cases concerned exceeding the 10% threshold and in 15 cases exceeding the thresholds dictated by the aforementioned enhanced transparency regime or the additional 5% threshold that, once reached, gives rise to obligations of disclosure of the investment objectives arise. In no case was the intention declared to continue with the purchase of shares until control of the issuer was acquired. The declarations were made mainly by foreign subjects (21 cases).

Shareholders' agreements pursuant to art. 122 of the Consolidated Law on Finance were the subject of 170 communications, referring to 59 listed companies (Table all.1). Data on the disclosure on the ownership structure includes data relating to companies that qualify as listed SMEs (by capitalisation or turnover, pursuant to the new art. 1 *w-quarter*.1 of the Consolidated Law on Finance), the list of which is updated by CONSOB on an annual basis and that amounted to 145 at the end of 2021. For these companies, there is a different threshold for the communications of significant investments (the first is set at over 5% instead of 3% for medium/high-capitalisation companies) and the only threshold of 30% (which can be modified between 25% and 40% through the articles of association) for the promotion of the mandatory Takeover bid.

## 3 Takeover bids and exchange tender offers

There were 19 takeover bids and exchange tender offers promoted in 2021 (13 in 2020). The overall amount exceeded 7 billion euro (around 6.8 billion euro in 2020), of which around half was attributable to two transactions.

The offers concerned ordinary shares in 17 cases, one of which related to unlisted securities and, in the remaining cases, shares listed on Euronext Milan (formerly MTA), traded on Euronext Growth Milan and Hi-MTF respectively in 13, two and one case (Table all.2). Two offers included the reinvestment (in full or in part) in the offeror's capital (or in another company in the latter's chain of control) of the consideration received from the

transfer of the shareholding held by the controlling shareholders and, in one case, the subsequent possibility of divesting the shareholding through specific provisions. In both circumstances, all the agreements signed were monitored, in order to assess compliance with the principle of equal treatment between the recipients of the offer.

In 2021, there were 14 transactions aimed at, directly or otherwise associated with, delisting the shares subject to offer (8 in 2020; Table all.2). Delisting was carried out, or is about to be carried out, in 13 cases, for a total capitalisation of 10.3 billion euro (of which about 99% referred to ordinary shares traded on the EXM). In order to achieve the objective of delisting, the offerors had to increase the price compared to the value initially offered in seven cases. In 11 of the aforementioned cases aimed at delisting, the offer was classified as a takeover bid by 'an insider' pursuant to art. 39-bis of the Issuers' Regulation, as it was promoted by entities that already held a controlling interest in the company subject to the offer or by entities that acted in agreement with the previous controlling shareholders.

As in previous years, in 2021 CONSOB published communications in response to some questions regarding takeover bids and ownership structures, providing guidelines for the application of its own rules. Among these are: communication 0973692 of 30 September 2020, which confirmed the absence of takeover bid obligations with reference to certain changes relating to the issuer's shareholding chain and the entry into it of a new investor, with the simultaneous signing of a shareholders' agreement with one of the two reference shareholders; communication 0226982 of 25 February 2021, which confirmed the *ipso jure* applicability of the exemption for the exercise of "rights originally due" in case of exceeding relevant thresholds pursuant to art. 106 of the Consolidated Law on Finance, following the subscription of a capital increase with option right, pro-rata, due to the exercise of the option right due to a shareholder; communication 1214803 of 13 October 2021, which confirmed the absence of the conditions for the application of the regulations on mandatory takeover bids by indirect purchase of a relevant shareholding given the absence of the condition of the so-called objective and evaluative 'prevalence' for the emergence of the takeover bid obligation on the listed investee company.

## 4 Related party transactions and supervisory bodies

### *Related party transactions*

During 2021, 41 information documents on transactions of greater importance with related parties were published, pursuant to CONSOB Regulation no. 17221/2010 (TRP Regulation). These are mainly financing transactions (14 cases), transfer of assets (12 cases) and capital transactions (11 cases; Table all.3).

CONSOB acquired initial evidence on the application by listed companies of the new rules on transparency on related party transactions and on directors' remuneration systems, entering into force in 2021. Based on this evidence, the Commission will review 2010 Communication 10078683 on related party transactions by 2022, providing guidance and guidelines to facilitate the most effective application of the new rules.

### *Corporate governance*

Due to the persisting pandemic emergency, in 2021 the measures introduced by art. 106 of Decree-Law no. 18 of 17 March 2020 (so-called Cura Italia Decree) were extended, allowing meetings to be held exclusively remotely by electronic means or through the designated representative, also waiving the statutory provisions. In line with the previous year, in almost all the meetings (95% of the cases) the shareholders conferred a proxy exclusively to the appointed representative, only residually using remote voting instruments.

With regard to the possibility for listed companies to establish information flows with shareholders as regards corporate information that may take on a privileged nature, on 18 March 2021 the 'Q&A on selective disclosure towards shareholders and, in particular, the controlling shareholder as well as on the publication of inside information relating to business plans' were published. The document provides some clarifications on the conditions under which it is possible to establish these information flows with the controlling shareholder, in compliance with the regulations on market abuse and the governance rules of listed companies.

In 2021, as anticipated, CONSOB contributed to the inter-institutional initiative coordinated by the Ministry of Economy and Finance (MEF), with the aim of identifying simplification and rationalisation interventions, also in the field of corporate law.

On 21 January 2022, following the consultation held in December 2021, CONSOB published a Warning for listed companies and their shareholders on the power that may be granted by the articles of association to submit a list of candidates for the renewal of the board of directors by the outgoing board of directors. This document intended to point out some critical aspects related to exercising this power and certain measures to mitigate these critical issues, in light of the tasks attributed to the Commission with regard to the transparency of corporate disclosures also on the occasion of shareholders' meetings - with particular regard to shareholders' meetings appointing corporate bodies and any links between lists - as well as related party transactions.

### *Supervisory bodies*

Following the warning notice published in 2020, on the basis of the interventions adopted by ESMA and the Committee of European Auditing Oversight Bodies (CEAOB) in the context of the Covid-19 emergency, CONSOB published warning notice no. 1 of 16 February 2021, also addressed to the supervisory bodies of listed companies, underlining the relative duty to strengthen the information flows with the administrative body in relation to the 2020 financial statements drawn up in accordance with international accounting standards and to promote effective and timely communication with the independent auditor and a timely discussion with the corresponding bodies of the subsidiaries. It was indicated to pay particular attention to the assessments made by the directors regarding the existence of the going concern assumption and the adequacy of the internal control system, also taking into account those cases in which the company has applied the temporary suspension of the rules on capital reduction for losses (articles 2446 and 2447 of the Italian Civil Code), provided for by art. 6 of Italian Legislative Decree 23/2020 (as last amended by the 2021 Budget Law), and the risks related to the difficulties of carrying out on-site checks due to the restrictions related to the pandemic. With reference to suspending the rules on the reduction of capital due to losses, the issuers' and supervisory bodies' attention was drawn to providing adequate information, as far as they are concerned, in the documentation published at the time of the meetings convened pursuant to articles 2446 and 2447 of the Italian Civil Code.

## **5 Audit firms**

At the end of 2021, there were 35 audit firms and independent auditors authorised to perform statutory audit of Public Interest Entities (PIEs) and entities subject to intermediate regime (ESRIs), of which 25 were audit firms, two Federations of Trentino Alto Adige (operating through six auditors) and eight statutory auditors (Table all.4). The statutory audit market remains highly concentrated, as shown by the distribution of assignments to listed companies attributable to approximately 90% of the top four operators (Table all.5). There are 102 cases of early termination of assignments, up 12% compared to 2020 (Table all.6).

With regard to the audit opinions on listed issuers, the auditors declared it impossible to express an opinion in four cases (six in 2020), while they expressed opinions with findings in two cases (Table all.7). There were 14 (eight in 2020) requests for disclosure on business continuity, of which 11 highlighted the presence of significant uncertainties.

In 2021, quality controls were completed on four audit firms (two large, one medium and one small). The Final Report, containing the conclusions and recommendations for corrective actions resulting from the quality control, was sent to these firms as provided for by art. 26, par. 9 of Regulation (EU) no. 537/2014.

With reference to large audit firms, checks were carried out using the methodology also adopted by the competent authorities of the other EU countries (Common Audit Inspection Methodology - CAIM), developed within the CEAOB (Committee of European Auditing Oversight Bodies). In the context of the restrictions imposed by government measures on managing the health emergency, the inspection activities were carried out with off-site methods through remote interaction with the companies inspected via electronic channels.

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. The checks also covered the procedures in place for performing assignments for the purposes of issuing the certifications made by the audit firms in relation to non-financial statements (NFS), pursuant to art. 5 of CONSOB Regulation no. 20267 of 18 January 2018, as well as using data analytics tools to perform the audit work.

The recommendations concerned both the need to strengthen the quality control safeguards relating to internal procedures and the need to implement actions aimed at improving the quality of the audit in relation to the shortcomings found with regard to the selected audit assignments for the checks.

In particular, a strengthening of the quality controls on internal procedures has been requested with reference to the following aspects: i) adequate consideration of the elements characterising quality in the performance of audit assignments and compliance with internal procedures, within the parameters used in the process of assessment and remuneration of the partners; ii) prior identification and assessment of risks to independence for the purpose of accepting the non-audit services provided to audit clients and documentation of the conclusions reached; iii) adequate formalisation of the checks and timing of the independent review carried out on the individual assignments by the responsible parties (Engagement Quality Review); iv) strengthening of the procedures aimed at detecting and monitoring the financial interest held by the partners and by the staff; v) introduction of adequate root cause analyses in order to more appropriately identify the actions to remedy the deficiencies found as a result of the internal monitoring activities on the procedures and assignments. With regard to the procedures for accepting and maintaining audit assignments on football clubs, it was recommended to raise the risk assigned to them to a particularly



high level that is such to involve the appointment of an independent reviewer, responsible for reviewing the audit work, as well as strengthening the training of professional staff on specific accounting issues concerning the financial statements of these clubs.

With reference to the performance of the audit assignments, measures were recommended to raise the awareness of professional staff on the aspects of the audit activity in respect of which deficiencies were found, with particular reference to: i) the analyses carried out for the identification and assessment of significant risks and their impact on individual financial statement assertions; ii) the documentation of the checks carried out in relation to the determination of the fair value of the intangible assets and the related impairment process; iii) the completeness of the analyses carried out on non-performing loans and probable defaults and on the correctness of the collective write-downs; iv) the documentation of the checks on the information provided by the companies on the related parties; v) compliance with the timelines established for filing work papers.

During the year, it was also verified that the organisational and procedural requirements put in place by the audit firms, in relation to the previous quality controls, were in accordance with the recommendations deriving from the results of the quality controls and compliant with the established implementation timeline (follow-up analysis).

Two quality controls were also carried out against as many small audit firms, launched during 2020 and for which the inspection phase was completed, and controls were started on six other audit firms (one large and five small). Changes in government restrictions related to the course of the health emergency have allowed these latter checks to be carried out on-site.

During 2021, as a result of the investigations performed into the methods of executing the assignments, five sanctioning proceedings were initiated (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

In line with previous years, CONSOB continued to participate in Technical panels, jointly with the representatives of the MEF and industry representatives, established in order to develop 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 same decree. In particular, the work was completed to develop the additional new audit standard relating to the issuance by the auditors of Italian issuers of the opinion on the compliance of the consolidated financial statements, included in the annual financial reports, with the ESEF format required by Delegated Regulation (EU) 2019/815. The procedure for the approval by Parliament of European Law 2019/2020 containing the provisions for adapting the national legislation on annual financial reporting (amendment of art. 154-*ter* of the Consolidated

Law on Finance), aimed at giving certainty on the application of the provisions of the ESEF Regulation, ended with the approval of the Law on 23 December 2021. The auditing standard was issued with the MEF Decision in February 2022.

# Supervision of public offerings and corporate disclosure III

## 1 Innovative profiles

### *Incentives for listing: CONSOB initiatives*

The numerous regulatory changes that took place during 2021 and the constant process of adapting supervision to the standards imposed by the European and national rules have required the participation of CONSOB in various work tables in Europe (see Chapter X 'International activity').

As part of the measures arising from the Capital Markets Recovery Package (CMRP), aimed at facilitating the economic recovery of the Union hit by the effects of the pandemic and promoting the recapitalisation of companies in the market, Regulation (EU) 2021/337 amending the Prospectus Regulation was published in February 2021. This Regulation introduced, among other things, the right to use until 31 December 2022 a new type of 'short' prospectus, called 'EU recovery prospectus', in which the issuer must provide information so that the investor can reach a 'well-founded opinion' about the investment decision in an easy-to-read document, of a maximum length of 30 A4 pages. The new framework did not introduce any special arrangements for checks by the competent national authority on the content of the short prospectus or a relaxation of the authority's liability.

In terms of secondary legislation, in order to facilitate market access by companies, some outdated regulations have been updated (for example, with regard to the issuance of savings securities for the southern economy) and clarifications have been provided to support the requirements for the filing of prospectuses.

In light of the work carried out by the interinstitutional initiative launched by the Ministry of Economy and Finance (MEF), CONSOB started evaluations on the hypothesis of rationalisation of the regulatory and supervisory framework of the procedure for admission to listing on the regulated market, aimed at eliminating overlaps of obligations and duplication of charges, while maintaining adequate investor protection. In particular, the rules contained in the secondary rules for the implementation of the Consolidated Law on Finance and for the supervision of the market rules envisaged by Borsa Italiana with reference to the process of first admission to listing (IPO) and reverse merger transactions were analysed.

Taking into account the evidence emerging from the Capital Market Review of Italy carried out by the OECD and the work of the European

Commission on Capital Markets Union, CONSOB has worked to promote, both at national and European level, the rationalisation of legislation and the improvement of supervisory policies, in order to encourage the listing of companies, in particular small and medium-sized enterprises (SMEs), having regard both to the objective of reducing the charges for admission to and permanence on the market for companies and of maintaining high levels of investor protection.

In particular, initiatives were continued in order to: (i) improve the standardisation of the information provided in prospectuses for offers and admission to trading; (ii) improve the quality of information, in terms of comprehensibility and synthesis, in line with the objectives of simplification and clarity of information inspired by the European framework. In this regard, on 19 November 2021, the European Commission launched a consultation on a series of issues that affect the regulation of financial markets, with the aim of collecting useful contributions to make these European markets more attractive, especially for SMEs, and facilitate their access (the so-called listing act; see Chapter X 'International activity'). At the same time, the comparison with the information provided by foreign issuers and approved by the respective national competent authorities continued.

With a view to simplification, CONSOB: i) contributed, also through in-depth discussions with the market operator, to the rationalisation of the regulation on the direct distribution of shares on the market (so-called direct listing), during the IPO phase, which has never been used by companies in the process of opening up to the capital market; ii) initiated in-depth studies to identify and eliminate provisions diverging from the European regulation (so-called goldplating); iii) deepened, also in light of the ESMA public statement 'Spacs: prospectus disclosure and investor protection considerations' of 15 July 2021, the potential development at national level of the Spac, as an alternative to the traditional IPO operations, the related opportunities linked to the incentive to the listing of such corporate vehicles on the Italian market and the risks for investors deriving from lack of transparency and possible conflicts of interest.

With regard to the prospectus, on 23 December 2021 CONSOB started consultations on some possible regulatory interventions aimed at: i) aligning the terms of approval of the prospectus as much as possible with European legislation; ii) intensifying the preliminary dialogue between the Commission and the companies that intend to request the approval of the prospectus for the offer and admission of their securities to trading on the regulated market, before submitting the relevant application (so-called pre-filing); iii) authorising the preparation of the prospectus in English also for offers promoted in Italy as home member country.

CONSOB analysed the communications/recommendations adopted in accordance with the previous Prospectus Directive and deemed no longer current in light of the relevant changes introduced by the Prospectus

Regulations (Regulation (EU) 2017/1129) and the related delegated acts (Delegated Regulations (EU) 2019/979 and 2019/980), which are directly applicable in all Member States. Specifically, the Notice of 24 November 2021 highlighted the CONSOB Guidelines revoked during 2021.

During 2021, the in-depth studies on the various types of crypto-assets that can be offered on the market continued, in view of the increasing interest of operators in innovative methods of raising capital, through the use of both crypto-assets other than financial instruments (the so-called initial coin offerings or ICOs) and security tokens (the so-called security token offerings or STOs), and the need to ensure a regulatory structure at European level capable of promoting their development and regulating their risks. CONSOB is also considering the use of innovative applications to support the supervision of smart contracts (see Chapter IX 'Supporting activities').

#### *Initiatives supporting sustainable finance*

As part of its contributions to the numerous international activities that are defining the regulatory framework for sustainable finance (see Chapter X 'International activity'), in 2021 CONSOB participated in the work started in various forums with regard to non-financial reporting.

The Commission provided guidance to the MEF, in view of the discussions within the Accounting Regulatory Committee, as part of the process of reviewing the regulations on non-financial reporting, which in April 2021 saw the publication of the proposal for a directive on sustainability reporting (Corporate Sustainability Reporting Directive or CSRD).

At ESMA, CONSOB contributed to the activities initiated by the European Authority to facilitate the harmonisation of controls on non-financial statements (NFS) by developing convergence instruments and the discussion of specific supervisory practices and cases.

The future regulatory framework that is emerging should encourage the integration of financial and non-financial disclosure and also guide the evolution of supervisory activity in this regard. As part of ESMA works to publish the supervisory priorities for 2021, an analysis of the consistency between the information disclosed within the IFRS financial statements pursuant to the accounting standards and the risk factors related to sustainability issues, such as climate risk, was initiated. In particular, supervisory cases were discussed on how the calculation of expected losses should reflect climate risks and the impacts related to green bond accounting. The results of this activity will allow any policy initiatives to be evaluated.

On the occasion of the publication of the delegated regulation implementing Regulation (EU) 2020/852 (Taxonomy Regulation), which

supplements article 8 of the same Regulation by specifying the content of the non-financial statements (NFS) with the Key Performance Indicators (KPIs) relating to eco-sustainable activities, CONSOB spoke with the associations representing the parties involved in the reporting process (issuers, auditors) and shared the observations collected in the relevant working groups at ESMA, in order to help define various interpretative aspects of the new regulations. Finally, the Commission offers its contribution as part of the work aimed at defining European non-financial reporting standards conducted by the European Financial Reporting Advisory Group (EFRAG) and ESMA (see Chapter X 'International activity').

### *Automation of supervisory activities*

In 2021, the first phase of the project aimed at applying artificial intelligence for the predictive analysis of the risks of listed companies was launched, to support the selection of the supervisory sample pursuant to art. 89-*quater* of the Issuers' Regulation. The artificial intelligence platform will allow, through machine learning algorithms, to identify a cluster of riskier companies, as well as to label the text of the Key Audit Matters (KAMs) indicated by the audit firms in their opinions on the issuers' annual financial statements.

Work also continued on introducing artificial intelligence techniques in the preliminary approval process for equity and non-equity instrument prospectuses (see Chapter IX 'Supporting activities'). The aim is to increase the efficiency and effectiveness of the administrative action, simplifying processes, reducing approval times and raising the degree of objectivity in verifying the documentation received. In 2021, the first prototype was built, whose testing and development phase will continue during 2022.

## **2 Public offerings and admission to trading of equity instruments**

With regard to the operations of public offering and admission of shares to trading, 21 prospectuses were approved in 2021, of which 11 for admission to trading, eight relating to capital increases with option rights in listed companies, two relating to offers of securities of unlisted companies (in detail, shares of an unlisted bank and corporate bonds; Table all.1). A prospectus for admission to trading and two prospectuses relating to capital increase through rights issue were prepared in accordance with the model envisaged by the 'short' prospectus. Of the 11 prospectuses for admission to trading, four refer to the admission of shares of companies already listed, four to first admissions to trading (IPOs), up compared to the only transaction recorded in 2020 when the pandemic had discouraged these operations, and

three to pass from Euronext Growth Market (formerly AIM Italia) to the regulated market (so-called transfer), down compared to five in 2020. Faced with financial market instability and in line with the most recent years, 2021 in any case confirms the propensity of issuers to address offers exclusively to institutional investors. Of the seven companies listed in 2021, five are SMEs (six out of six in 2020).

The simplified prospectus for secondary issues was used by two out of three companies, confirming itself as a useful tool to facilitate the path of companies traded on Euronext Growth Market towards the regulated market.

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

In 2021, the measures for approval referring to non-equity securities concerned documents relating to UCITS in 370 cases, bonds in 26 cases, covered warrants, certificates and admission to listing of warrants respectively in seven and three cases (Table all.2). In 31 cases, the documents refer to bank issuers, which continue to record the long-standing decline in the number and amount of offers of non-equity securities, accentuated following the Covid-19 crisis (Table all.3).

During the year CONSOB authorised an issue of savings securities of the southern economy for a placement value of ten million euro (Table all.4). As already pointed out, the Commission has adapted the relevant legislation to the Prospectus Regulation by providing for a new communication form relating to the intention to issue such securities, also following the impossibility for issuers to proceed with preparing the simplified prospectus.

CONSOB verified the documentary completeness and regularity of the approval certificate of 520 documents approved and notified to the Commission by EU Authorities (528 in 2020; Table all.5); it also received the notification of over 1.6 million KIDs relating to PRIIPs, mainly updates (updates; Table all.6 and Table all.7). Pursuant to Regulation (EU) no. 1286/2014, these documents describe the characteristics of the financial product in terms of risks, expected returns and costs. Although KIDs are written in a synthetic and standardised format, reading and evaluating KIDs takes at least 20 minutes. In order to reduce working time, CONSOB, together with experts from the Department of Automatic and Management Engineering of the Sapienza University of Rome, has developed an analytical model to extract, collect and analyse information contained in KIDs. This model involves the combined use of two approaches, a method with standards and neural networks, for extracting data from texts and tables and creating a dataset that facilitates the comparative analysis of products and the monitoring of market dynamics. By using the software that will be put into production at the end of the phase of validation of the underlying

algorithms and experimentation, the information extraction and processing time will be reduced to about three seconds per KID.

## 4 Corporate disclosure

As part of supervising information of issuers, during 2021, 366 requests for data and information were made and hearings of corporate bodies were held pursuant to art. 115 of the Consolidated Law on Finance (Table all.8).

19 requests were submitted and three exemptions were granted from the communication of data and news pursuant to art. 114 of the Consolidated Law on Finance. Also requested was the publication of six investment recommendations pursuant to art. 69-*novies*, paragraph 2, of the Issuers' Regulation, following the dissemination of news or rumours on the content of these recommendations, likely to provide investors with an incorrect representation of the related information framework, and in the presence of a significant change in the market price or the volume of exchanges of the financial instruments covered by the same recommendation.

The Commission also sent out a letter of warning and initiated non-compliance proceedings pursuant to art. 154-*ter*, paragraph 7 of the Consolidated Law on Finance.

During the year, 412 communications were received regarding a delay in the disclosure of confidential information by issuers with shares traded on Euronext Milan or EXM (formerly MTA) and Euronext Growth Milan or EGM (formerly AIM Italia), pursuant to art. 17, paragraph 4, of Regulation (EU) no. 596/2014 (about +30% compared to 2020).

CONSOB made six communications to the Judiciary of information relating to facts and elements ascertained in performing its activity, which may assume relevance from a criminal point of view.

During 2021, sanctioning proceedings were initiated for violation of the regulation on the disclosure of price sensitive information to the public (art. 17, paragraph 1 of Regulation (EU) 596/2014 or MAR), resulting from the late profit warning relating to the financial objectives indicated in the industrial plan of an issuer; two sanctioning proceedings were initiated, against as many issuers, for the untimely or failed activation of the procedure for the delayed disclosure of inside information relating to substantial changes in the company's governance (art. 17, paragraph 4, MAR) and the decision to promote an extraordinary operation (in the first case, irregularities were also detected in the management of the list of persons aware of the information; for the sanctioning procedures concluded, see Chapter VIII 'Sanctions').



### *Financial reporting*

Given the persistence of the health emergency, CONSOB published certain warnings (no. 1 of 16 February 2021 and no. 4 of 15 March 2021) regarding the information to be provided to the market with regard to the impacts of the crisis on the issuer's business activities, prospects and risk profiles. These measures also covered the issuers of financial instruments traded on multilateral trading facilities (MTFs) and organised trading facilities (OTFs), as well as issuers of financial instruments that were widely available to the public (Table aIII.9). The warning may be an important tool for the Commission also after the end of the pandemic, with a view to continuing to stimulate an increase in the quality of the information provided by issuers.

CONSOB also participated in the ESMA and IOSCO activities aimed at assessing the impact of the pandemic on financial disclosure to the market. In particular, the following were addressed: i) the accounting treatment of goodwill (also by publishing a specific IOSCO Statement), which in the case of changes may have effects on the information provided to the market and on current supervisory practices; ii) the treatment of business combinations under common control, an initiative widely anticipated by the market in order to harmonise the accounting treatment of these transactions, which are also widespread in the Italian context; iii) the EFRAG endorsement advice on IFRS 17 'Insurance Contracts', the application of which will increase the complexity of the financial statements of insurance companies and consequently also the supervision of the financial statements themselves.

As part of the interaction with the prudential supervisory authorities such as the Bank of Italy and IVASS, in-depth studies were carried out on IFRS 17 'Insurance Contracts', the subject of the aforementioned endorsement, and on the topics of IFRS 9 'Financial instruments' relating to expected losses on loans. This activity may also be relevant for the early identification of the most critical profiles in the context of the disclosure by banks and insurance companies.

In 2021, Document no. 9 of the Coordination Group between the Bank of Italy, CONSOB and IVASS on the application of IAS/IFRS was published, concerning the *Accounting treatment of tax credits related to the 'Cura Italia' and 'Rilancio' decree-laws purchased as a result of sale by direct beneficiaries or previous buyers*. In view of the peculiarities of these tax credits ('eco' and 'sismabonus', for example) and the growing interest in the measures in question by the direct recipients and potential purchasers, the Document aims to draw attention to the IAS/IFRS accounting principles potentially relevant to the accounting treatment of the tax credits in question, also providing a possible approach for the initial recognition, measurement and classification in the financial statements.

As part of the supervision of financial disclosure, in line with a risk-based approach, the Commission selected the companies to be examined pursuant to art. 89-*quater* of the Issuers' Regulation taking into account the issues of financial solvency, recoverability of the value of assets and business continuity for non-financial companies, in line with the ESMA supervisory priorities on the 2020 financial statements expressed in document ESMA32-63-1041 ('European common enforcement priorities for 2020 annual financial reports'). Therefore, relevant market indicators were considered, such as information on the creditworthiness of issuers, impairment and business continuity indicators and additional indicators of financial and capital balance. For the financial sector, specific parameters were introduced that are aimed at identifying issuers with a greater exposure to the risk of credit losses and with a greater impact on the balance sheet assets of the loans subject to Covid-19 support measures (moratoria, other concessions, public guarantees).

In 2021, the European Law was definitively approved, introducing the changes to the Consolidated Law on Finance necessary to transpose the new regulations introduced by Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation - European Single Electronic Format) into our legal system. Pending the entry into force in the national system of the obligation to prepare the annual financial reports in electronic format, CONSOB has endeavoured to allow listed issuers to publish in 2022 the annual financial reports for 2021 in the new ESEF format. In order to facilitate the accessibility, analysis and comparability of accounting documents throughout the EU, the Regulation requires European listed companies to prepare annual financial reports with XHTML computerised language integrated, in the case of consolidated financial statements, by appropriate markings in XBRL. CONSOB participated in various educational initiatives on the subject organised by XBRL Italy, spoke with the storage mechanisms to define roles and responsibilities in terms of controls on the new ESEF formats, initiated the creation of a dedicated section on the institutional website and created an institutional email address for contact with issuers. The Commission is considering the creation of a system for the analysis of data contained in the new formats (see Chapter IX 'Supporting activities').

In 2021, the Commission subjected certain listed companies in financial difficulty to periodic disclosure requirements, based on the powers conferred by art. 114, Consolidated Law on Finance: as at 31 December, there were 23 issuers subject to monthly obligations (23 at the end of 2020) and 15 to quarterly obligations (17 at the end of 2020). These obligations will be reviewed at the time of publication of the financial statements and the half-year financial report of the companies, in order to take into account the evolving situation they are in.

### *Non-financial reporting*

The supervision of non-financial statements (NFS) published in 2020 pursuant to Legislative Decree 254/2016 in 2021 concerned 210 companies, of which 150 with listed shares, 20 with securities listed on regulated markets, 24 banks and unlisted insurance companies and 16 issuers that produced NFS on a voluntary basis (Table all.10).

The NFS to be subject to supervision have been identified on the basis of risk-based criteria, which pursuant to article 6 of CONSOB Regulation no. 20267 of 19 January 2018, must be defined on an annual basis, taking into account the supervisory priorities indicated by ESMA. In particular, the NFS were selected by taking into account any qualified complaints received by the Commission, elements acquired in the context of the supervision of the financial information of the issuers included in the sample pursuant to *art. 89-quater* of the Issuers' Regulation, as well as by evaluating market elements that indicate an exposure of the company to environmental, social and governance (ESG) risk profiles. Other companies were identified as a result of the supervision carried out on the sample selected in 2018, for which an examination of the documentation acquired through correspondence with the boards of statutory auditors also revealed attention profiles with regard to NFS 2019. Finally, attention was also paid to possible greenwashing behaviour.

The supervisory priorities for 2021 (ECEP 2021) underline, in continuity with ECEP 2020, the importance of the effects of the health emergency in various areas of non-financial reporting governed by the Non-Financial Reporting Directive (Directive 2014/95/EU or NFRD), highlighting the importance of providing information on the consequences of the pandemic for sustainability plans and the achievement of relevant objectives. The ESMA Statement draws attention to the need to increase transparency on climate issues and recalls the application of the European Commission's guidelines of June 2019, Guidelines on reporting climate-related information, which refer to and complement the recommendations of the Task-Force on Climate-Related Financial Disclosures (TCFD). The document also reiterates the dual (environmental and financial) perspective in assessing the materiality of information on risks and opportunities related to climate issues and emphasises the importance of providing adequate information on the financial consequences that may arise for issuers. In this regard, attention is drawn to the need to ensure consistency and interconnection between the climate information reported in the non-financial statements and the disclosure on climate risks in the IFRS financial statements, to which one of the priorities for the financial statements is dedicated.

As regards the disclosure obligations provided for by art. 8 of the Taxonomy Regulation, in the 2021 ECEP, ESMA encourages issuers to use the simplified transitional regime of first application (for NFS published in 2022) to correctly set up their reporting systems.

# IV Supervision of intermediaries

## 1 Innovative profiles

### *Pandemic-related activities*

The risk-based supervision of intermediaries and products carried out in 2021 took into account the potential impact of the Covid-19 crisis.

With regard to intermediaries, the contingency measures adopted in the provision of investment services with respect to distribution channels, service model and product profiling methods were continued, in the context of investigations and penalty proceedings.

With regard to products, the liquidity of open-end funds was monitored without any particular critical issues being detected. In some cases, the crisis has led to delays and/or discrepancies in the implementation of the operators' business development plans previously planned, largely related to newly established management companies. A rise in the risk of real estate AIFs was observed, due to an increase in delinquency and vacancy rates especially in the areas most affected by the effects of the health crisis (such as commercial and hotel activities).

### *Initiatives supporting sustainable finance*

Given a regulatory framework that is gradually being defined, CONSOB has started monitoring the operations of intermediaries in the investment services sector with reference to ESG (environmental, social and governance) issues, in order to improve disclosure of sustainable investments by operators in the sector and counteract greenwashing phenomena.

In this context, reminder no. 3 of 4 March 2021 was published, which highlighted the need to comply with the information transparency requirements of Regulation (EU) no. 2019/2088 (SFDR applicable from 10 March 2021). Q&As on certain application profiles regarding pre-contractual information obligations on products were also published, resulting from the application of the aforementioned Regulation.

Supervision of ESG issues focused on compliance with EU rules for the disclosure of intermediaries in offer documentation, websites and marketing communications, and the integration of ESG risks into the investment decision-making process adopted by managers. In particular, an in-depth study was carried out on the advertisements received by CONSOB, pursuant to art. 101 of Consolidated Law on Finance, in the first half of 2021, relating to UCITS marketed by 28 AMCs and 60 foreign operators. Overall, there are 1,687 advertisements, 607 of which relate to products that promote

environmental or social characteristics (pursuant to art. 8 of the SFDR) or that have sustainable investments as their objective (pursuant to Article 9 of the SFDR). The analysis revealed a non-homogeneous approach to the representation of the sustainability characteristics of the advertised product, although in most cases reference is made to the operator's website that contains a link to the useful documents or provides information regarding the ESG policy and the issues related to it. With reference to larger-sized operators, which account for more than 80% of the total assets under management, it was then verified that all the parties have a comprehensive and detailed investment policy. All the operators also make reference to the elements required by the reference legislation, such as the consideration of good governance practices, the identification of the sustainable objective and the reference index (stringent requirements for products under art. 9 of the SFDR) and the integration of the sustainability risk in investment decisions.

#### *Monitoring innovative and complex products*

In line with previous years, certificates and covered warrant accounted for about 90% of the packaged retail investment and insurance-based products (PRIIPs), confirming the interest of savers in combinations of financial instruments and derivatives whose final payoff depends on the performance of one or more underlying assets.

During 2021, the offer of structured products with underlying crypto-assets increased, mainly ETPs (Exchange Trade Products) with a prospectus approved abroad, passport issued in Italy and listed exclusively on European markets; this phenomenon still refers to a very limited share of both the overall offer (less than 0.01%) and the operators involved. In relation to these complex and innovative products, distribution was monitored in 2021, in order to identify relevant risks for investor protection, and in-depth studies were conducted on how Key Information Documents (KIDs) were drafted.

## **2 Banking intermediaries authorised to provide investment services**

During 2021, the supervision of banks authorised to provide investment services (amounting to 418; Table aIV.1 and Table aIV.2) focused, as usual, on verifying the correctness and transparency of the behaviour of intermediaries towards their customers, also on the basis of indicators that have allowed investigations to focus on the most significant and risky subjects and/or phenomena.

Having ascertained the hypotheses of violation of sector legislation, sanctioning proceedings were initiated against two banks, involving 12

corporate officers (for the sanctioning measures concluded, see Chapter VIII 'Sanctions').

In line with 2020, the investigations, including inspections, focused on the application of MiFID II by the major bank operators and on the main areas of innovation brought by the regulation. As a result of the investigations, three corrective actions were carried out against the intermediaries concerned, which initiated improvement processes and were monitored by CONSOB with investigations on securities. The areas of intervention concerned the product governance of the manufacturer and distributor and the adequacy assessment (see Chapter VI 'Inspection activity').

Despite a continuous and progressive drop in the own issues of bank intermediaries (see Chapter III 'Supervision of public offerings and corporate disclosure'), investigations continued into the self-placement of instruments subject to bail-in regulations, due to the potential conflict of interest inherent in this activity.

During the year, common supervisory actions (CSA) coordinated by ESMA were carried out, which concerned product governance and were aimed at promoting more homogeneous approaches to controls by the various national authorities. The results of the CSAs, in addition to being shared with the competent national authorities within ESMA, are also used in domestic supervisory activity.

### 3 Investment firms

At the end of 2021, there were 64 investment firms authorised to provide investment services, while there were 38 entities registered on the list of European investment companies authorised to operate in Italy through branch establishments (Table aIV.2 and Table aIV.3).

In order to identify potential risks of non-compliant behaviour in the relationship with customers by Italian investment companies (SIMs) and EU investment firms with branches in Italy, CONSOB continued to monitor operating processes, following a risk-based approach. As usual, the consistency of the strategies to offer investment services with national and EU legislation has been verified.

Brexit-related activities continued, with the aim of facilitating an orderly management of the transition from the regime based on the principle of mutual recognition at European level to that applicable to intermediaries from third countries and, therefore, obtaining greater protection of the interests of clients. In this context, on 2 January 2021, CONSOB published two press releases: one addressed to British intermediaries operating in Italy with regard to the Brexit provisions contained in Legislative Decree 183/2020 (the so-called Milleproroghe Decree), relating to the operations of the

aforementioned intermediaries at the end of the transition period, and the other addressed to customers of British intermediaries operating in Italy, in order to ensure they receive adequate information on the effects of Brexit.

The Commission also continued to investigate the numerous applications for authorisation to operate in Italy as third-country investment firms submitted by British investment firms under art. 28 of the Consolidated Law on Finance. During these investigations, in addition to verifying the satisfaction of all the necessary requirements to accept the requests, information and data on the organisational and operational methods of the applicants were acquired, in order to better guide the subsequent performance of the supervision. The acquisition of this information also concerned the operational and procedural safeguards prepared by investment firms to comply with the provisions introduced by Regulation (EU) no. 2019/2088 (SFDR) with reference to disclosure on sustainable investments and combating the phenomena of greenwashing.

As at 31 December 2021, there were 69 English investment firms authorised in Italy pursuant to the aforementioned art. 28 of the Consolidated Law on Finance, of which 63 were under the freedom to provide services and six through establishing branches. This figure is likely to increase given further ongoing investigations relating to authorisation applications submitted in 2021 by British investment companies. These developments led to a significant increase in the number of intermediaries subject to direct supervision by CONSOB, which under the Consolidated Law on Finance is required to supervise compliance with the rules of conduct in relations with Italian customers, provided for by the MiFID II derivation regulations, by English investment firms authorised in Italy as third country firms, including when operating under the freedom to provide services, which, before Brexit, were subject to supervision only by the competent English authority also for operations carried out in Italy.

During the year, supervision continued on the complaints sent to CONSOB by Italian investors, including those to EU investment firms operating in Italy under the freedom to provide services (see Chapter VII 'Additional actions for investor protection'). In the latter case, as usual, the complaints received were sent to the competent authorities of the country of origin, with which discussions were held in order to know the results of any further investigations carried out (see Chapter X 'International activity').

## 4 Crowdfunding platforms

At 31 December 2021, 57 subjects were registered in the ordinary section of the register of crowdfunding platform operators (45 at the end of 2020), while the special section dedicated to banks and investment firms did not count any subjects (one at the end of 2020; Table aIV.4). On the same

date, three operators already registered started offering debt securities and as many set up an electronic bulletin board.

The supervisory activity focused on the fairness and transparency of both the most active operators in terms of publishing offers and the operators who, though active, had not published offers. The checks were carried out through requests of data and news, meetings with corporate officers, inspections and analyses of the complaints received by the Authority. As a result of the inspections, the attention of two operators was drawn to the processes of selection, evaluation and publication of tenders, including those subject to multiple campaigns over the years.

In the face of the continuation of the pandemic, on 16 February 2021 CONSOB, in continuity with the previous year, published warning no. 2, which reiterated, among other things, the need for portal operators to continue to adopt the most appropriate measures in order to ensure the continuity of the activities carried out as well as to promptly update information on offerors with regard to significant facts likely to influence investment decisions. Activities were subsequently undertaken to verify the operators' compliance with these measures.

Due to the entry into force, on 10 November 2021, of the new provisions of Regulation (EU) 2020/1503 (European Crowdfunding Regulation), in October 2021 the portal managers registered in the relevant register were given a questionnaire to acquire updated information on their activity programmes, the assessments carried out on the possible impacts of the new European Crowdfunding Regulation and the consequent strategic choices. Pursuant to article 48 (1) of the aforementioned Regulation, subjects already authorised on 10 November 2021 may continue to operate in compliance with the applicable national law until 10 November 2022 or, if earlier, the date of issue of an authorisation referred to in article 12 of the same Regulation.

## 5 Asset management companies

Supervision of the managers of collective investment bodies (UCITS) focused, according to a risk-based approach, on the correctness of behaviour related to investment choices, also in terms of adherence to the investment policy described in the offer documentation. The checks were carried out on the basis of the information acquired through 19 requests for data and news, 84 meetings with corporate officers, also through teleconferencing systems, and inspections carried out also in cooperation with the Bank of Italy.

In 2021, a specific Common Supervisory Action was carried out within ESMA to assess the profile of the costs applied by the operators charged to UCITs funds.



With regard to the provision of portfolio management services, the reasons behind the investment of significant portions of assets under management in potentially complex instruments. Regarding AIFs, CONSOB examined the application to market in Italy and/or in the member of the EU of these funds in order to verify the completeness, comprehensibility and consistency of the offer documentation. The transparency investigations referring to non-reserved AIFs and ELTIFs in particular have been conducted taking into account the needs of the retail customers to which these products are addressed. With regard to real estate fund management companies, particular attention was paid to the managers of listed 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.

## **6 The Supervisory Body and keeping of the single register of financial advisors**

In 2021, CONSOB ran the on the supervision carried out by the Supervisory Body and keeping of the single register of financial advisors (OCF). In particular, the Commission examined the periodic supervisory data received from the OCF and concerning the financial advisors qualified for the door-to-door selling, the independent financial advisors and the financial advice companies; it verified the length of the supervisory procedures with regard to both quantitative (totality of the procedures in progress) and qualitative aspects (only for the procedures in progress with a duration of more than one year); it paid attention to exercising the OCF's inspection power. The Commission also examined the periodic information received with regard to: modification or adoption of new supervisory procedures and policies of the OCF; reports of the board of statutory auditors; financial statement data; staffing. CONSOB also monitored the results of the evaluation tests for registration in the Register carried out 'remotely' in the event of a health emergency.

The Commission communicated its decisions with regard to four complaints against the OCF's resolutions on registration in the Register and guaranteed the multiple forms of reporting cooperation with the other domestic and foreign supervisory authorities as well as with the Judiciary.

CONSOB provided support to the Ministry of Economy and Finance (MEF) and the OCF in view of certain statutory and regulatory changes to the Body.

# V Actions against unauthorised activities

## 1 Innovative profiles

### *The evolution of abusive conducts*

Digital platforms remain the main channel through which investment services are illegally carried out or financial products are offered to the public, although in 2021 there was an increase in reports referring to solicitation activities through call centres. In this context, the investment proposals related to crypto-assets are increasing, which in the vast majority of the cases examined conceal real scams.

As part of the unauthorised provision of investment services through web platforms, we observe not only the prevalence of trading services on Contract for Difference (CFD) with currencies, stock indices and commodities as their underlying assets, but also, increasingly, the same services on CFDs whose underlying assets are crypto-currencies. Not infrequently, the user is also offered the possibility of having the trading account 'managed' or 'handled' by a so-called account manager or by means of software that operates automatically (formulating and/or executing investment transactions): in this context, savers have often reported that they were induced to purchase crypto-currencies for the alleged purpose of feeding their trading accounts.

A recurring pattern emerged from the complaints received, according to which unauthorised operators, after having induced savers to subscribe to alleged trading platforms, ask customers to buy crypto-currency (mainly bitcoin) by using some so-called exchange platforms of the 'crypto' sector; subsequently, they ask savers to transfer the crypto-currencies thus purchased on digital wallets likely to be attributable to the unauthorised operators themselves; as a result of these operations, savers display on their trading account a fictitious increase in the available supply, of which in reality the unauthorised operators have taken possession. This operating scheme, which provides for a method of payment of 'sums' by savers according to methods that are alternative to traditional ones (bank transfer, cards), presumably has the purpose of hindering the tracking of payment flows by concealing the identity of the recipients.

A similar method of operation is the one whereby the savers who have invested in unauthorised investment firms are asked to purchase crypto-currency to be deposited in wallets in order to recover any sums previously

lost or to receive the alleged profits. The savers are made to believe that they are the holders of the wallets, which instead can be traced back to the perpetrators of the fraud; however, since they do not have the credentials to access these wallets, the savers are unable to regain possession of what has been paid or to identify those responsible for the fraud.

With regard to the unauthorised offers of financial products, proposals for 'atypical' financial investments are increasingly frequent, including those relating to alleged crypto-currencies, which promise returns that are off market. Potential clients are frequently invited to join web communities or so-called network marketing systems linked, at least apparently, to promoting these forms of investment. Investors are promised further gains from recruiting other members to the system.

In this context, offers concerning the so-called digital tokens issued on the occasion of authentic or alleged initial coin offering (ICO) transactions are relevant. These tokens are allegedly issued through distributed ledger technology (DLT), are denominated in crypto-currency and incorporate rights to receive periodic returns. Tokens with these characteristics can be classified as investments of a financial nature (in general they are financial products other than instruments), whose offer is therefore unauthorised in case of failure to publish the necessary prospectus.

## 2 Enforcement activity

In 2021, 382 investigations were carried out for cases of financial unauthorised activity (348 in 2020; Table aV.1). The sanctioning measures adopted annually have exceeded 400 units since 2019, the year from which CONSOB's action has become more effective thanks to attributing the Authority the so-called 'black-out power'. This power makes it possible to block access in Italy both to websites that illegally provide investment services and activities and to websites where a public offering/advertising activity relating to financial products is carried out. By virtue of this right, in the three-year period 2019-2021, over 1,200 measures were taken, and 600 websites were obscured (246 in 2021 alone).

With particular regard to 2021, the Commission took 409 initiatives to combat financial abuse (Table aV.2), including: 183 measures ordering a stop to the infringement given by the illegal provision of investment services via the Internet; seven measures of precautionary suspension of unauthorised offers of financial products; seven measures prohibiting unauthorised offers; and two notices for investors protection. CONSOB also made 210 reports to the judiciary.

During the year, five sanctioning proceedings were initiated for the unauthorised public offering (and related advertising) of financial products (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

As regards collaboration relationships with the Italian Authorities, since 2019 there has been an increase in the number of requests for cooperation sent by the law enforcement agencies (from 53 in 2019 to 108 in 2021), for a total of 246 requests in the three-year period 2019-2021.

In a European context, CONSOB cooperates with its foreign counterparts, through requests for cooperation and exchange of information relevant to the fight against illegal practices. This cooperation can be essential for monitoring the many illegal international activities.

In addition to the enforcement action carried out through enforcement measures, CONSOB has long – considering the danger of the phenomenon for public savings – promoted investor education initiatives and published, in the section of its website called *Be aware of fraud*, information suitable to raise the awareness of savers and therefore the ability to avoid joining unauthorised initiatives that usually constitute fraudulent activities (for other investor education activities see Chapter VII 'Additional actions for investor protection').

## 1 Innovative profiles

In 2021, inspections were carried out according to a hybrid work model, which also guaranteed continuity in the phases of pandemic upsurge. Therefore, the activities were carried out both remotely, in line with the procedures established, and in person, limited to those that would not have been possible or appropriate to conduct remotely.

The year saw the completion of an initial phase of the project aimed at verifying the use of software based on artificial intelligence algorithms and functional to analysing texts by means of semantic reporting systems. In particular, the software was refined on the basis of the tests run during 2020, making it possible to implement certain adaptations necessary for the acquisition and analysis of the extensive and inhomogeneous information assets consisting of the documentation and data acquired during the inspection. In 2021, the software was used on an experimental basis as part of an inspection. Once the experimentation and adaptation activity is completed, the type of checks that can be carried out with the help of the artificial intelligence application and the expected benefits will be evaluated.

## 2 Inspection activity and investigations on websites

In 2021, 14 inspections were launched and 11 were completed (of which six were launched in 2020; Table aVI.1) In five cases, the cooperation of the special unit of financial crime police was requested for access to the investigated subject.

Seven intermediaries, four issuers and three audit firms were involved in the inspections initiated during the year (Table aVI.2). The inspections concerned: the adaptation of selected corporate processes to the regulations issued following the transposition of MiFID II (four cases); the accounting information provided to the public by listed issuers (three cases); compliance with the legislation on anti-money laundering controls (four cases, three of which referred to audit firms and one, at the request of the Bank of Italy, to an Italian branch of a community management company); compliance with the rules of conduct in the provision of investment services by an Italian branch of a community management company (one case); compliance by an issuer with the rules concerning the offer to the public of its own bonds (one case); controls to detect transactions suspected of

constituting market abuse and compliance with transaction reporting obligations (one case; Table aVI.3).

Over the year, 414 investigations were carried out in relation to illegal practices performed via the internet and falling within CONSOB's sphere of action, which involved the analysis of 935 websites (Table aVI.4; for details see Chapter V 'Actions against unauthorised activities'). Likewise 20 periodic monitoring activities were carried out, which involved the investigation of 60 websites, in order to verify the compliance of EU investment firms operating under the freedom to provide services in Italy with the measures adopted by the Commission pursuant to art. 7-*quater*, Consolidated Law on Finance.

### 3 Prevention and countering of money laundering and terrorist financing

Supervisory, off-site and inspection activities, continued in 2021, for the purpose of preventing and combating money laundering and terrorist financing towards audit firms and statutory auditors with assignments to public interest or intermediate entities (Table aVI.5).

Off-site supervision in particular was based on the analysis of the information on risks and organisational, procedural and control measures, provided each year by the audit firms pursuant to art. 6 of CONSOB Regulation no. 20570/2018, and led to targeted investigations using a risk-based approach. In detail, 13 requests for data and news were made pursuant to art. 7, paragraph 2, letter *b*) of Legislative Decree 231/2007. As a result of the checks, guidance actions were taken to overcome the weaknesses emerging from the off-site analysis in seven cases. With a view to proactive supervision, meetings were organised with corporate officers and the trade association in order to direct the audit firms to fully comply with the obligations set out in the sector regulations.

During both off-site and inspection supervision, the effective implementation by the supervised audit firms of the initiatives covered by the April 2020 communication was monitored with which CONSOB recommended, in the context of the epidemiological emergency, the intensification of the obligations of constant control of customer operations, the timely reassessment of the level of money laundering risk of the same, as well as the rigorous application of the enhanced due diligence measures and the obligations to identify any suspicious operations to be reported to the Financial Information Unit (FIU), based on the cooperation regulated by a specific memorandum of understanding. As part of this protocol, CONSOB and the FIU have mutually transmitted evidence that is useful for the in-depth analysis of the related matters.

As a result of the supervisory activities described above, CONSOB initiated sanctioning proceedings for the imposition of administrative pecuniary sanctions against an audit firm and sent another audit firm an order to convene the Board of Directors (pursuant to art. 7, paragraph 2, letter c) of Legislative Decree 231/2007), in order to require the adoption of specific corrective initiatives on anti-money laundering. In both cases, the companies were required to monitor the implementation of the corrective actions necessary to allow alignment with the obligations provided for by the sector regulations (for the sanction procedures concluded, see Chapter VIII 'Sanctions').

During the year, the Commission participated in the work of the Financial Security Committee - led by the MEF - to coordinate the national system to combat money laundering and terrorist financing. In this area, CONSOB provided its contribution for the purposes of the Assessment conducted by the Council of Europe on the implementation and effective application by Italy of the provisions of Directive (EU) 2015/849 (so-called IV Anti-Money Laundering Directive).

# VII Additional actions for investor protection

## 1 Innovative profiles

The digitisation of investment services, the spread of crypto-assets and the development of sustainable finance contribute to significantly changing the context in which savers operate, raising new profiles of attention for investor protection activities faced with structural vulnerabilities, also exacerbated by the health emergency.

Participation in financial markets and interest in cryptocurrencies are growing, as also emerges from the CONSOB Observatory on the investment choices of Italian households; however, those individuals who invested for the first time in 2020 or 2021 have lower financial knowledge and greater economic vulnerability compared to more experienced investors. Given the increasing digitisation of investment services, boosted also by contagion containment measures, digital knowledge and the knowledge of digitised services (such as automated consulting or crowdfunding) or cryptocurrencies remain rare, while the propensity to improve digital skills is still contained. Regulatory interventions and market dynamics support the development of sustainable investments, but knowledge remains low, albeit growing.

In this context, even more than in previous years, CONSOB has worked to: improve the financial skills of investors; increase the digital culture of savers, in order to allow them to fully grasp the opportunities of technological developments and related applications in the financial sector (in terms of financial inclusion and reducing the costs of participating in financial markets) and to mitigate the possible risks; develop learning paths on sustainability issues.

The Commission's training offer was expanded by developing (among others) a format dedicated to sustainable finance for adults and a training course for university students. This last project, carried out while implementing the CONSOB-Roma Tre Framework Agreement for research and training in artificial intelligence and distributed ledger technology (DLT), allowed the creation of the first minor on financial and digital education, consisting of several modules concerning personal finance management, evolution of the institutional context of reference and digitalisation of the financial system. The initiative, which in its first edition is aimed at students of the Roma Tre University, can also be easily replicated at other universities.

Methodological study and in-depth work also continued, with the aim of enhancing the effectiveness of training initiatives through a better



understanding of the motivations based on the demand for financial education.

## 2 Financial education

In 2021, CONSOB organised financial education courses based on already tested or recently defined formats, dedicated to a diverse audience of users. The initiatives were carried out independently or in coordination with the National Financial Education Committee.

As in previous years, in particular, the Commission collaborated with the National Committee and the other institutions that are members of the Committee to define the programme of the initiatives of the Financial education month, enriching the calendar with the events of World Investor Week (WIW) promoted, at international level, by the IOSCO Committee 8 ('Retail investors') and, in Italy, by CONSOB. In line with past editions, CONSOB coordinated the activities of the WIW through the cooperation of the most active subjects in the field of financial education, which, each for the relevant recipients (primary/secondary school students, university students, adults, women), organised events, using in some cases the formats made available by CONSOB. During the 2021 WIW, CONSOB held or participated in approximately 40 events, in which around 3,000 people were reached.

The experience gained was shared in international forums (OECD and IOSCO) where the best experiences are pooled in order to identify those best practices that are useful to strengthen financial education activities and define standards for their application and the evaluation of their effectiveness. CONSOB participated in the working group coordinated by the MEF that contributed to the definition of the Financial competence framework for adults in the European Union, led by the European Commission in coordination with OECD-INFE, in implementation of the new Action Plan for the Union of Capital Markets (see Chapter X 'International activity').

## 3 Complaint management

During 2021, CONSOB received 4,502 reports, of which 2,574 classifiable as complaints (2,778 in 2020), which were confirmed with 2,691 letters to savers (Table aVII.1). Approximately 9% of the complaints received were declared inadmissible as regards matters not under CONSOB's jurisdiction. Compared to previous years, the number of complaints attributable to issuers and intermediaries decreased dramatically (from 1,567 in 2020 to 974 in 2021), while the number of complaints attributable to unauthorised parties increased significantly (from 758 in 2020 to 1,138 in

2021). The most frequent violations reported are cases of unauthorised activity and anomalies in providing investment services (Table aVII.2).

The evidence gathered in the analysis of the complaints constitutes a useful information asset to identify critical profiles to be addressed also in the context of the cooperation with the National Council of Consumers and Users (CNCU) and with consumer associations.

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

The results of the activities carried out by the Alternative Financial Dispute Resolution Scheme (ACF) during 2021 confirm its progressive consolidation as a reference for the out-of-court settlement of disputes between retail investors and intermediaries authorised to provide investment services.

1,582 appeals were received by the Arbitrator and, as usual, came mainly from the regions of the North (42.6% of the cases) and Southern Italy (38%; Table aVII.3), while the presence of claimants residing abroad remained marginal (0.8%). There are 89 intermediaries involved in the appeals (stable compared to 2020; Table aVII.4). The appeals received exceeded the admissibility/receptibility test in 85.7% of cases (1,355), in line with the figure recorded in 2020 (86.6%) but up compared to the first years of the ACF's activity, probably due to a more widespread knowledge of the protection instrument and its more suitable use by savers.

Overall, decision-making activity appears to be constantly growing. In 2021, the Board made over 1,650 related decisions (about 1,060 in 2020), to which the decisions of non-acceptability/inadmissibility, taken directly by the President (227 in 2021, down compared to previous years) and those of extinction by agreement between the parties (equal to 242; +14 compared to 2020) must be added. The increase in the number of proceedings concluded in 2021 (2,119; +40% compared to 2020) reflects a significant reduction in investigative and decision-making times compared to previous years. The objective of eliminating the backlog accumulated in the first three years of activity by the end of 2022 has been confirmed, following some cases of betrayed savings that have seen the ACF strongly committed since its establishment in January 2017.

The decisions adopted in 2021 concerned, above all and in line with previous years, the relational dynamics between clients and intermediaries and the information flows that precede the investment choice, as well as the situations of illiquidity of securities widely placed among retail investors that made disinvestment impossible or that led to a significant decrease in the value of the investment. The rate of compliance with the Arbitrator's

decisions – which are not binding – remains high and growing (more than 96% of the cases).

The total compensation paid to savers, amounting to over 39.2 million euro, shows a strong increase compared to the previous two-year period and a rate of acceptance of appeals of more than 69% (+4 percentage points compared to 2020). The overall value of the compensation requested in 2021 stood at approximately 81.3 million euro, ranging from a minimum of 10.9 euro per unit to a maximum of 500 thousand euro, the latter amount corresponding to the limit of competence of the ACF (for an average value of the *petitum* equal to 51 thousand euro, in line with the figure recorded in previous years).

The ACF's first five years of operation end with a positive balance, showing clear signs of an increase in the volumes of recognised compensation and, more generally, of the activities carried out (for details, see the ACF's Annual Reports). In light of the results achieved and the changes to the Arbitrator's Rules that occurred during 2021 (see Chapter XI 'The transposition of European regulation and regulatory activity'), some objectives for the future are outlined: i) promote the full application of the ACF's new regulations, directing the applicants and intermediaries to use the new forms that aim to simplify the procedure and improve its level of functionality; ii) develop mechanisms of coordination and information exchange between the ACF and the Banking and Financial Arbitrator on issues of substance and procedure of possible interest for the decision-making activities of the Associations as well as on procedural and organisational aspects inherent to the proper functioning of the two systems and public information and financial educational initiatives, in order to implement the Memorandum of Understanding between CONSOB and the Bank of Italy stipulated on 19 March 2020; iii) define a memorandum of understanding with IVASS to establish of mechanisms and instruments of cooperation, information exchange and communication between the ACF and the future Insurance Arbitrator; iv) establish systematic communication with intermediaries to facilitate the alignment of their operating practices with the case law of the ACF, with a view to improving the relational dynamics with their clients and limiting cases of possible litigation; v) promote awareness-raising initiatives in favour of savers, including through meetings with consumer associations operating in the territory, to spread greater awareness in relation to their rights, as well as a higher level of accountability in relations with intermediaries; vi) start experimenting – also using existing memorandum of understanding (for example with the State Council) – with IT solutions, by using artificial intelligence tools, in order to simplify and accelerate the investigative and decision-making process before the ACF and to better ensure the comparability and knowledgeability of the content of decisions through the Arbitrator's website.

# VIII Sanctions

## 1 Innovative profiles

In 2021, CONSOB exercised its sanctioning power in particular important and sensitive matters for the conduct being disputed, also in the context of the first application of European Union rules.

Worthy of mention in particular are the first two sanctioning proceedings concerning the violation of the regulations on the prevention and detection of market abuse referred to in art. 16 of Regulation (EU) no. 596/2014 (MAR), which oblige market managers and the investment companies that manage trading venues to have adequate devices in place to identify and report to the competent authority any transactions deemed suspicious as they may potentially lead to insider trading, market manipulation or attempted insider trading or market manipulation. Administrative pecuniary sanctions totalling 130 thousand euro were applied against two legal persons (see the following paragraph).

The first sanctioning proceedings relating to the violation of art. 20 on the production of investment recommendations, concerning the absence of various pieces of information required by the implementing technical standards dictated by Delegated Regulation (EU) 2016/958, fall within the framework of the MAR (the recommendations to which the procedure refers were partially made before 3 July 2016 and, therefore, also subject to the previous regulations dictated by art. 114, paragraph 8 of the Consolidated Law on Finance; the total administrative pecuniary sanction imposed was 250 thousand euro).

## 2 Sanctioning proceedings

In 2021, 70 sanctioning proceedings were settled. In particular, sanctioning resolutions were adopted in 62 proceedings, with the application of sanctions against 106 parties (Table aVIII.1); in five cases the sanctioning proceedings were terminated in advance, since the parties concerned applied the right to pay the sanctions in a reduced amount (so-called out-of-court settlement), for a total amount of 110 thousand euro; instead, three sanctioning proceedings were closed.

The total amount of administrative pecuniary sanctions applied was approximately 8 million euro in 2021. Due to the low level of offensiveness

and danger of the sanctioned conduct, three proceedings ended with the adoption only of alternative measures to administrative pecuniary sanctions (pursuant to art. 19 of the MAR, an order was issued to eliminate the alleged infringements). There were accessory prohibitory sanctions totalling 138 months; the amount of the assets subject to confiscation was equal to approximately 31 thousand euro. In three sanctioning proceedings, in the matter of market abuse and internal dealing, the resolution adopted was transmitted to the professional associations – to which the sanctioned parties were registered – as provided for by art. 187-*octies*, paragraph 15 of the Consolidated Law on Finance. For a procedure, also regarding market abuse, the sanctioning resolution was instead transmitted to the Supervisory Body and kept by the Single Register of Financial Advisors, based on the regulations governing the exchange of information between CONSOB and the aforementioned Body.

Data concerning the sanctioning measures adopted by CONSOB during 2021 will be explained in more detail below.

#### *Sanctions for market abuse violations*

For market abuse offences, four sanctioning measures were adopted, one for insider trading and three for market manipulation. In one particular case, the publication by financial analysts of research involving the dissemination of information deemed false and misleading on the economic and financial situation of a company with shares traded on the Electronic Stock Market (now Euronext Milan or EXM) was sanctioned as a form of manipulation of the market information (pursuant to art. 187-*ter*, paragraph 1, of the Consolidated Law on Finance).

A total of 1.1 million euro in pecuniary administrative sanctions were applied to 11 parties, of which nine are natural persons and two are legal persons; the latter were fined for a total of 250 thousand euro pursuant to art. 187-*quinquies* of the Consolidated Law on Finance (Table aVIII.2). Mandatory accessory penalties as per art. 187-*quater*, Consolidated Law on Finance (temporary loss of the requisites of integrity and temporary incapacity to assume positions of administration, direction and control within listed companies for a length of no less than two months and not exceeding three years) were applied to the natural persons for an overall total of 88 months. In relation to two parties, the confiscation of assets was ordered pursuant to art. 187-*sexies* of the Consolidated Law on Finance, for a total value of approximately 31 thousand euro.

In addition to the above-mentioned initial application of the rules introduced by articles 16 and 20 of the MAR, there is an increasingly widespread application of articles 17 and 18 of the MAR, which impose obligations on issuers regarding inside information. In particular, certain

conduct related to the late disclosure of inside information to the market, the incorrect use of the delay tool referred to in art. 17, par. 4 and the violation of the obligation to keep lists of persons who have access to inside information (art. 18) was sanctioned. For the cases referred to above, CONSOB adopted five sanctions against seven companies, with the application of administrative pecuniary sanctions for a total of 340 thousand euro (Table aVIII.3).

In 2021, art. 19 of the MAR, which requires persons exercising administrative, control or management functions as well as persons closely associated with them, to notify the issuer and the competent Authority of all transactions conducted on their behalf, concerning the issuer's units or debt instruments or derivative instruments or other financial instruments related to them (so-called internal dealing), was also widely applied. Specifically, eight sanctioning measures were adopted (against eight natural persons) and administrative pecuniary sanctions were applied for about 76 thousand euro. An element of particular interest and novelty consists in the adoption, in three cases, of 'mixed' sanctioning responses, that is, consisting of both administrative pecuniary sanctions and administrative measures consisting of an order to cease the conduct and not to repeat it, pursuant to art. 30, par. 2, letter a) of the MAR. In a proceeding, together with the pecuniary administrative sanction, the measure of the public 'reprimand' was adopted (pursuant to art. 30, par. 2, letter c) of the aforementioned Regulation), consisting of administrative sanction public warning indicating the person responsible for the breach and the nature of the same (warning published on the CONSOB website, in the section dedicated to notices to savers). A procedure was defined with the adoption of only the administrative pecuniary sanction. In three sanctioning proceedings characterised by a low level of offensiveness and danger in the conduct, as an alternative to the pecuniary administrative sanction, the administrative measure ordering to terminate the alleged infringements and refraining from repeating them, pursuant to art. 187-ter.1, paragraph 9, letter a) of the Consolidated Law on Finance was applied.

In addition to the measures indicated in Table aVIII.2 and Table aVIII.3, during the year three sanctioning proceedings were concluded against as many credit institutions (with administrative pecuniary sanctions totalling 95 thousand euro) for violation of art. 9, paragraph 1 of Regulation (EU) no. 648/2012 (EMIR) and a procedure against a company, sanctioned for 55 thousand euro, for violation of Regulation (EU) no. 236/2012 (Short selling Regulation).

#### *Sanctions to intermediaries*

During 2021, there were a total of 4 sanctioning measures adopted against financial intermediaries for procedural deficiencies and violations of

the general rules of diligence, fairness and transparency in the provision of services and investment activities.

The total amount of pecuniary sanctions was 780 thousand euro; in 2 proceedings the fine was also applied against corporate officers, fulfilling the conditions referred to in art. 190-*bis*, paragraph 1, letter *a*) Consolidated Law on Finance. In one case, against three corporate officers of the company, the additional administrative sanctions provided for by art. 190-*bis*, paragraph 3 of the Consolidated Law on Finance, of the ban, for a total amount of 48 months, were also applied (Table aVIII.4).

#### *Sanctions for unauthorised activity*

In relation to the unauthorised provision of investment services and activities as well as unauthorised door-to-door selling, in 2021 two sanctioning measures were adopted against two natural persons, which resulted in the application of administrative financial penalties for a total of 26 thousand euro.

#### *Measures against issuers and audit firms*

In 2021, a total of 32 sanctioning measures were adopted for infringements of issuers' and public disclosure regulations, as well as measures adopted against audit firms. The related pecuniary sanctions totalled 5.2 million euro (Table aVIII.5).

In particular: i) with regard to public offerings and related advertising activities, 16 sanctioning measures were adopted with fines amounting to approximately 2.6 million euro (in a proceeding the administrative sanction in addition to temporary disqualification was also applied for a period of two months); ii) with regard to corporate disclosure violations, three sanctioning measures were adopted, which resulted in the application of pecuniary administrative sanctions amounting to 422 thousand euro (among these the two resolutions adopted in the delicate matter of related party transactions deserve to be recalled which, in one case, also led to the application of pecuniary administrative sanction against the company's corporate officers on the basis of art. 190-*bis*, paragraph 1, letter *a*) of the Consolidated Law on Finance), in addition to a provision on internal dealing (pursuant to art. 114, paragraph 7 of the Consolidated Law on Finance) adopted against a legal person, with the application of pecuniary administrative sanctions for 30 thousand euro.

The sanctioning measures against audit firms deserve particular attention both for the number of resolutions adopted and for the type of infringements sanctioned. In particular, during 2021, nine sanctioning measures were adopted for the breach of auditing standards, four of which deriving from quality controls ordered by CONSOB pursuant to art. 22 of

Legislative Decree 39/2010 and art. 26 of Regulation (EU) no. 537/2014; in six cases CONSOB imposed administrative pecuniary sanctions not only against audit firms, but also against those responsible for audit appointments. Three additional measures were adopted against three audit firms fined for 'serious', 'repeated', 'systematic', 'multiple' violations of Legislative Decree 231/2007 (anti-money laundering regulations; in two of these proceedings, the members of the corporate boards were also fined). The measures resulted in the application of pecuniary administrative sanctions totalling approximately 2.1 million euro.



## 1 Information systems

### 1.1 Innovative profiles

In 2021, the Strategic Guidelines of the information systems were defined, also based on the preliminary checks carried out in 2020 on hardware and software infrastructures and the assessments relating to CONSOB's organisational model and the qualitative-quantitative composition of IT staff. The Lines have the objective of developing innovative technological tools to support institutional activities and increase their effectiveness and efficiency, in implementation of the third guideline of the 2022-2024 Strategic Plan (see Part A); they are also aimed at promoting the sharing and integration of supervisory data through the start of specific projects relating to CONSOB's data lake and the data warehouse. These projects, also developed by using artificial intelligence (AI) algorithms, will make supervisory information assets available over time, which will include structured and unstructured data.

The multi-year planning of activities in the IT sector, launched in 2021, includes: the increased use of innovative technologies (AI, blockchain, big data) to promote a data-driven approach and cyber security systems; the acquisition of specialist resources, such as data scientists; targeted personnel training interventions; the rationalisation of IT infrastructures to increase the flexibility of the IT system architecture.

### 1.2 Innovation of processes, systems and tools

During 2021, the data lake intelligence project was launched and the institutional data warehouse system was completed, which integrates all the structured databases present at CONSOB. In order to make these platforms usable, various graphical and application interfaces have also been developed, including those based on AI technologies.

The data lake intelligence project is developed through a series of pilot projects relating to the following innovative services to support the supervisory action: i) analysis of the characteristics of issuers with evidence of global financial scoring; ii) integrated analyses of the data and balance sheet indicators of listed issuers, through unsupervised anomaly detection and risk analysis algorithms; iii) analysis of the auditors' sheets (Key Audit Matters; see Chapter III 'Supervision of public offerings and corporate disclosure'), through supervised text-mining algorithms; iv) analysis of the

texts relating to the complaints and the press review, through text-mining and topic modelling algorithms referring to the risk parameters referred to in art. 89-quater of the Issuers' Regulation; v) graph of the relevant shareholdings including governance data, through network analysis techniques; vi) semantic analysis of complaints through text-mining and knowledge network techniques; vii) analysis of potential abusive trading websites, through intelligent crawling tools.

Finally, the preliminary activities for the development of a new version of CONSOB's document platform (DEMACO) currently in use have been started. During the year, the project resulted in the creation of the new documentary mobile app, aimed at managing the digital signature on CONSOB's documents through the use of mobile devices; in the first few months of 2022 the service was launched with a small group of users. Integration activities were also completed, through application interoperability (API), with the postal system and with the PagoPA system, following the evolution of the documentary platform together with CONSOB's financial accounting system (COFIN).

### 1.3 IT systems update

During 2021, projects were carried out to support supervisory activities, the modernisation of back-office systems was started and some prototypes for the application of AI techniques to support supervision were completed.

With regard to projects in support of supervision, in addition to strengthening the existing tools, applications have been developed that allow the comparative analysis of information from various sources, namely transaction reporting, European registers of financial instruments, reports relating to short selling and supervisory reports on central counterparts and on financial and non-financial counterparts of derivative contracts. The new system for the acquisition of Key Information Documents – KIDs relating to packaged retail investment and insurance-based products, (PRIIPs) has been launched, which replaces, as of 1 March 2022, the current mechanism of communication by certified e-mail for supervised entities, with a double communication channel, SFTP and web (the latter allowing for the guided compilation of the information to be communicated; with regard to the project for the extraction and processing of KIDs data, see Chapter III, Part B). The implementation of the system aimed at transposing the storage systems and subsequently uploading the data relating to the annual financial reports of the issuing companies, according to the new European format (ESEF; see Chapter III 'Supervision of public offerings and corporate disclosure') has also been launched. With regard to the supervision of Securities Financing Transactions (SFTs), a project was launched to construct a control station to monitor trading SFTs, which will have to manage a very high amount of data

and will require the use of advanced techniques. A new version of the prospectus management system for the public offering or the admission to trading of securities on a regulated market, linked to the European Central Prospectus System provided for by ESMA, was issued in the final part of the year. The new system to manage inspection activities is being implemented, which will provide an automation to exchange documentation between the inspection team and the inspected party, in line with the requirements of the Code for Digital Administration (CAD; Legislative Decree 82/2005).

With reference to the back-office systems, the development of the new system of the Commission's registry, the redefinition of the infrastructure of CONSOB's website and the updating of the documentary system underlying some applications was completed. A new system to store and query the minutes of Commission meetings and a system for monitoring IT projects and tracking activities were also created. In 2021, the modernisation of servers and network infrastructures and the upgrade of networks, data storage and security systems continued.

With reference to the AI prototypes developed in 2021, the prototype to analyse inspection documentation was completed by applying text mining techniques (see Chapter VI 'Inspection activity'), the prototypes for the analysis of KIDs and the prospectuses of equity and non-equity instruments, while a supervision prototype for non-financial statements is being studied.

The testing of prototypes for blockchain/ distributed ledger technology (or DLT) started last year as part of cooperation between CONSOB and Cassa Depositi e Prestiti. This experiment focused on evaluating the function of a node dedicated to active supervision in this environment (so-called regulator node). In the same context, analysis activities were also carried out, connected to the security token offering (STO), aimed at the inclusion of an "on-chain" function to support the supervision of smart contracts.

In 2021, the infrastructure to support agile work was consolidated and the renewal of the fleet of personal laptops for all CONSOB staff was completed. From an infrastructure point of view, in addition to routine activities, a new environment was set up to accommodate applications that exploit the innovative technology of micro-services. The equipment necessary to support the visually-impaired personnel who perform the functions of switchboard operator and all the equipment supporting the videoconferencing service were also renovated.

Projects to modernise servers and network infrastructures and to upgrade networks, data storage and security systems continued. In particular, following the organisational and technological assessment carried out in 2020, during 2021 the Commission strengthened cyber security systems and processes. In this context, the initiatives to modernise security technological

safeguards, with which the Commission acquired and put into operation state-of-the-art cyber security technologies, aimed at automating part of the processes to detect and combat cyber-attacks and protect the integrity, confidentiality and availability of CONSOB's IT assets, are of particular importance.

## 2 Financial management

The total expenditure for the 2021 financial year (157.6 million euro) decreased by 6.5 million euro compared to the final figure of 2020 (Table aIX.1). In particular, current expenditure (155.3 million euro) decreased by 5.3 million euro, while capital expenditure (2.3 million euro) increased by 1.2 million euro.

The overall decrease in current expenditure is mainly attributable to the discontinuation of the provision for the stabilisation of contributory income. This lower provision was partly offset by higher staff costs, resulting from the reform of staff careers, as well as higher expenses for the management of offices and the IT system.

Capital expenditure, amounting to 2.3 million euro, is essentially attributable to the acquisition of hardware and software products.

Total revenues (excluding 2020 budget surplus) amounted to 148.5 million euro: 122.0 million (82%) derive from supervisory fees, 19.5 million (13.1%) from different sources (essentially interest receivable, the application of property restoration funds, pecuniary administrative sanctions collected for the infringement of the regulations under Part II of the Consolidated Law on Finance and amounts paid to the Commission as a result of court orders), 6.7 million (4.5%) from using the Fund for the extrajudicial protection of savers and investors. In addition, there is the 0.3 million transfer from the State to the Fund for the out-of-court protection of the savers 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 distribution of contributory income between the various categories of supervisors is shown in Table aIX.2.

In accordance with the CONSOB Administration and Accounting Regulation, the financial statements were submitted for the opinion of the Board of Statutory Auditors which, during the year, carried out routine audits of the Commission's accounts.

## 3 Human resource management and the purchase and management of goods and services

### 3.1 Innovative profiles

#### *The new Staff Regulation: the career reform*

On 1 July 2021, the new Staff Regulation came into force, which profoundly innovated the legal and economic system of the Commission's human resources.

Innovation, based on the principles of decentralisation in personnel management, management simplification and transparency of processes, involves the reform of systems relating to the classification and development of professional skills and careers, allocation and management of assignments, evaluation, progress and, finally, remuneration.

The framework of the 'management career', now known as the 'Management Area/High Professionalism' was simplified and updated by introducing a flatter and more streamlined structure (divided into four professional segments) and a dual-track career path system (for positions with predominantly managerial content and for those with a higher professional profile), allowing for human resources management that is aligned with the dynamics of a modern work organisation. The temporary nature of managerial assignments, the allocation of organisational positions through vacancy procedures, and the mobility of the remaining staff through a job posting system were introduced.

A new staff appraisal system has been adopted as a key tool for progress management, focused on setting targets in order to guide professional growth and stimulate performance improvement.

Finally, with regard to the new pay system, each of the four occupational segments corresponds to a salary bracket which is in turn divided into several economic levels. Many fixed remuneration items have been replaced by variable items related to merit and the performance of relevant organisational and professional assignments.

#### *Pandemic-related activities*

In 2021, agile work continued to be used, variously modulated (by adopting specific internal provisions) during the year according to the development of the pandemic emergency and the provisions adopted by the competent authorities.

Work continued on the prevention of contagion in the workplace, including the provision of personal protective equipment, the signing of specific agreements to carry out (on a voluntary basis) serological tests, antigenic and molecular swabs. For the second consecutive year, a special flu vaccination campaign was carried out. Finally, as of October, a green pass

check was introduced at the entrance for all employees, suppliers and external guests, as required by law.

### 3.2 Human resource management and training

At the end of 2021, the Commission's staff stood at 660 units (five less than in 2020). Against seven terminations of service, a contract was signed and another resource was acquired by secondment (Table aIX.3 - Table aIX.4).

Remote staff training was aimed at expanding the knowledge of issues related to digital innovation, with particular reference to the impact of AI and new technologies in the financial sector. In-depth studies concerned the analysis of big data, the use of blockchain and the emergence of initiatives in the FinTech area, as well as the related effects for institutional activities, including the use of technology in the context of regulation (Regtech).

The two main frontal training projects on the topics described – started at the end of 2020 and continued in 2021 – were developed respectively with the help of the School of Management of the Polytechnic University of Milan, the Roma Tre University and the Cattolica University of Milan. In 2021, two important universities (Scuola Normale Superiore di Pisa and La Sapienza di Roma) were also entrusted with the same number of on-the-job training services for specific supervisory sectors.

With regard to personnel management, in connection with the launch of the aforementioned Career Reform, a process of managerial coaching was organised for all the Commission's managers that proved useful for refining management skills in a context increasingly inspired by principles of modernity and greater collaboration between the different levels of the organisational structure.

#### *Purchasing of supplies and services*

At the end of December 2021, the National Cybersecurity Agency (ACN) adhered to the Memorandum of Understanding, previously signed, between the Bank of Italy, CONSOB, AGCM, ANAC and IVASS for the joint management of joint procurement procedures according to the regulations of Legislative Decree no. 50 of 18 April 2016.

The protocol defines the methods of coordination between the adhering Authorities in order to identify joint strategies for the acquisition of works, services and supplies and is functional to the achievement of cost savings. It represents a best practice on the national scene and lays the foundations for raising the quality of public procurement, also in terms of transparency and anti-corruption. A number of EU tenders have been carried out jointly under this protocol.

Various acquisition procedures were also carried out with the AGCM in implementation of the existing agreement with that Authority.

## 4 External relations

In 2021 the CONSOB website proved to be a main tool for institutional communication with the public: the high number of accesses, in line with previous years, highlights its usefulness for both operators (to whom the 'Services for operators' section is dedicated) and students, scholars and retail investors (to whom the sections 'CONSOB and its activities' and 'Financial education' are devoted; Table aIX.5).

As in the past, there were numerous telephone requests for data and information, written requests for assistance as well as reports on corporate and market transactions (for reports classed as complaints, see Chapter VII 'Additional actions for investor protection'). Of the more than 2 thousand requests received by CONSOB from the public and retail investors, approximately 1,350 were sent via the Integrated System for External Users (SIPE) and the form available therein, while the rest were received by e-mail and regular mail (Table aIX.6).

In addition to continuing financial education activities aimed at school and university students (see Chapter VII 'Additional actions for investor protection'), since 2017 CONSOB has been contributing to the Percorsi per le Competenze Trasversali e l'Orientamento - Pathways for Transversal Skills and Orientation (PCTO). During the 2020-2021 school year, the activities - which involved almost 500 secondary/high school students - were carried out online in compliance with the anti-contagion rules and, in agreement with the teachers, included courses in line with their respective study plans.

## 5 Studies and conferences

Many studies were published in 2021 on institutional themes, also in cooperation with academics. These include: the study on finance for sustainable development, which launched the series of the same name and is the result of the work of the Steering Committee on sustainability; the study on data portability in the financial sector; the discussion papers on the post-trading industry and the regulations on takeover bids.

As part of the Commission's periodic publications, the following were prepared: the Report on the investment choices of Italian households, the Report on the corporate governance of Italian listed companies, the Report on non-financial reporting of Italian companies, the 2021 editions of the Statistical Bulletin as well as a Report on the economic situation and

risks of the Italian financial system in a comparative perspective. For 2022, research and analysis activities will continue to be guided by developments in sustainable finance and financial digitisation, as well as by the evolution of the reference economic and regulatory environment.

With regard to the organisation of training meetings and conferences, in addition to financial education initiatives (see Chapter VII 'Additional actions for investor protection'), CONSOB organised several events targeting a wide audience, including: the cycle of seminars 'Bank and finance' in collaboration with Università Cattolica del Sacro Cuore; the global webinar on sustainable finance (as part of the WIW 2021); the seminar CONSOB – La Sapienza University Emerging risks in Cryptocurrencies; the webinar CONSOB – G20 Regulating innovation in the financial system to power a resilient recovery; the cycle CONSOB – Eureka! on the topic of artificial intelligence applicable to the field of regulation and supervision of financial markets; the series of seminars organised with the Blockchain & Distributed Ledger Observatory of the Polytechnic University of Milan that explores the main challenges posed by new technologies from both a regulatory and a technical point of view.



## 1 Innovation in the regulatory framework

### *Digitisation*

European institutions have long been engaged in promoting the digital transformation of society and the economy according to a regulated path. The regulatory discussions started at EU level on different aspects are an integral part of the wider European Commission's Digital Strategy of September 2020.

This Strategy includes the proposal for an harmonisation of crypto-asset markets (Regulation on Markets in Crypto-assets, MiCAR), aimed at regulating those crypto-assets that are not financial instruments. In February 2022, the Council's negotiating position was formalised, on 14 March the European Parliament's ECON committee approved the negotiating position and on 23 March Parliament approved it; the trialogue is scheduled to start in April 2022. Although areas for improvement remain, the Council's text has introduced, compared to the one originally proposed by the Commission, a series of improvements largely in line with the areas supported by CONSOB, such as the introduction of measures to coordinate supervisory approaches involving the three European supervisory authorities (the so-called European Supervisory Authorities or ESAs: the European Banking Authority - EBA, the European Securities and Markets Authority - ESMA and the European Insurance and Occupational Pensions Authority - EIOPA) and the differentiation of the roles of issuer, offeror and person requiring admission to trading for crypto-assets, in addition to a series of reinforced safeguards for the protection of investors.

On 17 March 2022, the ESAs warned consumers about the risks of crypto-assets, considering them unsuitable for most retail consumers as an investment or means of payment or exchange. In the communication, the ESAs recall the main risks associated with using these assets and point out that consumers do not benefit from any of the protections provided for in the MiCAR proposal until the Regulation is adopted and implemented.

In addition to the MiCAR, the proposed DORA (Digital operational resilience for the financial sector) regulation, currently in the trialogue phase, which aims to raise the standards of infrastructure security and the monitoring of ICT providers operating in the financial sector, and the Pilot Regime Regulation, under which market infrastructures will be able to test innovative technological solutions and new business models, while CONSOB and other supervisory authorities will be able to monitor their developments

in a protected environment, are also part of the digital finance package. The European Parliament and the Council reached a provisional agreement on this proposal for a Regulation on 24 November 2021; the political agreement was endorsed by Coreper on 21 December 2021 and approved in Parliament's ECON committee on 13 January 2022; on 24 March 2022 the Regulation was finally adopted, while the entry into force could take place in January 2023.

The Digital Finance Strategy also includes two proposals presented by the European Commission on 15 December 2020, namely the Digital Markets Act (on which the political agreement was reached on 24 March) and the Digital Services Act (currently in the trialogue phase), the finalisation of which will represent a first milestone in designing a regulation of large and very large digital platforms, with a view to bringing them back to established legal categories.

The framework outlined above was completed by the proposal for regulation on artificial intelligence in April 2021, intended to have repercussions on many sectors. With particular regard to the financial sector, the Digital Finance Strategy requires ESAs and the European Central Bank (ECB) to develop regulatory and supervisory guidelines on using artificial intelligence applications.

A further piece of the regulatory framework currently being defined is the Plan proposed in September 2021 by the European Commission, in line with the objectives set in 2030 Digital Compass launched in March, to make the digital transformation a reality by 2030. More specifically, a cooperation mechanism between the European Commission and the Member States is planned to be set up in order to develop digital skills and infrastructures and promote the digitalisation of businesses and public services.

With reference to the growing spread of crypto-assets and in order to assess emerging risks in a timely manner, the Financial Stability Board has launched a new initiative, called FSB Data Gap, which includes a collection of data dedicated to crypto-assets and, in particular, to global stablecoins and which may offer useful evidence for defining the policies deemed necessary in every international institutional context (G20, FSB, OECD, IMF, IOSCO).

In this context, in January 2021 the European Commission and the ECB agreed to work together to analyse various design options and the related regulatory implications of the digital euro. On 14 July 2021, the ECB launched the preliminary phase of the project, believing that the digital euro could support EU strategies on digital finance and retail payments and strengthen the euro's international role (objectives set out in the Commission communication of 19 January 2021).

The challenge of developing a regulatory approach that takes into account new technologies while remaining anchored to the well-known principle of technological neutrality has emerged in all its complexity in the debate (within IOSCO, FSB, BIS and OECD) on the risks that adopting open

digital platforms by financial institutions may entail for consumer protection, market integrity and financial stability. This requires a careful reflection on new forms of supervision required by technological developments, which could have a significant impact on the economic methods of production of goods and services and on online and offline distribution mechanisms and, finally, on consumer behaviour.

In general, CONSOB hopes that greater harmonisation of rules will be achieved in the direction of a Single Rule Book (i.e. a single Code of European rules for financial services) that, precisely because of the technological challenges, is set in a horizontal or transversal perspective with respect to the multiple sectors of the system. In this sense, the Commission also expressed itself in the consultation of the European Commission in the first half of 2021 on supervisory convergence and on the Single Rule Book.

Digital transformation is fuelled not only by technological innovation but also by data produced in exponential quantities as a result of ICT technologies. The proposal for a regulation published on 25 November 2021 for the centralisation of information at EU level within a virtual space, with public access (European Single Access Point or ESAP) is aimed at exploiting this information asset, to the benefit of investors, intermediaries and supervisory authorities.

#### *Initiatives supporting sustainable finance*

At European and international level, efforts have multiplied to facilitate the transition to a low-carbon economy from a long-term, more resource-efficient and socially sustainable perspective. Between spring and summer 2021, the European Commission presented the new strategy on sustainable finance (Strategy for financing the transition to a sustainable economy) and a package of measures including: the proposal for a Directive on Corporate Sustainability Reporting Directive (CSRD) and the proposal for a regulation on European Green Bonds, aimed at the introduction at European level of the homonymous label, both of which are currently being negotiated in the competent European institutions.

The CSRD proposal, which updates the current Directive on non-financial reporting, in addition to providing for an extension of the scope of the obligation to publish sustainability reports and taking into account the principle of proportionality for small and medium-sized enterprises, introduces the obligation to apply EU standards for sustainability reports, which will be adopted by the European Commission by means of delegated acts, drawn up using the technical opinion of the European Financial Reporting Advisory Group (EFRAG) and the opinion of ESMA. The CSRD proposal specifies that, in adopting the aforementioned EU standards, the European Commission must take into account: i) the initiatives of the standard setters to define sustainability reporting standards at global level (reference is made to the work of the newly established International

Sustainability Standards Board - ISSB) and the already existing standards and frameworks (such as TCFD, GRI, SASB, IIRC, CDSB and CDP); ii) the other EU regulatory initiatives on sustainable finance. In this regard, in March 2021 CONSOB communicated its support for the recommendations of the TCFD (Task Force of the Financial Stability Board on the communication of financial information related to climate change) in the context of the initiatives taken by the Commission to raise awareness among issuers to make sustainability information reliable and comparable.

The regulatory framework being defined is aimed at ensuring transparency and credibility of sustainable projects, making reliable and high-quality data available. The same guideline was outlined by the Taxonomy Regulation of 2020 (Regulation (EU) 2020/852) and the related implementing delegated acts. Among the latter, the 'Climate Delegated Act' referring to the technical screening criteria for the first two objectives (mitigation and adaptation to climate change) was published on 9 December 2021. The publication of the first delegated act was accompanied by the adoption of a Communication from the Commission aimed at conveying key messages on how sustainable finance measures can facilitate access to transitional finance. The Delegated Regulation supplementing article 8 of the Taxonomy Regulation - which requires financial and non-financial companies to provide investors with information on the environmental performance of their assets and economic activities - was published on 14 December 2021 and will be applied in phases during 2022 and 2023. On 2 February 2022, the European Commission, after consulting the EU Platform on Sustainable Finance and the Member States' expert group on sustainable finance, approved in principle the text of a delegated act of the Taxonomy Regulation on certain activities related to natural gas and nuclear energy, with a view to facilitating the transition to a future based on renewable energy.

With reference to the Regulation on the transparency of information on sustainable finance of 2019 (Regulation (EU) 2019/2088 - SFDR), on 22 October 2021 the Joint Committee of the ESAs published the Regulatory Technical Standards provided by the SFDR and the Taxonomy Regulation, regarding the content and methods of presenting information regarding products that promote or contribute to environmental objectives through implementing sustainable investments. The taxonomy of environmentally friendly activities should be accompanied by a social taxonomy and a taxonomy of environmental transition. The first report of the EU Platform on Sustainable Finance was published in February 2022. A second delegated act on the technical screening criteria for the remaining environmental objectives will be published during 2022.

Finally, the need to improve the comparability, reliability and transparency of ESG (environmental, social and governance) ratings, as evidenced by the study published by the European Commission in January 2021, by the initiatives of ESMA and some EU authorities supporting a

European regulatory and supervisory framework on ESG rating providers and by the work started at IOSCO on sustainability ratings and ESG data providers (merged into a report published on 21 November 2021), is the subject of increasing attention at the international level. As part of the Strategy published on 6 July 2021, the Commission will launch a public consultation before the end of the year with the aim of acquiring further contributions from market participants to improve the reliability, comparability and transparency of ESG ratings.

#### *Pandemic-related activities*

In continuing the work of the different international bodies aimed at strengthening the resilience of the non-banking intermediation sector, in 2021 the vulnerabilities highlighted by the pandemic in some segments were analysed, as well as the effects due to the interconnection between this sector and the banking sector, with the aim of identifying the possible adaptations of the related regulatory framework. Particular mention should be made of the work on liquidity risks in the open-end investment fund sector, which is the subject of attention both at global level (FSB, IOSCO) and at EU level, by the European Commission, ESRB and ESMA. In this context, reports were concluded with regard to the identification of potential guidelines to increase the resilience of money market funds, one of the most affected sectors globally, in the first few months of the pandemic.

Among the most recent initiatives in this regard, in which CONSOB participated, are: i) the preparation of the opinion of ESMA to the European Commission regarding the revision of Regulation (EU) 2017/1131 on money market funds (published in January 2022); ii) the ESRB recommendations on the revision of the same regulation (published in January 2022); the publication by the FSB of the report 'Policy proposals to enhance Money market funds resilience' (October 2021). The IOSCO, in addition to having included among its 2021-2022 priorities the development of policies to increase the resilience of monetary funds, is conducting a Thematic review (in which CONSOB also participates as a member of a working group) on the application of the 2018 recommendations on liquidity management of open-end investment funds. The results of this analysis will also be taken into account by the FSB in the liquidity risk assessments of open-end funds.

In February 2021, the new Regulation (EU) 2021/23 on the recovery and resolution of central counterparties (CCPs) entered into force. This regulation, being prepared for some time, introduces rules aimed at promoting an orderly reorganisation of CCPs in various scenarios where the continuity of the central counterparty service may be at risk and is therefore in line with all the measures to strengthen the resilience of financial operators.

#### *The Capital Markets Union (CMU) Action Plan*

With the objective of full financial integration, already outlined in the original 2015 plan for the European Union, during 2021 the European

Commission adopted a series of important initiatives, announced with the renewed Capital Markets Union Action Plan of September 2020, including the public consultation on supervisory convergence and the Single Rule Book as well as the consultation on the Retail Investments Strategy, which should be adopted during 2022. This strategy will include a series of initiatives to ensure that the individual investor can take full advantage of capital markets, also by promoting greater coherence between different sectoral regulatory frameworks.

Following the retail investment strategy, in July 2021 the European Commission sent ESMA, EIOPA and the Joint Committee of the European Supervisory Authorities three separate 'Calls for advice', in order to gather information on a series of aspects relating to the protection of retail investors, with the aim of formulating any proposals for regulatory reform after collecting and processing the contributions received. Among others, the European Commission requested the Joint Committee of the ESAs to provide by April 2022 evidence and analyses on numerous aspects related to the application of the PRIIPs Regulation, to support the review of the related regulations. In preparing the aforementioned report, the Joint Committee will be based on the information collected by the market, stakeholders and the national supervisory authorities.

In November 2021, one year after the publication of the renewed Plan for the CMU, the European Commission adopted a package of measures including, in addition to the aforementioned legislative proposal aimed at establishing the ESAP, the communication 'CMU – Delivering one year after the Action Plan', and three legislative proposals to review the following regulations: i) the Eltif funds rules, ii) the AIFMD alternative funds directive, iii) the regulations dictated by the MiFID II Directive and the MiFIR, currently being discussed by the European institutional bodies. In the above-mentioned accompanying communication, the Commission also sets out the further initiatives it intends to take in 2022, including a proposal on the listing act in the second half of 2022, which will be based on the results of the public consultation conducted between November 2021 and February 2022.

## 2 International activity

In 2021, CONSOB was as usual engaged in numerous international cooperation activities with the authorities of other European Member States and third countries (Table aX.1).

As regards the requests made by the Commission to foreign authorities (223), there was a significant increase in the requests relating to the requirements of integrity and professionalism of participants in the capital or corporate officers of intermediaries, in connection with the numerous requests for authorisation to carry out investment services in Italy

as third country companies other than banks, received by intermediaries under English law following Brexit. There have also been a number of requests regarding unauthorised solicitation and intermediation activity, and market abuse.

The requests for assistance received from EU and non-EU authorities (203) mainly concerned the assessment of the requirements of shareholders or company representatives of investment firms and other foreign intermediaries, as well as reports of suspicious transactions on market abuse.

In implementation of the bilateral agreement concluded in 2016 pursuant to art. 47 of Directive 2014/56/EU (Audit Directive), CONSOB continued to cooperate with the Public Company Accounting Oversight Board (PCAOB) in relation to Italian statutory auditors of issuers with securities traded on US markets.

In terms of bilateral agreements, in 2021 a Memorandum of Understanding was concluded with the *Authorit  des march  financiers* of Qu bec, to be added to the numerous other agreements of this type signed with the authorities of third countries.

## 2.1 Activity in the European context

In the context of ESMA, CONSOB participated in the work of the standing committees and the permanent coordination group on sustainability, in a context that in some ways has changed considerably since the first reform of the European supervisory authorities carried out in 2019 and operational since 2020.

ESMA now has more meaningful tasks in areas such as direct supervision and the convergence of supervisory practices, investor protection, relations with third countries, sustainability and technological innovation. In implementing the new obligations to promote and monitor the independence of national supervisory authorities, in October 2021 ESMA published a report 'On the independence of National Competent Authorities'. Based on the self-assessments provided by the authorities themselves, this report takes stock of the key aspects of their independence, taking into account the respective national regulatory frameworks.

With the aforementioned 2019 reform, ESMA was also given a clearer mandate to ensure proportionality in the adoption of the level 2 and 3 regulatory measures that are entrusted to it. To this end, within itself it has established the Advisory Committee on Proportionality (ACP) – in which CONSOB has taken part from the start – which in 2021, in parallel with EBA and EIOPA, which established similar committees, has worked on the drafting of a working methodology that can allow both for the *ex-post* verification of the deeds already adopted and *ex-ante* advice on the deeds that are being issued.



Given the pervasiveness of the ESG-related assessments imposed by financial sustainability regulations, ESMA has recently published the Supervisory Convergence Roadmap for sustainable finance concerning the actions to be taken over a three-year time horizon to promote consistency in the application of sustainable finance legislation and convergence in related supervisory practices. In the same context, the call for evidence of ESMA (3 February 2022 – 11 March 2022) on the structure of the market relating to ESG rating providers should be noted.

As part of the activity of supporting the Commission on the CMU, in addition to the initiatives already mentioned, noteworthy is ESMA Call for evidence (1 October 2021 – 2 January 2022) on certain aspects of the retail investor protection provisions for the purposes of the Technical Advice requested by the EC within the framework of the Retail Investments Strategy, as mentioned in the definition process. The ESMA Technical Advice must be issued by 30 April 2022.

On 3 March 2021, ESMA (following the Wirecard case) published a letter to the European Commission regarding possible amendments to the Transparency Directive. Reference is made, in particular, to: i) the removal of the secrecy ties between authorities in different areas (prudential, anti-money laundering, audit), ii) the strengthening of investigation powers and of the actions that the NCAs may activate in the field of Transparency, iii) the strengthening of the independence of the supervisory authorities with respect to governance and the market, iv) the strengthening of the role of ESMA in the field of alternative performance measures (APM) and v) the introduction of the IFRS Regulation among the regulatory texts in implementation of which ESMA has greater power of intervention (including the possibility of activating the procedure of infringement of the Union law). These issues were covered in the consultation on corporate reporting launched by the European Commission in November 2021.

As regards potential changes to the secondary market framework (MiFID II/MiFIR), ESMA also published several preliminary reports for the audit, which were sent to the European Commission at the same time.

The Authority published the Guidelines on the provision of market data which CONSOB complied with in October 2021 and which came into force on 1 January 2022. As part of the negotiation on the proposed amendments to the MiFID II/MiFIR framework, CONSOB also supports the transformation of the aforementioned Guidelines into regulatory technical standards, to be adopted by the EC on the basis of a proposal from ESMA.

Within the framework of the Joint Committee, during 2021 European authorities worked on the Technical Advice requested by the European Commission in the context of the Digital Finance Strategy, concerning the assessment of the implications deriving from: i) fragmentation



of the value chain and the bundling of services; ii) digital platforms; iii) mixed groups (which carry out financial and non-financial activities).

CONSOB participated in the work of the Committee of European Auditing Oversight Bodies (CEAOB) with regard to the technical review of the decisions of equivalence and adequacy of US authorities, pursuant to the Audit Directive. The decisions in force on the adequacy and equivalence of the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) will, in fact, cease to produce effects after 31 July 2022.

Again within the CEAOB, CONSOB contributed to the work of the Task Force in charge of analysing the safeguards to be included in agreements with third country authorities responsible for audits to allow the transfer of personal data in international cooperation activities, in accordance with the General Data Protection Regulation (GDPR). Specifically, the Task Force examined the draft data protection agreement between the French Haut Conseil du Commissariat aux Comptes (H3C) and the US PCAOB, coordinating the dialogue with the European Data Protection Board (EDPB), which led to the issuance of a favourable opinion by the latter in February 2021.

## **2.2 Activities related to IOSCO, G20 and other international organisations**

During 2021 CONSOB gave its contribution to several international working groups.

In the context of IOSCO, the Commission coordinated the work of the Committee 4 with regard to the identification of a set of action measures that can support the authorities in facing the challenges posed for enforcement activities by the growing use of digitalisation for the marketing and distribution of financial services and products. The measures it intends to consider with a view to adequate investor protection at global level include: i) the adoption of proactive investigative approaches that, through technology-based techniques and tools, make it possible to develop and accelerate the ability to detect breaches on the web; ii) the allocation of powers for a timely blocking of abusive sites; iii) the intensification of dialogue and collaboration with connectivity service providers; iv) the strengthening of cooperation between supervisory authorities and the judicial authority; v) renewed efforts at global level against regulatory and supervisory arbitrage phenomena. To be added to these measures is the policy toolkit identified by the Committee 3, based on which market participants must, among other things: i) have rules for online marketing and distribution and for online onboarding; ii) identify responsibilities for the marketing and distribution of financial services and products and iii) have specific supervisory measures for these activities; iv) define the professionalism/qualification requirements of the personnel involved; v)

ensure compliance with the regulations of the countries. The related consultation document was published in January 2022.

In all institutional bodies (including FSB, IOSCO, ESRB, IMF, OECD), efforts were continued in order to identify the most appropriate measures to strengthen the resilience of financial entities with respect to events such as pandemics, computer accidents and natural disasters, which can determine high operational and liquidity risks. The most relevant examples include the liquidity crisis triggered in some segments of asset management in March 2020 and then extended to other areas of the financial sector. Significant large-scale business disruptions in the financial sector could undermine investor confidence and financial stability. These are cross-sectoral risks that can generate highly complex situations given the current siloed approach to regulation and supervision.

With the aim of helping to enhance cooperation and the exchange of information between authorities at international level, IOSCO also conducted an in-depth study on the boards of supervisory authorities on an interjurisdictional scale, to the point of identifying some best practices, with the ultimate aim of encouraging the use of boards that can also be a valuable aid in the search for shared solutions in dealing with crisis situations.

IOSCO, through an ad hoc technical group set up within the Sustainability Task Force, in which CONSOB also participates, is playing an active role in international coordination among sustainability reporting systems. In particular, IOSCO supports the IFRS Foundation in the development of non-financial information reporting standards that can be shared internationally. As announced during the United Nations COP26 climate conference (held in Glasgow in November 2021, chaired by the United Kingdom in partnership with Italy), IFRS purposefully established the aforementioned International Sustainability Standards Board (ISSB). The proposed arrangement is that of applying a building block approach to build a standard system architecture that leads, as a common starting point, to an ESG reporting framework oriented towards a value creation perspective that is in any case flexible in order to allow coordination with ESG reporting systems that capture wider sustainability impacts, such as the European one which, according to the so-called principle of double materiality, is not limited to financial materiality.

The development of globally valid standards will require constructive cooperation between the various relevant players at European level - including EFRAG and ESMA, which are engaged in defining European non-financial reporting standards - and the ISSB. In international work, under the Italian presidency the G20 maintained a neutral position with regard to the issue of double materiality, also recognising that the reporting gap according to the 'enterprise-value creation' perspective and to the lens of double materiality is not so wide, especially in a long-term perspective. By overseeing both European and international fronts CONSOB will be able to

play a significant role in promoting the adoption of interoperable common standards on sustainability reports.

Climate and environmental issues are also central to the FSB agenda: the last of a series of reports on climate change was published in July 2021. The Italian presidency of the G20 ended with the approval of the G20 Sustainable Finance Roadmap aimed at promoting, in the long term, the alignment of public and private investments with the Paris Agreement and the 2030 agenda through non-binding recommendations. The Roadmap will be the benchmark for the development of the G20 green agenda in the coming years. The aforementioned international COP26 conference, despite the absence of an agreement on a number of key issues, in any event saw the emergence of a new pact of cooperation between the US and China on climate issues.

In order to promote an international environment conducive to investment and growth, the G20, under the Italian presidency, adopted a Menu of Policy Options with the aim of providing economic policy suggestions to foster digital transformation and a lasting and sustainable economic recovery.

# XI The transposition of European regulation and regulatory activity

## 1 The amendments to primary regulation

During 2021, CONSOB contributed to the process of adapting national regulations to the evolution of the European framework, providing technical support to the Ministry of the Economy and Finance (MEF).

### 1.1 European Delegation Law 2019/2020

Particularly important has been the process of adapting national law to European legislation based on the delegation criteria contained in Law no. 53 of 22 April 2021, which delegates to the Government the transposition of European directives and the implementation of other acts of the European Union - European Delegation Law 2019/2020.

In this context, the Commission provided support to the MEF to prepare legislative decree no. 191 of 5 November 2021, which adapts the national legislation to the provisions of Directive (EU) 2019/1160 and Regulation (EU) 2019/1156 – so-called Cross-Border Distribution of Investment Funds package or CBDF package - containing rules on the cross-border distribution of Undertakings for the Collective Investment in Transferable Securities (UCITS). These European legal acts are part of the Capital Markets Union action plan, with the aim of facilitating the cross-border distribution of UCITS. The issuance of the decree has made changes to the primary regulations, assigning the regulatory power to the sector authorities to define some aspects of the European regulations not included in the Consolidated Law on Finance and expanding the competences of CONSOB.

A further activity supporting the MEF concerned the preparation of the rules contained in Italian Legislative Decree no. 201 of 5 November 2021, containing provisions for the adaptation of national legislation to Directive (EU) 2019/2034, relating to the prudential supervision of investment firms and Regulation (EU) 2019/2033, relating to the prudential requirements of investment firms (so-called IFD/IFR package, consisting of the Investment Firm Directive - IFD and the Investment Firm Regulation - IFR). The transposition of European legislation has led to changes to CONSOB's competence to authorise Italian investment firms (Sims).

Support was also provided to the MEF to prepare implementing solutions for the transposition of art. 44-*bis* of Directive (EU) 2019/879 (BRRD2), for the purposes of marketing securities subject to bail-in to retail investors, merged into Legislative Decree no. 193 of 8 November 2021.

Finally, the Commission supported the MEF in defining certain delegation criteria contained in the European Delegation Law 2021, which delegates the Government for the transposition and implementation at the primary level, among others, of the following European acts: i) Regulation (EU) 2021/557, which establishes a specific framework for simple, transparent and standardised securitisations to support the recovery from the Covid-19 crisis; ii) Recommendation CERS/2011/3 of the European Systemic Risk Committee, relating to the macro-prudential mandate of the national authorities; iii) Directive (EU) 2020/1504 amending MIFID on crowdfunding, and Regulation (EU) 2020/1503, relating to European providers of crowdfunding services for companies; iv) Regulation (EU) 2021/23, relating to a framework for the recovery and resolution of central counterparts.

## 1.2 Other relevant regulatory activities

As part of adapting national legislation to the legislative initiatives adopted by the European Institutions in implementing the Capital Markets Recovery Package, the Commission provided support to the MEF to process the changes to be made to the primary regulations for the purposes of its adaptation to Directive (EU) 2021/338, which modifies MiFID II in terms of disclosure obligations, product governance and position limits. The issuance of the relevant regulatory act, in order to calibrate compliance charges in the post-COVID recovery phase, will make changes to the Consolidated Law on Finance on the general criteria on providing investment services - with particular regard to the methods of information to customers and the regulations of product governance - and on commodity derivatives.

On the other hand, with reference to the functional activities to support the technological transition of the financial sector, the Commission provided support to the MEF to prepare the decree of the Minister of Economy and Finance no. 100 of 30 April 2021, on the conditions and procedures for carrying out an experimentation relating to FinTech activities (so-called Sandbox Decree).

Finally, during 2021, the Commission supported the MEF in adapting the primary regulations to Directive (EU) 2019/2177, which modifies MiFID II in terms of data communication services. The interventions to the Consolidated Law on Finance align the national legislation to the changed supervisory structure outlined by the European legislator who intended to centralise the supervision of data communication service providers in the hands of ESMA.

## 2 The amendments to secondary regulation

In order to make a tangible start to the regulatory sandbox established by the aforementioned Sandbox Decree, during 2021, CONSOB adopted (resolution no. 22054 of 27 October 2021) the new regulation containing the regulation of the procedures for the issuance of the individual measures provided for by the Decree. In drafting the regulations, the necessary coordination with similar acts of the Bank of Italy and Ivass was ensured. In addition to these regulatory initiatives, the three Authorities involved in the sandbox also jointly prepared the application forms to participate in the sandbox, as well as the supporting documentation for the operators concerned.

As a result of the consultation with the market, CONSOB approved (resolution no. 22144 of 22 December 2021) a series of amendments to the Issuers' Regulation aimed at adapting the secondary regulations to the European regulations on the exemption from the obligation to publish a prospectus for offers and admissions to listing of securities issued during mergers, demergers and public offers of exchange, pursuant to the regulations referred to in Regulation (EU) 2019/2115, on the promotion and use of growth markets for small and medium-sized enterprises.

During 2021, the Commission completed the process of reviewing the enactment regulation of article 2, paragraphs 5-*bis* and 5-*ter*, of Italian Legislative Decree no. 179 of 8 October 2007, concerning the Alternative Financial Dispute Resolution Scheme (ACF; see Chapter VII 'Additional actions for investor protection'). The regulatory changes (resolution no. 21867 of 26 May 2021) were adopted taking into account the needs that emerged in the first years of operation of the ACF and were mainly aimed at simplifying the procedure before the ACF and improving its operation.

In 2021, CONSOB concluded a further regulatory review activity that concerned Title IX, Part II, Book III, of the Intermediaries' Regulation, containing the regulations on the knowledge and competence requirements of the intermediaries' personnel (resolution no. 21755 of 10 March 2021). The changes adopted ensure alignment with the relevant ESMA Guidelines and enhance the decision-making autonomy of the licensed parties, eliminating the previous detailed requirements on the matter and leaving to the intermediaries the choice of the most suitable operating methods to allow concrete compliance with the standards provided. Without prejudice to the objective of investor protection, overcoming the previous prescriptive approach also proved to be functional to allowing greater flexibility of the organisational safeguards of each intermediary in accordance with the principle of proportionality, as well as to ensuring greater equality of competition in the European context.

During the first quarter of 2022, the Commission concluded (resolution no. 22203 of 10 February 2022) the procedure for reviewing the regulation adopted with resolution no. 19654 of 5 July 2016, concerning the procedures to adopt general regulatory acts (Regulation of the regulations). These regulatory changes helped to simplify and rationalise the existing provisions in order to make the regulatory procedure of the Commission more efficient, while enhancing the correct application of the better regulation instruments that must also inform the regulatory activities of the independent authorities.

Finally, it should be noted that certain revisions are underway to the secondary regulations, which is already the subject of public consultation, concerning the CONSOB-Banca d'Italia Measure on post-trading concerning the identification of shareholders, transmission of information and facilitation of the exercise of rights.





# Statistical appendix C



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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.

## INTRODUCTION

Tab. a.1 Commission meetings and resolutions

	meetings	weeks	examined files	resolutions	<i>of which:</i>	
					stop and blackout orders	websites blackout
2019	101	45	1,246	443	164	117
2020	110	48	1,297	459	185	237
2021	97	48	1,277	484	183	246

## I MARKET SUPERVISION

### Trading platforms

Tab. al.1 Italian trading platforms

market	market segment	financial instrument	trading volumes <sup>1</sup>			no. of transactions <sup>2</sup>		avg value of transactions <sup>3</sup>	
			n.	2021	percentage change <sup>4</sup>	2021	percentage change <sup>4</sup>	2021	percentage change <sup>4</sup>
<b>regulated markets</b>									
Borsa Italiana	EXM (ex MTA)	equities, rights	232	600	0.4	81,663	-6	7	6
	<i>of which: EXM Domestic capitalisation<sup>1</sup></i>		229	572	0.3	78,988	-6	7	6
	<i>EXM Foreign</i>		3	27	3	2,675	2	10	0.3
	Euronext MIV Milan	equities	1	0.004	-46	0.2	-36	22	-15
	MOT	bonds	1,384	159	-22	3,060	-22	52	-0.01
	EtPlus	listed funds	1,482	121	-8	8,536	-4	14	-5
	IDEM <sup>5</sup>	derivatives	569	829	-5	25,020	-0.4	33	-4
MTS	MTS Italy	bonds	136	3,964	115	629	87	6,301	15
<b>multilateral trading facilities</b>									
Borsa Italiana	Borsa Italiana Equity	equities	87	9	59	1,078	32	8	20
	EGM (ex AIM Italia)	equities	174	5	123	1,562	93	3	15
	<i>capitalisation<sup>1</sup></i>		12	—	—	—	—	—	—
	ExtraMot	bonds	638	0.4	-85	6	-92	64	95
	SeDeX	securitised derivatives	11,985	18	-5	2,309	-18	8	15
	ATFund	listed funds	86	0.1	22	2	-25	86	63
MTS	BondVision Europe	bonds	19,185	963	10	109	8	8,817	20
	CashDomestics <sup>6</sup>		630	751	61	93	51	8,079	7
	EBM <sup>7</sup>		845	42	11	8	25	5,225	11
EuroTLX Sim	EuroTLX	equities	450	1	-7	176	-5	7	-2
		bonds, certificates	5,412	20	-37	1,148	-21	17	-19
Hi-MTF Sim	order driven	equities	21	0.04	10	16	29	3	-18
		<i>capitalisation<sup>8</sup></i>	4	—	—	—	—	—	—
	quote driven	bonds	645	0.34	1	22	-2	16	2
		Hi-Cert <sup>9</sup>	certificates	887	7	43	116	12	59
systematic internalizer <sup>10</sup>	:	equities	111	93	-13	5,048	-21	18	10
		other financial instruments	5,844	479	-1	1,665	-23	288	29
		<i>of which<sup>11</sup>:</i>							
		<i>government bonds</i>	1,978	263	5	83	-13	3,179	21
		<i>bonds issued by parent group</i>	319	2	-43	4	-32	466	-17
		<i>bank bonds</i>	901	4	8	6	-60	611	169
	<i>corporate bonds</i>	2,191	4	-8	7	-15	525	7	

Source: CONSOB calculations on market data. Rounding may cause deviation from total figure. Following the acquisition of Borsa Italiana Group by Euronext NV, the names of the markets have been changed to include the term 'Euronext'. <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> IDEM market includes the following segments: Equity, Idex (derivatives on commodities), and Agrex (agriculture derivatives); notional values. <sup>6</sup> The MTS Cash Domestics segment is operational as of March 1, 2019. <sup>7</sup> MTS' EBM segment is operational as of March 1, 2019. <sup>8</sup> In billions of euros; figure calculated on the basis of the average price recorded in the month of December (or on the basis of the last price available in the event of a lack of trading in the period). <sup>9</sup> Hi-Cert segment is operational as of July 2021. <sup>10</sup> Data do not include those relating to operators who have ceased activities. <sup>11</sup> The detailed data reported refer to a portion of the total under the item 'other instruments'.



**Tab. al.2 Main indicators for the EXM, MIV and EGM trading venues of Borsa Italiana**  
(amounts in billions of euro)

	2015	2016	2017	2018	2019	2020	2021
<b>EXM (ex MTA)</b>							
capitalisation <sup>1</sup>	570	522	634	536	638	600	757
<i>of which Ftse Mib shares (%)</i>	78.7	79.4	76.9	74.5	79.5	81.5	80.2
<i>as % of GDP</i>	35.1	31.6	39.6	33.1	35.7	36.6	43.1
trading volumes	792	615	606	604	524	571	572
no. of domestic listed companies <sup>2</sup>	236	234	237	240	239	235	229
no. of listed companies <sup>3</sup>	10	7	12	12	9	6	8
<i>of which lpo</i>	8	3	7	4	4	1	5
no. of delisted companies <sup>4</sup>	13	9	9	9	10	10	14
dividend yield ratio <sup>5</sup>	2.7	3.4	2.9	3.9	3.5	4.0	2.3
price-earnings ratio <sup>6</sup>	23.7	19.1	17.7	11	14.0	13.7	18.7
<b>MIV</b>							
capitalisation	0.4	0.5	0.6	0.2	0.2	0.2	0.2
no. of listed companies	6	6	3	2	1	1	1
<b>EGM (ex AIM)</b>							
capitalisation	2.9	2.9	5.6	6.6	6.6	5.8	11.5
trading volumes	0.8	0.3	2.0	2.4	2.9	2.0	4.5
no. of listed companies	74	77	95	113	132	138	174
<i>of which new entries</i>	18	11	24	26	31	21	44
<b>total indicators</b>							
capitalisation	573	525	640	542	644	606	769
listed companies <sup>7</sup>	356	387	421	452	462	464	494
<i>Ftse Mib (% change)<sup>8</sup></i>	12.7	-10.2	13.6	-16.1	28.3	-5.4	23.0

Source: Borsa Italiana, Bloomberg, Thomson Reuters Datastream. Year-end data. <sup>1</sup> Data referring to companies for which EXM is considered the domestic or first listing market. The percentage ratio between capitalisation 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. lpo data does not include transactions related to transitions from EGM to EXM. <sup>4</sup> Figures referred to companies delisted 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 Exchange traded products 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	no. of contracts <sup>1</sup>
2018	volumes	48.6	7.2	24.0	8.3	20.8	<b>108.8</b>	4.78
	managed wealth	23.0	4.4	28.1	5.6	5.7	<b>66.9</b>	
2019	volumes	39.9	7.0	30.0	9.1	19.7	<b>105.7</b>	5.17
	managed wealth	29.9	5.2	37.9	8.5	6.7	<b>88.3</b>	
2020	volumes	44.3	7.7	30.6	17.9	31.6	<b>132.1</b>	8.87
	managed wealth	30.7	5.6	42.0	15.6	7.6	<b>101.6</b>	
2021	volumes	32.3	7.0	29.6	25.0	27.2	<b>121.1</b>	8.54
	managed wealth	48.3	5.7	44.7	17.2	7.3	<b>123.2</b>	

Source: calculations based on Borsa Italiana data. Rounding may cause deviation from total figure. <sup>1</sup> Millions of contracts.

**Tab. al.4 Covered warrants and certificates traded on SeDeX market**  
(end of period data; amounts in billions of euro)

	plain vanilla	investment	leverage	exotics	total			trading volumes <sup>3</sup>
					outstanding	new <sup>1</sup>	expired <sup>2</sup>	
2015	4,128	1,143	275	63	5,609	7,006	5,524	<b>33.6</b>
2016	4,559	1,191	891	55	6,696	8,549	7,461	<b>23.2</b>
2017	6,956	1,271	1,141	52	9,420	10,274	7,261	<b>19.1</b>
2018	5,367	1,596	1,328	224	8,515	9,475	9,733	<b>17.6</b>
2019	4,320	1,512	2,390	383	8,605	11,417	11,036	<b>18.4</b>
2020	4,200	1,944	3,312	222	9,678	20,224	15,510	<b>19.1</b>
2021	4,949	2,441	4,558	37	11,985	23,973	15,552	<b>18.0</b>

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

**Tab. al.5 Bonds traded on Italian markets**  
(end of period data; amounts in billions of euro)

	MTS Italy <sup>1</sup>	BondVision Europe MTF <sup>2</sup>	MTS Cash Domestics MTF <sup>3</sup>	MTS EBM MTF <sup>4</sup>	MOT <sup>5</sup>	EuroTLX MTF	Hi-MTF MTF	ExtraMOT MTF	total
2015	1,225	1,118	–	–	277	79	19	4	<b>2,722</b>
2016	1,385	949	–	–	215	....	15	....	<b>2,788</b>
2017	1,216	868	–	–	204	56	8	2	<b>2,354</b>
2018	1,164	661	–	–	168	35	5	2	<b>2,035</b>
2019	921	733	661	58	189	45	6	2	<b>1,896</b>
2020	1,848	877	465	38	203	32	5	2	<b>2,967</b>
2021	3,964	963	751	42	159	20	7	..	<b>5,906</b>

Source: calculations based on MTS, Borsa Italiana and EuroTLX data. Rounding may cause deviation from total figure. <sup>1</sup> Wholesale market of government bonds. <sup>2</sup> From 3 January 2018 MTS Corporate and BondVision Italia trading venue are no longer operational; securities previously traded on such markets were transferred to BondVision MTF. The latter was eventually renamed BondVision Europe MTF and allowed to trade in government bonds and corporate bond, and to host dealings other than own account ones; as a consequence MTF was classified as a non wholesale market. <sup>3</sup> The MTS Cash Domestics segment is operational as of March 1, 2019. <sup>4</sup> MTS' EBM segment is operational as of March 1, 2019. <sup>5</sup> Including transactions on bonds traded on EuroMOT

## Trading platforms, trade volumes and market information integrity

Tab. al.6 Suspension and revocation of financial instruments

market	revocations <sup>1</sup>	suspensions		
		fixed term <sup>2</sup>	permanent	
EXM	19	7	6	1 as a result of admission to competitive bidding
EGM	8	8	6	1 as a result of putting the company into liquidation 1 as a result of the absence of a transparent information framework
EuroTLX Equity, ETFPlus, ExtraMot	2	12	12	

<sup>1</sup> For EXM the delistings concern 12 delistings following a takeover bid, 3 delistings following merger by incorporation into other listed or unlisted companies, and 4 delistings of savings or development shares following conversion into listed ordinary shares; for EGM the delistings concern 4 delistings following a takeover bid, one delisting at the request of the issuer, and 3 transitions from EGM to EXM. <sup>2</sup> Fixed-term suspension measures pending announcement. For EuroTLX, suspension in line with main listing market.

## Short selling

Tab. al.7 Net short positions on Italian shares

(amounts in millions of euro)

### concentration of investors

	1st inv.		2nd inv.		3rd inv.		4th inv.		total <sup>1</sup>	
	amount	%	amount	%	amount	%	amount	%	amount	%
2018	966	14.4	918	13.7	535	8.0	494	7.3	6,715	100.0
2019	1,179	19.5	632	10.5	367	6.1	274	4.5	6,036	100.0
2020	351	6.9	345	6.7	309	6.0	259	5.1	5,118	100.0
2021	622	8.3	613	8.2	489	6.5	389	5.2	7,474	100.0

### nationality of investors

	United Kingdom		United States		UK Overseas Territories		Switzerland		total <sup>1</sup>	
	amount	%	amount	%	amount	%	amount	%	amount	%
2018	1,926	28.7	3,239	48.2	1,034	15.4	207	3.1	6,715	100.0
2019	1,996	33.1	1,937	32.1	1,258	20.8	97	1.6	6,036	100.0
2020	1,926	37.6	2,468	48.2	142	2.8	88	1.7	5,118	100.0
2021	2,142	28.7	3,174	42.5	226	3.0	256	3.4	7,474	100.0

<sup>1</sup> Figure reports the total value of net short positions attributable to all investors.

## Company studies and ratings

**Tab. al.8 Distribution of studies by typology**  
(number of studies)

	non monographic	monographic	nationality of intermediaries		type of operational advice <sup>2</sup>			total
			Italian	foreign <sup>1</sup>	buy	hold	sell	
2018	18,392	2,481	1,294	1,187	54.6	37.3	7.5	20,873
2019	16,722	3,833	2,059	1,774	54.6	38.9	5.8	20,555
2020	17,855	4,157	1,785	2,372	56.7	37.4	5.8	22,012
2021 <sup>3</sup>	12,852	3,322	1,648	1,674	63.9	31.6	4.3	16,175

<sup>1</sup> Foreign intermediary with a branch in Italy. <sup>2</sup> Figures include advice such as 'under review', 'not rated' and the likes non specified in the table. Percentage values. <sup>3</sup> Figures are partially estimated.

## Market abuse

**Tab. al.9 Reporting of suspicious transactions**

	from Italian subject according to MAR regulation	from foreign authorities	from other subjects <sup>1</sup>	market observations <sup>2</sup>	total	of which <sup>3</sup>		
						Insider trading	market manipulation	other <sup>4</sup>
2017	262	80	10	..	352	57	31	12
2018	253	103	2	..	358	58	34	8
2019	276	100	22	..	398	57	34	9
2020	241	121	8	85	455	53	40	7
2021	303	127	--	27	457	67	32	2

It should be noted that in 2021 the Institute forwarded reports received from Italian entities to foreign counterparts regarding 34 suspicious conduct that occurred in foreign markets (21 to ESMA and 13 to other authorities, mainly the US SEC). <sup>1</sup> Figures may include qualified investors, issuers and auditors. <sup>2</sup> Voluntary reports containing detailed descriptions of conduct not necessarily qualifying as potential market abuse but nevertheless likely to disrupt the orderly functioning of the market. <sup>3</sup> Percentage values. In 2021, the financial instruments reported were mainly stocks (78 percent); followed by bonds (9 percent) and derivatives (8 percent). <sup>4</sup> Other' includes conduct: i) constituting both offences (insider trading and market manipulation) or information manipulation, ii) which is not immediately identifiable on the basis of the information contained therein, iii) carried out on venues not supervised by CONSOB, iv) relating to facts that do not constitute possible forms of market abuse.

**Tab. al.10 Investigations on market abuse**

	2015	2016	2017	2018	2019	2020	2021
investigations on market abuse	17	9	10	20	7	9	15
cases of administrative and/or criminal offence	14	4	6	9	6	3	6
<i>of which for insider trading</i>	10	2	4	7	3	1	2
<b>operators involved in cases of market abuse</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>insider trading</b>							
unauthorised intermediaries <sup>1</sup>	2	--	--	1	--	--	--
institutional insiders <sup>2</sup>	9	2	2	7 <sup>4</sup>	5	1	5
other entities <sup>3</sup>	7	12	27	56	9	7	30
foreign entities	2	--	--	2	--	--	--
<i>total</i>	<i>20</i>	<i>14</i>	<i>29</i>	<i>66</i>	<i>14</i>	<i>8</i>	<i>35</i>
<b>market manipulation</b>							
unauthorised intermediaries <sup>1</sup>	--	--	--	--	--	1	--
institutional insiders <sup>2</sup>	7	23 <sup>4</sup>	1	5	3	2	15
other entities <sup>3</sup>	2	--	3	2	5	1	7
foreign entities	--	--	2	--	2	--	--
<i>total</i>	<i>9</i>	<i>23</i>	<i>6</i>	<i>7</i>	<i>10</i>	<i>4</i>	<i>22</i>

<sup>1</sup> Banks, Italian investment firms (SIMs), asset management companies (AMCs) and stockbrokers. <sup>2</sup> Shareholder, directors executives of listed companies and other institutional insiders. <sup>3</sup> Minor insiders (art. 187-bis, sec. 4, Tuf). <sup>4</sup> Figures relative to institutional insiders includes a number of foreign intermediaries and their executives and employees.

**Tab. al.11 Request for data and information on market abuse**  
(number of addressed subjects)

	authorised intermediaries <sup>1</sup>	listed companies, parent companies or subsidiaries	private entities <i>of which hearings</i>	public sector entities	foreign entities	<i>total</i> <i>of which on behalf of foreign entities<sup>2</sup></i>
2015	215	19	100	42	47	75
2016	370	21	145	58	147	80
2017	375	15	135	51	128	66
2018	166	5	58	27	104	24
2019	165	23	109	15	102	21
2020	239	32	137	3	88	43
2021	173	26	91	--	91	61

Data relating to public sector entities include CONSOB accesses to Anagrafe dei rapporti finanziari website 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 refer to the number of parties involved in the requests received from foreign authorities (Tab. aX.1).

**Tab. al.12 Participation of CONSOB as civil party in criminal proceedings for insider trading**

year	no. of proceedings	offence <sup>1</sup>	outcome as of 31 December 2021
2012	2	insider trading, market manipulation	1 conviction 1 acquittal
2013	5	insider trading, market manipulation	2 conviction 3 settlement 1 prescription of the offence
2014	9	insider trading, market manipulation	5 conviction 1 settlement 2 territorial incompetence
2015	6	insider trading, market manipulation	4 conviction 3 acquittal
2016	6	insider trading, market manipulation	1 conviction 1 settlement
2017	3	insider trading, market manipulation	1 acquittal
2018	2	insider trading	1 settlement and acquittal 1 acquittal
2019	3	market manipulation	2 settlement
2020	2	insider trading	1 conviction
2021	4	insider trading, market manipulation	

Data refer to the year in which the civil plaintiff's claim occurred; first instance judgments are shown in the row corresponding to the civil plaintiff's claim, even if issued in later years; judgments in the Court of Cassation and Court of Appeals are shown in the relevant notes. <sup>1</sup> 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 2021.

## II SUPERVISION OF ISSUERS AND AUDIT FIRMS

### Ownership structure disclosure

Tab. all.1 Disclosure of major shareholding in Italian listed companies

	notification of significant shareholding			total	declaration of intention	disclosure of shareholders agreements			total
	notification of significant threshold	change in significant shareholding previously disclosed	reduction below significant threshold			change/renewals	new agreements	termination of agreements	
2015	267	266	275	808	—	....	....	....	....
2016	240	326	250	816	—	....	....	....	....
2017	213	214	194	621	7	66	44	24	134
2018	167	212	138	517	30	121	61	28	210
2019	154	167	136	457	31	62	39	25	126
2020	341	212	166	719	41	77	47	26	150
2021	204	267	173	644	34	99	19	52	170

Source: CONSOB. For details, please refer to the Italian version of Annual Report 2021.

### Takeover bids and exchange tender offers

Tab. all.2 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		EGM	non listed	competing	aimed at delisting	OPS/Opas
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	--
2020	2	--	5	4	2	13	--	--	--	8	2
2021	5 <sup>3</sup>	--	--	11 <sup>4</sup>	1	17	2	1	--	14	--

<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. <sup>3</sup> The mandatory offer on Guala Closures Spa shares was also accompanied by a voluntary all-inclusive offer on warrants. <sup>4</sup> The voluntary all-inclusive offer on CFT Spa shares was also accompanied by a voluntary all-inclusive offer on special shares and multiple voting shares.

## Related party transactions and supervisory bodies

Tab. all.3 Material related party transactions disclosed by Italian listed companies in 2021

object	counterparty			total
	directors/companies related to directors	controlling or major shareholders	subsidiary or associate companies	
supply of goods and services, sponsoring, investment	--	4	--	4
financing	--	13	1	14
capital transactions	--	10	1	11
transfer of assets	--	10	2	12
<i>total</i>	<i>--</i>	<i>37</i>	<i>4</i>	<i>41</i>

## Audit firms

Tab. all.4 Licensed audit firms appointed by public interest entities (PIEs) and entities subject to intermediate regime (ESRIs)

	2018	2019	2020	2021	of which		
					audit firms	natural person	federations <sup>1</sup>
licensed	46	37	38	35	25	8	2
<i>PIEs and ESRIs</i>	<i>1,450</i>	<i>1,400</i>	<i>1,360</i>	<i>1,392</i>			

<sup>1</sup> Federations of Cooperatives of Trentino Alto Adige (through 6 employees, licensed for statutory audit).

Tab. all.5 Breakdown of Italian listed companies by independent audit firm

	breakdown of Italian listed companies by independent audit firm							
	<i>big four</i>		medium-sized		small-sized		<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>
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
2020	200	91	14	6	7	3	221	100
2021	198	90	15	7	7	3	220	100

<sup>1</sup> Percentage values.



**Tab. all.6 Cases of dismissal of independent auditors**

	dismissal	consensual termination	resignation
2015	24	62	2
2016	27	37	7
2017	36	67	2
2018	32	55	2
2019 <sup>1</sup>	93	190	--
2020	22	68	2
2021	12	87	3
<i>of which:</i>			
<i>change of controlling entity</i>	1	12	1
<i>change of audit firm appointed by the group as a whole</i>	--	29	--
<i>loss/acquisition of PIEs status</i>	11	16	--
<i>loss of audit firm independence status</i>	--	19	--
<i>realignment of the duration of the assignment to that of the parent company of the PIE belonging to the same group</i>	--	1	--
<i>inability to carry out the task due to lack of own resources</i>	--	--	1
<i>serious breaches of duty by the auditor affecting the proper continuation of the relationship</i>	--	--	1
<i>other</i>	--	10	--

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. all.7 Opinions issued by audit firms on companies listed on Italian regulated markets**

	2015	2016	2017	2018	2019	2020	2021
adverse opinion or disclaimer of opinion	7	8	9	7	8	6	4
qualified opinions	1	3	4	3	--	2	2
opinion with emphasis of matters paragraph	41	40	38	20	6	8	14

Source: independent auditors reports. Data refer to different types of judgments or findings that may also refer to the same issuer. 'Adverse opinion' relates 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).

### III SUPERVISION OF PUBLIC OFFERINGS AND CORPORATE DISCLOSURE

#### *Public offerings and admission to trading of equity instruments*

**Tab. all.1 Supervision of public offerings and admission to trading of equity instruments**  
(number of prospectuses)

	2015	2016	2017	2018	2019	2020	2021
admissions to listing of shares <sup>1</sup>	16	13	15	15	18	13	11
<i>of which through public offering</i>	13	6	2	--	3	3	--
rights issue <sup>2</sup>	9	4	7	11	2	5	8
other offerings <sup>3</sup>	--	--	--	1	--	--	--
unlisted securities offerings of Italian issuers <sup>4</sup>	15	6	2	2	--	--	2
judgements of equivalence <sup>5</sup>	4	5	3	2	--	--	--
<i>total</i>	<i>44</i>	<i>28<sup>6</sup></i>	<i>26</i>	<i>31</i>	<i>20</i>	<i>18</i>	<i>21</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, sec. 5, Issuers' Regulation, that not were completed with the summary note and the information note during the year.

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

**Tab. all.2 Supervision of public offerings and admission to trading of non-equity instruments**  
(number of documents)

	2015	2016	2017	2018	2019	2020	2021
bonds	272	146	86	57	45	18	26
covered warrants and certificates	33	46	43	24	13	13	7
admission to listing of warrants	1	--	4	6	3	4	3
Oicr <sup>1</sup>	424	412	417	431	384	319	370
<i>total</i>	<i>730</i>	<i>604</i>	<i>550</i>	<i>518</i>	<i>445</i>	<i>354</i>	<i>406</i>

<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.

**Tab. all.3 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		
	bonds	certificates and covered warrants	<i>total</i>	bonds	certificates and covered warrants	<i>total</i>
2015	30,267	7,037	<i>37,304</i>	1,062	394	<i>1,456</i>
2016	15,979	3,681	<i>19,660</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>
2020	472	1,749	<i>2,221</i>	41	49	<i>90</i>
2021	647	1,461	<i>2,108</i>	23	428	<i>451</i>

Data refer to bids subject to the ordinary regime under Articles 94 et seq. of the Tuf.

**Tab. all.4 Subjects authorised by CONSOB to the issuance of 'titoli di risparmio per l'economia meridionale', number of issuances and amount issued**

	2015	2016	2017	2018	2019	2020	2021
number of authorised subjects	8	6	7	4	2	1	1
number of issuances	12	9	10	5	3	1	1
amount issued (millions of euro)	39	89	74	34	18	8	10

The 'titoli di risparmio per l'economia meridionale' are savings bonds to encourage the territorial rebalancing of credit flows for medium- and long-term investments by small and medium-sized enterprises and to support ethical projects in the South of Italy. The bonds are subject to a favourable tax regime. For further details please refer to the Italian version of Annual Report 2021.

**Tab. all.5 Offer to the public and admission to trading of non-equity financial instruments – passported instruments**

	Luxembourg	Germany	Ireland	United Kingdom	France	other	<i>total</i>
2018	257	93	85	47	36	9	<i>527</i>
2019	264	89	74	18	47	14	<i>506</i>
2020	256	73	92	21	47	39	<i>528</i>
2021	213	89	115	--	40	63	<i>520</i>

'Other' includes The Netherlands, Austria and Liechtenstein.

**Tab. all.6 KIDs notified in 2021 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	33,611	94.3	1,554,126	96.7	1,587,737	96.6
derivatives	1,291	3.6	49,260	3.1	50,551	3.1
lbip	555	1.6	3,859	0.2	4,414	0.3
Cis	173	0.5	210	..	383	..
deposits	13	..	43	..	56	..
<i>total</i>	<i>35,643</i>	<i>100.0</i>	<i>1,607,498</i>	<i>100.0</i>	<i>1,643,141</i>	<i>100.0</i>

<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 on total number.

**Tab. all.7 Manufacturers of products subject to the PRIIPs Regulation by sector and geographical origin**

(number of manufacturers who notified at least one KID in 2021)

geographical origin	sector	number of products	number of updates	total
<b>Italian</b>				
<i>of which:</i>	<i>banks</i>	2,205	21,807	24,012
	<i>insurance companies</i>	484	3,198	3,682
	<i>investment firms</i>	9	6	15
	<i>AMC</i>	108	86	194
	<i>non-financial companies</i>	54	52	106
	<i>market operators</i>	--	15	15
<b>foreign</b>				
<i>of which:</i>	<i>banks</i>	22,613	1,069,244	1,091,857
	<i>insurance companies</i>	71	650	721
	<i>investment firms</i>	10,099	512,440	522,539
	<i>total</i>	<i>35,643</i>	<i>1,607,498</i>	<i>1,643,141</i>

## Corporate disclosure

**Tab. all.8 Supervision of corporate disclosure and ownership structure**

	2016	2017	2018	2019	2020	2021
request of information pursuant to art. 115, Tuf <sup>1</sup>	448	539	414	394	314	366
request to publish data and information pursuant to art. 114, Tuf	65	28	19	17	33	15
waiver of disclosure of data and information pursuant to art. 114, sec. 6, Tuf	--	--	5	4	1	4
delays in disclosure pursuant to art. 114, sec. 3, Tuf	--	--	--	--	--	3
request for immediate publication of researches when there are rumours, pursuant to art 69-novies of Issuers' Regulation	11	4	7	4	8	6
delay in disclosure of inside information pursuant to art. 17, sec. 4 and sec. 5 of Market Abuse Regulation	70	264	362	322	323	412
written reprimand	3	3	5	4	1	1
challenges of financial statements	--	1	--	--	1	--
non-compliance proceedings pursuant to art. 154-ter, sec. 7, Tuf	1	1	3	2	1	1
reports to the judiciary	22	10	5	6	2	6

<sup>1</sup> The figure includes information requests on ownership structure.

**Tab. all.9 Issuers of financial instruments widely distributed among the public**

	2015 <sup>1</sup>	2016 <sup>2</sup>	2017	2018	2019	2020	2021
no. of issuers	66	64	....	56	58	58	57

Issuers of financial instruments widely distributed among the public, pursuant to art. 116 Tuf, are defined by art 2-bis of Issuers' Regulation and relate to both shares and bonds. Unless otherwise stated, figures refer to 31December of each year. <sup>1</sup> Figure as of 30 July 2015. <sup>2</sup> Figure as of 29 July 2016.

## Non-financial reporting

**Tab. all.10 Supervision of non-financial statements (NFSs) published pursuant to Legislative Decree 254/2016**

	2019	2020	2021
companies that have published NFS	208	204	210
<i>with listed shares</i>	152 <sup>1</sup>	149	150
<i>with securities listed on regulated markets other than domestic markets</i>	28	22	20
<i>unlisted banks and insurance companies</i>	24	23	24
<i>issuers who have voluntarily produced the NFS</i>	4	10	16

<sup>1</sup> The figure includes a NFS published by listed company on a voluntary basis

## IV SUPERVISION OF INTERMEDIARIES

### Banking intermediaries authorised to provide investment services

Tab. aIV.1 Authorised investment service intermediaries

	2015	2016	2017	2018	2019	2020	2021
<i>total number of providers</i>	<i>663</i>	<i>603</i>	<i>543</i>	<i>535</i>	<i>520</i>	<i>506</i>	<i>482</i>
<b>banks</b>							
<i>no. of authorised providers</i>	<i>583</i>	<i>528</i>	<i>473</i>	<i>468</i>	<i>452</i>	<i>442</i>	<i>418</i>
advice	560	510	456	419	405	405	382
trading on one's own account	421	382	338	309	296	299	285
trading on behalf of third parties <sup>1</sup>	425	386	339	429	415	418	394
underwriting and/or placement on the basis of an irrevocable commitment to the issuer	184	173	152	135	131	134	126
placement without irrevocable commitment to the issuer	565	511	453	419	407	406	386
portfolio management	158	154	143	131	125	125	116
receipt and transmission of orders and brokerage	572	518	463	432	417	418	397
MTF management	2	2	2	2	4	3	3
<i>average number of services per provider</i>	<i>4.6</i>	<i>4.7</i>	<i>4.6</i>	<i>4.9</i>	<i>4.9</i>	<i>5.0</i>	<i>5.0</i>
<b>investment firms</b>							
<i>no. of authorised providers</i>	<i>80</i>	<i>75</i>	<i>70</i>	<i>67</i>	<i>68</i>	<i>64</i>	<i>64</i>
advice	70	64	61	57	52	52	49
trading on one's own account	15	14	14	13	15	15	16
trading on behalf of third parties <sup>1</sup>	22	20	19	62	55	55	54
underwriting and/or placement on the basis of an irrevocable commitment to the issuer	4	5	5	5	5	5	5
placement without irrevocable commitment to the issuer	42	40	39	40	38	38	35
portfolio management	38	38	37	32	33	33	29
receipt and transmission of orders and brokerage	43	39	36	35	36	36	37
MTF management	3	3	3	3	1	1	1
<i>average number of services per provider</i>	<i>3.0</i>	<i>3.0</i>	<i>3.1</i>	<i>3.7</i>	<i>3.7</i>	<i>3.7</i>	<i>3.5</i>

Source: CONSOB and Bank of Italy. <sup>1</sup> From 2018 onwards, data include providers rightfully entitled to provide such services with the exclusion of subscription and trade of one's own financial instruments, pursuant to art. 10, sec. 7, lett. a) of Legislative Decree n. 129/2017.

Tab. aIV.2 Supervision of banks, Italian investment firms (SIMs) and European investment companies (AMCs)  
(number of initiatives)

	2015	2016	2017	2018	2019	2020	2021	<i>of which:</i>		
								<i>requests<sup>1</sup></i>	<i>convenings<sup>2</sup></i>	<i>warnings<sup>3</sup></i>
<b>banks</b>	164	139	91	540	167	140	162	148	7	7
<b>Italian investment firms and European investment companies</b>	47	34	37	111	53	42	20	19	--	1

<sup>1</sup> Request of information pursuant to art 6-bis, sec. 4, lett. a), Tuf. <sup>2</sup> Convenings of directors and managers pursuant to art. 7, sec. 1, lett. a), Tuf. <sup>3</sup> Art. 7, sec. 1-ter, Tuf.

**Tab. aIV.3 Register of Italian investment firms and trust companies**

	2015	2016	2017	2018	2019	2020	2021
SIMs registered as of year end	80	75	70	67	68	64	64 <sup>1</sup>
SIMs registered during the year	1	3	1	3	5	4	5
SIMs cancelled during the year	8	8	6	6	4	8	5

<sup>1</sup> Of which a dynamic trust Sim

### *Crowdfunding portal management companies*

**Tab. aIV.4 Register of the authorised equity crowdfunding platforms**

	2015	2016	2017	2018	2019	2020	2021
Register of the authorised equity crowdfunding platforms	19	17	22	32	39	46	57
<i>ordinary section</i>	18	16	20	30	37	45	57
<i>special section</i>	1	1	2	2	2	1	--

## V ACTIONS AGAINST UNAUTHORISED ACTIVITIES

Tab. aV.1 Unauthorised activity breakdown

	intermediary activity	offer to the public	offer and intermediation	crowdfunding	inappropriate warning	<i>total</i>
2015	66	15	8	0	1	<i>90</i>
2016	128	24	19	2	0	<i>173</i>
2017	140	36	13	6	14	<i>209</i>
2018	154	38	13	2	1	<i>208</i>
2019	303	63	7	5	2	<i>380</i>
2020	285	39	10	3	11	<i>348</i>
2021	329	24	15	1	13	<i>382</i>

Tab. aV.2 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	<i>total</i>
	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>		
2015	6	5	44	—	63	<i>118</i>
2016	14	12	44	—	77	<i>147</i>
2017	12	13	54	—	88	<i>167</i>
2018	12	16	9	98	136	<i>271</i>
2019	19	22	3	164	218	<i>426</i>
2020	9	11	9	185	208	<i>422</i>
2021	7	7	2	183	210	<i>409</i>

<sup>1</sup> Starting from 2019 the figure includes orders to take down websites.



## VI INSPECTION ACTIVITY

### *Inspection activity and investigations on websites*

**Tab. aVI.1 Investigations opened and completed**

	2015	2016 <sup>1</sup>	2017	2018	2019	2020	2021	of which:			
								1st quarter	2nd quarter	3rd quarter	4th quarter
opened inspections	24	46	18	21	23	13	14	3	2	4	5
completed inspections	34	47	18	15	24	18	11	--	3	5	3

<sup>1</sup> including 16 investigations opened and completed in the year course on capital strengthening of bank branches.

**Tab. aVI.2 Investigated entities**

	2015	2016	2017	2018	2019 <sup>1</sup>	2020	2021
intermediaries	16	33	9	12	9	7	7
listed companies	1	5	2	2	3	--	4
audit firms	6	6	6	2	9	4	3
other	1	2	1	5	2	2	--

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

**Tab. aVI.3 Inspection activity**

	2015	2016	2017	2018	2019	2020	2021
intermediaries and products	7	23	5	6	7	7	5
issuers and audit firms	7	13	3	7	6	2	4
markets	3	2	--	3	2	--	1
other <sup>1</sup>	7	8	10	6	8	4	4

<sup>1</sup> Figures refer to inspections on crowdfunding, money laundering and other areas subject to Banca d'Italia supervision other than money laundering.

**Tab. aVI.4 Inspection activity and investigations on websites**

	2015	2016	2017	2018	2019	2020	2021
inspections	147	217	271	276	427	397	414
investigated websites	293	468	530	555	846	778	935

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

**Tab. aVI.5 Investigated entities for suspected money laundering**

	2015	2016	2017	2018	2019	2020	2021
audit firms	2	5	5	--	6	2	3
Italian investment firms (SIMs) or asset management companies (AMCs)	3	2	2	2	1	--	1

## VII ADDITIONAL ACTIONS FOR INVESTOR PROTECTION

### Complaint management

**Tab. aVII.1 Complaint handling**  
(year-end data)

	2015	2016	2017	2018	2019	2020	2021 <sup>1</sup>
received complaints	1,762	4,354	2,287	2,866	2,838	2,778	2,574
accepted complaints	1,372	3,907	1,948	2,510	2,491	2,465	2,332

<sup>1</sup> Figures may include complaints still under review. Complaints are considered non prosecutable if: i) they do not identify the supervised entities, the object of the complaint, and every such information relevant to CONSOB supervisory activity; ii) they do not identify any alleged violation of specific regulations; iii) they concern parties or matters that do not fall within CONSOB competence. For further details please refer to the Italian version of Annual Report 2020.

**Tab. aVII.2 Breakdown of prosecutable complaints by involved entity and topic**

#### entities involved

	banks	unauthorised parties	listed companies	financial advisors	audit firms	investment firms (SIMs)	other	total
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
2020	983	758	348	17	--	219	233	2,558
2021	865	1,138	89	4	3	16	21	2,136

#### topic

	provision of investment services	unauthorised financial activity	trading platforms	advisor conduct	auditing	governance and corporate disclosure	other	total
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
2020	1,213	772	404	16	--	117	25	2,547
2021	926	1,148	58	2	3	71	61	2,269

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, AMCs, 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 dematerialisation, equity crowdfunding.

## The activity of the Alternative Financial Dispute Resolution Scheme

**Tab. aVII.3 Received complaints**

	total		breakdown by geographical area			
		of which prosecutable	Northern Italy	Central Italy	South and islands	total
2017	1,834	1,469	1.184	301	345	1,830
2018	1,824	1,408	677	440	699	1,816
2019	1,678	1,407	542	380	748	1,670
2020	1,772	1,534	657	314	791	1,762
2021	1,582	1,355	674	294	601	1,569

Source: Alternative Financial Dispute Resolution Scheme.

**Tab. aVII.4 Entities involved**

	banks	(AMCs)	SIMs	insurance companies	European investment companies	collective investment schemes	independent financial advisors	webmasters	total
2017	87	10	4	1	3	1	--	--	106
2018	71	9	4	1	2	1	--	--	88
2019	75	7	5	--	5	1	--	--	93
2020	68	11	7	--	3	--	--	--	89
2021	66	9	7	--	3	--	1	3	89

Source: Alternative Financial Dispute Resolution Scheme.

## VIII SANCTIONS

### Sanctioning proceedings

**Tab. aVIII.1 Monetary sanctions imposed by CONSOB**  
(amounts in millions of euro)

	2015	2016	2017	2018	2019	2020	2021
provision of investment services	2.8	0.8	11.8	6.6	1.6	0.9	0.8
investment solicitation and corporate disclosure	4.3	2.1	11.0	5.2	4.5	2.7	5.2
market abuse	4.6	4.6	4.0	10.4	4.3	8.8	1.1
ex market abuse regulation	—	—	—	—	—	0.3	0.8
<i>total</i>	<i>11.7</i>	<i>7.5</i>	<i>26.8</i>	<i>22.2</i>	<i>10.4</i>	<i>12.7</i>	<i>7.9</i>
<i>no. of sanctioned entities</i>	<i>533</i>	<i>229</i>	<i>601</i>	<i>418</i>	<i>88</i>	<i>107</i>	<i>106</i>

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 data do not include cases of abusive bidding, failure to comply with reporting requirements for derivatives trading under Article 9, sec. 1, of the EMIR Regulation, short selling, transaction reporting and crowdfunding as well as legal persons who are jointly and severally liable with the perpetrators of market abuse violations nor the subjects to whom, since 2019, the administrative sanction measure of 'public declaration' has been applied. In 2021 a total of 113 sanctioned entities are included if we also take into account: two entities sanctioned for unauthorised provision of investment services and activities and abusive off-site offerings, one entity sanctioned for violation of the Short Selling Regulation, three entities sanctioned for violation of the EMIR Regulation as well as one legal person jointly liable for market abuse.

**Tab. aVIII.2 Disciplinary measures for market abuse offences**  
(millions of euro)

	no. of cases	no. of fined entities	jointly and severally liable entities	amount of sanctions	seized amounts	no. of entities given additional penalties	additional penalties (months)
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	11	25	3	4.3	0.8	22	254
2020	6	60	7	8.8	1.1	57	473
2021	4	11	3	1.1	..	9	88
<i>of which:</i>							
<i>insider trading</i>	1	3	--	0.3	..	3	27
<i>market manipulation</i>	3	8	3	0.8	--	6	61

For details, please refer to the Italian version of Annual Report 2021.

**Tab. aVIII.3 Sanctions for violation of market abuse regulation**  
(amounts in millions of euro)

	no. of cases		no. of fined entities		amount of sanctions		administrative sanctions	
	2020	2021	2020	2021	2020	2021	2020	2021
suspicious transactions (art. 16)	--	2	--	2	--	0.1	--	--
disclosure of inside information and drawing up of list of persons having access to inside information (artt. 17 and 18)	3	5	3	5	0.2	0.3	--	--
internal dealing (art. 19)	2	8	2	8	0.1	0.1	2	7
investment recommendations (art. 20)	--	1	--	1	--	0.3	--	--
<i>total</i>	<i>5</i>	<i>16</i>	<i>5</i>	<i>16</i>	<i>0.3</i>	<i>0.8</i>	<i>2</i>	<i>7</i>

Rounding may cause discrepancies in the total figure. For details, please refer to the Italian version of Annual Report 2021.

**Tab. aVIII.4 Monetary sanctions imposed on financial intermediaries**  
(millions of euro)

	no. of involved intermediaries				no. of sanctioned entities				amount of penalties				additional penalties (months) <sup>1</sup>
	banks	SIMs	AMCs	total	banks	SIMs	AMCs	total	banks	SIMs	AMCs	total	
2015	8	3	7	<i>18</i>	121	26	74	<i>221</i>	1.6	0.3	0.9	<i>2.8</i>	--
2016	2	5	3	<i>10</i>	38	23	19	<i>80</i>	0.2	0.4	0.2	<i>0.8</i>	--
2017	9	5	1	<i>15</i>	224	47	11	<i>282</i>	11.0	0.7	0.1	<i>11.8</i>	--
2018	9	2	2	<i>13</i>	154	1	20	<i>175</i>	4.2	0.2	2.2	<i>6.6</i>	273
2019	4	--	2	<i>6</i>	24	--	6	<i>30</i>	1.3	--	0.2	<i>1.6</i>	--
2020	3	1	3	<i>7</i>	6	1	5	<i>12</i>	0.4	0.1	0.5	<i>0.9</i>	6
2021	1	2	1	<i>4</i>	1	6	2	<i>9</i>	..	0.6	0.1	<i>0.8</i>	48

Rounding may cause discrepancies in the total figure. For details, please refer to the Italian version of Annual Report 2021. <sup>1</sup> Additional administrative sanctions pursuant to art. 190-bis, sec. 3, Tuf.

**Tab. aVIII.5 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>
2015	5	--	24	4	3	12	<b>48</b>	22	--	24	4	3	74	<b>127</b>	0.6	--	0.3	0.1	0.5	2.8	<b>4.3</b>
2016	3	--	10	1	6	4	<b>24</b>	4	--	10	1	6	12	<b>33</b>	0.2	--	0.3	..	1	0.5	<b>2.1</b>
2017	18	--	16	5	5	4	<b>48</b>	160	--	16	5	5	11	<b>197</b>	7.8	--	1.9	0.4	0.6	0.3	<b>11.0</b>
2018	21	1	1	1	6	3	<b>33</b>	50	1	1	4	6	8	<b>70</b>	3.3	..	0.2	0.3	1.1	0.3	<b>5.2</b>
2019	14	--	1	1	--	--	<b>16</b>	31	--	1	1	--	--	<b>33</b>	4.4	--	0.1	0.1	--	--	<b>4.5</b>
2020	15	--	1	2	5	1	<b>24</b>	18	--	1	3	6	3	<b>31</b>	1.5	--	0.1	0.2	0.8	0.1	<b>2.7</b>
2021	16	--	4	--	12	--	<b>32</b>	20	--	11	--	39	--	<b>70</b>	2.6	--	0.5	--	2.1	--	<b>5.2</b>

Rounding may cause deviation from total figure. The table does not include: sanction proceedings extinguished in advance because involved entities chose to pay the imposed penalty in reduced measure; entities on whom ancillary disqualification sanctions have been imposed; entities who have been required to make a 'public statement'. In 2021, in addition to monetary administrative sanction, the entity sanctioned for violation of regulation on public offer for subscription and sale, was given a further 2-month prohibitory sanction.

## IX SUPPORTING ACTIVITIES

### Financial management

**Tab. aIX.1 Revenues and expenditure**  
(year-end data; millions of euro)

items	2015	2016	2017	2018	2019	2020	2021 <sup>1</sup>
<b>EXPENDITURE</b>							
<b>current expenditure</b>							
staff and Commission members	87.0	88.7	92.9	98.0	105.4	110.1	115.6
fees and taxes	5.9	6.8	6.0	6.3	6.9	6.5	6.9
goods and services	12.4	13.4	13.3	14.2	15.6	13.8	17.7
property refurbishment and other provisions	5.0	9.8	14.6	42.7	32.6	29.3	13.9
other expenditures	2.7	2.8	0.8	1.2	1.3	0.9	1.2
<i>total current expenditure</i>	<i>113.0</i>	<i>121.5</i>	<i>127.6</i>	<i>162.4</i>	<i>161.8</i>	<i>160.6</i>	<i>155.3</i>
capital expenditure	2.9	2.5	4.1	2.5	2.4	3.5	2.3
<i>total</i>	<i>115.9</i>	<i>124.0</i>	<i>131.7</i>	<i>164.9</i>	<i>164.2</i>	<i>164.1</i>	<i>157.6</i>
<b>REVENUES</b>							
previous year surplus <sup>2</sup>	14.0	15.0	12.1	5.5	25.6	8.3	9.5
state funding	--	0.3	0.2	25.3	0.3	0.3	0.3
supervisory fees	108.9	108.3	111.6	148.0	130.6	135.6	122.0
other revenues	8.7	11.0	13.4	11.8	14.3	28.7	26.2
<i>total</i>	<i>131.6</i>	<i>134.6</i>	<i>137.3</i>	<i>190.6</i>	<i>170.8</i>	<i>172.9</i>	<i>158.0</i>

<sup>1</sup> Provisional final figures (rounding to the first decimal place). <sup>2</sup> The surplus is equal to the difference between total revenue and total expenditure as well as differences arising from the management of residual assets and liabilities. The 2020 surplus, including the amount of the restricted multiannual fund, is shown under revenue 2021.

**Tab. aIX.2 Supervisory fees breakdown by category of supervised entities**  
(year-end data; millions of euro)

	investment firms and brokers	banks	audit firms	financial advisors	market operators <sup>1</sup>	issuers	UCITs <sup>2</sup>	entities soliciting retail investors	other	<i>total supervisory fees</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	—	7.0	37.1	17.7	21.8	4.0	<i>130.6</i>
2020	3.6	24.3	15.9	—	7.3	36.7	18.9	23.8	5.1	<i>135.6</i>
2021	3.4	23.7	15.8	—	7.3	36.7	19.3	11.7	4.1	<i>122.0</i>

<sup>1</sup> Including Borsa Italiana Spa, 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 purchase and management of goods and services

**Tab. aIX.3 Human resources**  
(as of 31 December)

	permanent positions				fixed term positions <sup>1</sup>	total
	managers	white collars	other employees	total		
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
2020	433	212	11	656	9	665

2021	permanent positions			fixed term positions <sup>1</sup>	total
	managerial career stream	operational career stream	total		
2021	557	92	649	11	660

In 2021, careers reorganisation implementing new Personnel regulation changed the professional qualification breakdown of human resources.  
<sup>1</sup> Figures include personnel seconded to CONSOB from other entities.

**Tab. aIX.4 Human resources breakdown by qualification and organisational area**  
(as of December 2021)

area	professional categories				total
	principal director, director	advisor	expert	other <sup>1</sup>	
Director General	2	11	2	13	28
Secretary General	2	5		1	8
Attorney General	1				1
Alternative Financial Dispute Resolution Scheme	1				1
Legal Office	9	23	4	4	40
Offices non coordinated within a Division	9	60	12	16	97
Divisions					
supervisory	35	210	68	20	333
support	15	66	28	43	152
	<i>total</i>	74	375	114	660

For details, please refer to the Italian version of the Annual Report 2021. <sup>1</sup> 'Other' includes employees of operational career.



## External relations

**Tab. aIX.5 Number of accesses to CONSOB website**  
(in thousands)

sections	2015	2016	2017	2018	2019	2020	2021
home page (what's new)	1,601	1,505	1,347	1,759	1,478	1,552	1,320
to investors	460	475	833	888	684	714	643
for supervised entities	380	390	413	443	342	301	280
for journalists	9,5	9	10	10	12	22	37
CONSOB	705	680	852	949	1,034	1,019	704
issuers	1,883	1,785	1,382	2,596	3,089	3,583	3,529
intermediaries and markets	987	957	1,200	2,000	2,880	3,389	3,570
CONSOB decisions/newsletter	531	612	732	863	903	840	1,675
regulation	1,436	1,341	1,621	1,567	1,223	1,175	952
publications and press releases	45	195	404	400	616	702	950
links to other websites	9	10	14	19	8	6	5
help and site map	19	57	42	40	36	30	25
transparency	229	241	255	182	130	94	99
English website	762	901	473	1,169	1,718	1,975	1,243

Source: CONSOB processing of Google Analytics data.

**Tab. aIX.6 Requests of documents and information on CONSOB activity**

	applicants			application breakdown				
	investors and institutional operators	retail investors, students, other	total	resolutions, communications, prospectuses	amended laws and regulation	data and information	other	total
2015	542	1,260	<i>1,802</i>	194	240	1,008	360	<i>1,802</i>
2016	548	1,502	<i>2,050</i>	210	230	1,160	450	<i>2,050</i>
2017	591	1,410	<i>2,001</i>	221	250	1,110	420	<i>2,001</i>
2018	880	1,520	<i>2,400</i>	240	235	1,515	410	<i>2,400</i>
2019	595	1,403	<i>1,998</i>	251	210	1,122	415	<i>1,998</i>
2020	650	1,530	<i>2,180</i>	245	198	1,417	320	<i>2,180</i>
2021	654	1,666	<i>2,320</i>	248	190	1,450	432	<i>2,320</i>

## X INTERNATIONAL ACTIVITY

### *Activity in the international context*

Tab. aX.1 Exchange of information between CONSOB and foreign supervisory authorities

topics	2015	2016	2017	2018	2019	2020	2021
<i>requests to foreign authorities</i>							
insider trading	65	68	56	15	17	26	38
market manipulation	10	12	10	9	4	18	9
unauthorised public offerings and provision of investment services	27	21	26	28	20	24	16
transparency and corporate disclosure	1	1	23	20	21	17	12
relevant shareholding in listed companies and authorised intermediaries	1	--	--	--	--	2	--
integrity and professional requirements	3	1	2	1	8	7	62
infringement of rules of conduct	3	1	2	--	5	1	2
short sales	1	8	1	--	1	1	--
requests to remote member pursuant to art. 80 MIFID II (previously art 57 MIFID)	51	89	38	10	--	4	2
provision of cross border investment services	8	7	11	17	9	58	33
audit	--	--	--	--	1	--	--
<i>total</i>	<i>170</i>	<i>208</i>	<i>169</i>	<i>100</i>	<i>86</i>	<i>158</i>	<i>174</i>
<i>reports to foreign authorities</i>							
suspicious transactions	12	23	32	21	29	30	31
unsolicited assistance	16	23	58	15	15	13	18
<i>total</i>	<i>28</i>	<i>46</i>	<i>90</i>	<i>36</i>	<i>44</i>	<i>43</i>	<i>49</i>
<i>requests from foreign authorities</i>							
insider trading	15	21	23	3	7	7	4
market manipulation	2	1	1	1	3	6	--
unauthorised public offering and provision of investment services	1	2	2	2	4	8	5
transparency and corporate disclosure	1	1	--	1	1	1	--
relevant shareholdings in listed companies and authorised intermediaries	--	--	--	--	2	--	--
integrity and professional requirements	62	43	44	45	32	31	32
infringement of rules of conduct	--	--	--	--	--	--	3
short selling	--	--	1	--	--	--	--
requests to remote member pursuant to art. 80 MIFID II	--	--	--	--	--	--	--
audit	--	--	--	15	12	7	3
<i>total</i>	<i>81</i>	<i>68</i>	<i>71</i>	<i>67</i>	<i>61</i>	<i>60</i>	<i>47</i>
<i>reports from foreign authorities</i>							
suspicious transactions	59	55	95	141	100	205	150
unsolicited assistance	6	6	6	3	4	1	6
<i>total<sup>1</sup></i>	<i>65</i>	<i>61</i>	<i>101</i>	<i>144</i>	<i>104</i>	<i>206</i>	<i>156</i>

<sup>1</sup> Since 2020 the figure includes both reports from foreign authorities and market observations as defined in Table aI.9.

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