Annual meeting with the financial market

Speech by the Chairman Professor Paolo Savona

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CONSOB

Commissione Nazionale per le Società e la Borsa

Speech by the Chairman to the financial market

1 Foreword: Summary of Consob's 2021 activity

The presentation of the Annual Report 2021 to the market, transmitted to Italy's Minister of the Economy and Finance (MEF) at the end of March 2022, is an opportunity to frame Consob activities in an increasingly fast-moving world, focussing on the strategic lines aimed at promoting technological innovation and environmental and social sustainability, consistently with European Union guidelines and the three-year strategy approved by Italy's Council of Ministers on 24 November 2021.

The Report's twelve chapters set out the extensive activities carried out by Consob in 2021: 1,277 files submitted to its Commission, examined on the occasion of 97 meetings, and resulting in 484 resolutions being adopted.

As many as 19 purchase and exchange offers were launched to the public in 2021 for a total amount of approximately EUR 7 billion; 14 involved delisting operations. This data should be viewed in relation with the choice made by some Italian companies to access foreign capital markets also by transferring their corporate headquarters abroad. This affects the competitiveness and development of the Italian capital market, which is all the more called upon to play a key role in supporting the Country's recovery and growth path, enabling for investments in digitisation, innovation and sustainability. As such, in accordance with its functions as supervisory authority of the Italian financial market, Consob joined the initiative launched by MEF in 2021 following the OECD analysis set out in the Capital Market Review of Italy 2020 Report and later merged in the "Green Paper on Italian financial markets' competitiveness in support of growth". The initiative aims at identifying measures for rationalising and simplifying the regulatory framework to make it more efficient and competitive for companies so as to benefit of the great possibilities of the Italian capital market. At the same time, Consob initiated an autonomous process, also based on public consultation, designed to analyse and evaluate its regulatory provisions on prospectuses and procedures for admission to listing on regulated markets, in order to foster and simplify access by companies in line with the initiatives promoted at European level, starting from the "Final

Report of the High Level Forum on the Capital Markets Union" dated 10 June 2020.

In order to foster the technological transition of the financial sector, in 2021 the Commission provided support to MEF in issuing its Minister Decree No. 100 of 30 April 2021 on the conditions and methods for carrying out FinTech tests (so-called "Sandbox Decree"). To ensure concrete start of the regulatory Sandbox, Consob then adopted the new regulation governing the issuance of individual measures under the aforementioned Decree. Between August 2021 and 15 January 2022, 44 talks were held with 25 Italian and foreign companies; among them, 15 companies applied for admission to the Sandbox in the application window for the first cohort closed on 15 January 2022.

Aiming to safeguard people's savings, Consob's task of countering financial activities carried out through abusive websites (pursuant to Law No. 58/2019) has so far led to 720 illegal sites being blacked out – i.e., 246 in 2021 and 120 in the first 5 months of 2022, respectively.

In 2021, Consob's Alternative Financial Dispute Resolution Scheme (ACF) completed 2,119 proceedings and recognised the rights of savers involved in 1,138 cases out of 1,650 decisions.

A thorough supervisory and inspection activity was performed also in relation to the United Kingdom's withdrawal from the European Union. In 2021, authorisations were granted to 69 investment companies, followed by another 14 in 2022, mostly enabling British applicant companies to continue to operate in Italy.

International cooperation intensified across 2021, with 223 our requests put forward and 203 received, including through 40 bilateral and multilateral cooperation agreements with the authorities of EU Member States and third countries.

Since February 2022, following Russia's invasion of Ukraine, the Commission has strengthened its monitoring over markets and compliance with the restrictive measures adopted at both European and national level, in constant coordination with other national authorities and within ESMA (European Securities and Markets Authority) and IOSCO (International Organization of Securities Commissions).

Eventually, in 2021, two important pilot initiatives on Artificial Intelligence application were performed, within Consob AI plan, by a highly specialised in-house group in cooperation with experts from La Sapienza University of Rome and the Scuola Normale Superiore of Pisa. Algorithms were created for automated reading of Key Information Documents (KIDs) aimed at guiding savers towards informed investments in financial products, and of statistical information on transactions carried out during price sensitive events in order to identify any market abuse.

The full Report is published on Consob website (https://www.consob.it/web/consob-and-its-activities/annual-report).

2 2021, a year of economic recovery and confidence in the future

Exports and savings, the two factors underlying Italy's prosperity and its real and financial stability, also performed well in 2021. Resumed confidence in the future is a third no less important factor, mainly resulting from the successful fight against the Covid-19 pandemic and the launch of Next Generation EU, which acted as a maieutic force on the Country's latent desire for recovery. The rise in inflation and, even more, the invasion of Ukraine by Russia cast a heavy shadow on the favourable emerging prospects, and set back monetary stability and civil international coexistence based on mutual understanding and constant dialogue between peoples, enshrined in the UN Universal Declaration of Human Rights and soundly reaffirmed in the Charter of Fundamental Rights of the European Union.

We hope peaceful international relations will be re-established so as to allow goods to newly circulate freely, while stopping weapons. In spite of multiple shortcomings, globalisation has enabled improving the standards of living of large segments of the world's populations, significantly reducing poverty levels. Yet, preference is given to emphasising that globalisation has increased the wealth of the few – a socially unsatisfactory result albeit not new in the history of countries' real development across the world. Since last century, the correction in product-and-income distribution distortions has been entrusted, within countries, to the progressive intervention of the bodies of democracy and, at international level, to the assistance between States and from NGOs, which have however performed to a modest extent. Decisions were aided by the combined action of cognitive advances in economic theory and the progress matured in democratic consciousness, with some application asymmetry in favour of the latter, as witnessed by the huge growth in public debts.

3 The importance of trade liberalisation and globalisation for Italy

Through international trade, Italy was ranked among the most developed countries and managed to cope with the serious international crises occurred in the last half a century, starting with the increasingly oligopolistic conditions of energy sources supply that led to a structural increase in oil price as from the early 1970s.

Following the 2008 global crisis, by still leveraging on exports and savings our economy succeeded in attaining a structural foreign trade surplus, long sought after to overcome the accusation that the Country was living beyond its means. Success was complemented with capital surplus vis-à-vis the rest of the world, joining a small circle of countries with mixed free market and welfare state political systems. Italians invest their savings abroad to a greater extent than foreigners do in Italy – another milestone towards the goal of bringing more financial resources to our production activities.

The positive performance of Italian exports stems from a long maturing process for our companies, able to create a climate of independence from the constraints posed by the Country's weakness factors and to benefit from the opportunities offered by the global market and pressing technological innovations, often designed by them. A good supply of low-cost savings contributed to such excellent results in recent years.

Among exporting companies, those able to interpret the importance of regulated markets for own development have gained an additional benefit in the form of increased market-assessed value, more easily mobilised in whole or in part if desired by them or appreciated by investors.

At present the productive capital of listed companies has a much higher price/profit ratio than in 2008, with positive effects reflected in the similar ratio of those not listed on official markets, yet at discounted values due to their securities' lower liquidity. Shifting the valuation of companies to regulated markets remains an objective for the community – its achievement being driven by the advantages offered by equity portfolio investment thanks to companies' profitability coupled with securities' liquidity.

Those who manage real resources have the task of working together in order to find a balance for product distribution between capital and labour. This is an inescapable part of their social function as well as an instrument for achieving sustainable development between supply and demand at macroeconomic level, which is a direct interest objective. They also have the task of internalising environmental protection within production programmes and, consequently, companies' organisation. Meeting these requirements falls within Consob's remit to be implemented in the framework of a broader European programme, relaunched with the Sustainable Finance Action Plan published by the European Commission. Fine-tuning the rules related to the Plan's contents is at an advanced stage. Corporate compliance with these rules will help incorporate instances that go well beyond correct performance of so-called green finance, involving social and corporate governance issues, a.k.a. ESG (Environmental, Social and Governance).

Business world initiative and public intervention also alleviated certain imbalances in the production-and-income distribution at territorial level, notably with regard to socio-economic infrastructures. Progress in this direction is still slow, with moments, such as the current one, when the existing gap reopens. Nevertheless, the decisions made on implementing Italy's National Recovery and Resilience Plan and the EU provisions aimed at lagging-behind regions build up a positive scenario for resident populations. Politics must now prove able to make the most of such scenario through effective collaboration at both central and local level.

More recently, financial difficulties and supply shocks have been overcome thanks to permissive monetary policies made possible by a deflationary price trend at global level. In the presence of abundant liquidity, the thrust of an aggregate domestic and global demand eager to express itself, coupled with loosened supply constraints imposed by Covid-19, has increased the prices of several raw materials (primarily energy sources), which in turn has reignited inflation. Due to new supply constraints triggered by the war in Ukraine, such inflation has intensified the cost-push in the factor markets, fuelling the risks of social instability and financial imbalances.

The uncertainties weighing on the future are such to turn any economic forecast into pure conjecture. In these circumstances it would be advisable to refrain from formulating hypotheses on how the economy will perform and instead devote greater attention to institutions improvement, so as to enable them to absorb socio-economic shocks and provide solid foundations to regain confidence in the future. This is the goal pursued by current efforts. Yet, the intertwining between the needs arising from economic trends and the demand for modernising tangible and intangible infrastructures distracts citizens' attention and commitment to the former and slows down – and even hinders – the process of adapting the latter. Greater communication efforts are needed in order to explain the importance of institutional reforms with regard to welfare interventions, which alleviate individual situations without resolving crises at their root.

4 Traditional instruments' limitations in protecting savings from inflation

A good teacher, Karl Brunner, taught his students that inflation is always to be averted; however, should we run into it, the question is how to overcome it without causing irreparable damage. Although, at a theoretical level there is no consensus on what should be done, at a practical level it is now clear that the prevailing orientation rejects the resort to monetary and/or fiscal tightening implemented to the extent necessary to significantly affect inflation, and prefers a gradual and moderate approach relying on compensatory fiscal policies to address the effects of crises. Albeit socially understandable, the latter result in increased public spending financed with more debt and at times justifying a decrease in the GDP ratio, ignoring this results from the increase in its face value.

Not even extraordinary finance operations seem to be effective and feasible; they even worsen the situation as they prove hard to launch, take a long time to be implemented, and contribute to increasing existing uncertainties, eventually raising financial and social instability.

Protectionist policies, often invoked, are also ineffective, as they place the burden of the adjustments sought on their near and less near neighbours without bringing along the income distribution benefits they are intended to remedy.

The world is now living a difficult phase that demands sacrifices from its citizens and requires unity of purpose at national level as well as closer international coordination – all hard to obtain in the presence of internal political and geopolitical tensions.

As a result, an alternative way must be found in order to prevent inflation – the inequitable tax that violates the founding principles of democracy – from affecting financial and real stability and eroding the two pillars underlying our growth and welfare.

5 An alternative to monetary and fiscal policy tightening: A self-protecting portfolio against inflation

Last year, Italian savings still showed good stability, yet the first indications for 2022 hint at sagging flows. In 2021 a clear trend also emerged and revealed a marked acceleration in investments on speculative instruments and foreign markets, not always relying upon rational criteria. Entrusting the market alone to deal with these attitudes – not rarely prompted by predictions which reality has taken the burden of denying – could trigger serious economic and social consequences as well as conflicts with the Italian Constitution, which considers savings a public good.

A first urgently needed step – which falls within Consob's aforementioned institutional objectives – consists in channelling savings towards the productive initiatives of companies of all sizes, although the close relationship between monetary policy and regulated markets' trends triggers fluctuations in companies' value, thus discouraging such investments. Nonetheless, a stronger and healthier relationship is now emerging between prices and profits – on which inflation operates favourably – as price increases affect the global market and do not have a strong impact on the terms of trade between domestic and international companies. Inflation mainly affects those end consumers whose resources come from substantially fixed income and savers who have invested in credit instruments.

Strengthening the component that is representative of the productive activity to which savings are to be directed is legally validated in Art. 47 of the Italian Constitution, which states that safeguarding is obtained by promoting "... *direct and indirect shareholding in the main national enterprises through the use of private savings.*" These investments provide a sound basis for supplementary welfare that is self-managed by the members of a low-productivity-and-fertility society. Addressing aging population with a pension system largely anchored onto solidarity-based distribution methods does not appear suitable for the purpose of well serving citizens' life cycle and ensuring real and financial macroeconomic stability.

A second step lies in creating portfolios for savers self-protection against inflation, where equity investments play a primary role. The proposal here envisages a balanced composition between securities and real estate assets, relying on real economy developments for profitability and thus taking the burden of unusual manoeuvres on interest rates off the monetary policy. The technical solutions may be different, and policy makers would have the main task of creating the most suitable legal framework to build a protective mechanism for savings that fulfils the Constitutional dictate.

It is worth noting that a dimensional balance between securities and real estate assets is present in the aggregate amounts of our savings, although these are not subject to the same rules – primarily, but not exclusively, in terms of taxation. In other words, there is an innate boost in the saving behaviours of Italian households and businesses, as the two components have always developed in a fairly balanced manner in spite of their wide differences in treatment and the delays in the sustainable energy requalification of real estate properties. A similar attempt undertaken at European level – limited yet complementary with the proposal made – concerns the European Long-Term Investment Funds (ELTIFs) and individual savings plans (our Piani Individuali di Risparmio - PIR), the latter notably implemented in Italy.

The ability of such a portfolio to protect itself against inflation would be even more effective if the saver chose, in a balanced manner with respect to the euro, investments denominated in foreign currencies used for exports.

Obviously, BTP issuances indexed to domestic inflation (such as the one planned for this week) are well received by savers, as they protect the real value of the investment for a lengthy period, demonstrating confidence in public debt soundness and receiving authorities' confirmation of the valid request for protection advocated here.

The proposal's rationale is that securities with a return below the inflation rate suffer a loss of purchasing power, while real estate assets typically show increases in value.

The proposed solution has the advantage of not placing greater burdens on the State budget and would be in line with the Constitutional provisions that encourage and safeguard savings in all forms and promote house and farm ownership through private savings. The latter use should be evaluated in light of the success of food and agricultural exports resulting from initiatives that have grown over time following the implementation of such specific Constitutional approach.

As for the ways to protect savings and on the consideration that this is a primary political objective, the disputes date back to the work of the Constituent Assembly and do not show signs of mitigation. Jointly with recalling fair distribution of the tax burden, mandatory reference is to be made to the writings and political commitment of Luigi Einaudi, whom we wish to acknowledge as our great teacher.

The protective bulwark erected in the post-war period for financial savings lay in assigning to our central bank the task of defending the purchasing power of the Italian lira while enjoying independence in monetary choices. The institutional events and crises since the end of the Bretton Woods Agreement (1971) have made it more difficult for our central bank to fulfil such task. Today its choices must be balanced with those undertaken by the other national central banks under the European Central Bank (ECB) and with the prevailing conditions on the global market.

A first estimate on the merits of the assumptions underlying the proposal indicates that from 2008 (year of the global financial crisis) till 2021 inflation affected the purchasing power of Italian financial savings by overall 16% (ISTAT data), to which the 12% drop in our properties' value needs be added (BIS data). If the existing portfolio had had the proposed characteristics, the overall loss would have been 14%, partly recovered in the event of a balanced currency composition. Taking into account that in the period considered the dollar revalued against the euro by 23%, a portfolio with half the assets denominated in the US currency would have reduced the indicated capital loss to 2.5%, aiming to self-protection.

Over the same period, wages were satisfactorily protected, with hourly wages rising by average 21% (ISTAT data), fully recovering inflation and benefitting from average labour productivity, albeit low (3.8%). The seven categories of paid pensions grew by average 34% (INPS data), leading us to reiterate the request that, in an economy characterised by strongly asymmetrical frequency distributions, averages should be complemented with kurtosis indicators to assess whether they correctly represent the observed phenomenon.

The trends recorded in the 2020-2021 two-year period, disrupted by supply constraints due to healthcare reasons, further confirm the validity of the proposal put forward and highlight that the mechanism offsetting inflation incidence on securities with the increase in real estate value has – also in the absence of a policy aimed at equalising its treatment – the characteristics assumed. As known, the first data for 2022, also affected by supply constraints following the invasion of Ukraine, shows rising inflation, increasing property prices, the dollar still growing slightly against the euro, stationary hourly wages, and declining equity values.

6 Encouraging and protecting savings: A virtuous circle

The implementation of the proposal for a policy of incentives and protection of savings would provide a concrete response to the reiterated need and drive to direct it towards productive activity, thus towards the formation of new capital. As a matter of fact, each investment fund incorporating equity and debt securities issued by firms would correspond to a proportional amount of real estate investments, which have historically played a leading role in the phases of production and employment recovery. Within the proposed solution, financial and productive capital would be the two sides of the same coin in each freely built portfolio, with positive effects on the macroeconomic framework.

In doing so, we could also reduce that part of finance that generates incomes dissociated from real economy performance, and relaunch the part that instead boosts productivity, namely catalysing an economy open to competition, such as the Italian one.

Credit protection is another objective expressly set out in the Italian Constitution, whose purpose in favour of development is juridically and economically linked to the aim of encouraging and protecting savings. A serious attempt to seek full satisfaction with the relevant Constitutional values dates back to 2005 with Law No. 262, which prescribed the establishment of a commission specifically aimed at safeguarding depositors' savings and a savers-and-investors guarantee fund, regulated by principles set out in a statute of savers and investors. The implementing delegations to the Government and the Parliament have expired – having the time required by law meantime elapsed – also because the task has been largely undertaken and supplemented by the

European Union. Following the emergencies triggered by serious financial crises, the Guarantee Fund was replaced by the Fund of dormant accounts and, subsequently, by the Fund for extrajudicial protection of savers and investors (under the mentioned *ACF)*, also feeding the initiative aimed at enhancing the indispensable level of financial education.

In conclusion, the set of initiatives here scrutinised, complemented with a policy aimed at individual and system-based creation of a portfolio of self-protected savings, could help establish sound foundations to restore confidence in the future, activating a virtuous circle of economic development and social stability.

7 The institutional framework within which money and financial assets will operate in centralised digital accounting or decentralised digital encrypted accounting

In recent decades, the monetary and financial problems to be resolved have become even more complex due to the proliferation of the several virtual forms of securities, which started with Bitcoins and then multiplied under the currently generic definition of "cryptocurrency". Upon inception, they are portfolio activities without an administrator and accounted in a decentralised manner on computer networks that directly connect the holders. By warning investors as to the risks involved and cooperating with the relevant authorities examining the issue for regulatory purposes, Consob, the Bank of Italy and IVASS spoke out the disorderly quantitative development of such activities mainly based on agreements between private parties and hybridisation of several traditional financial instruments (derivatives, credit, bonds, and the like).

Beyond the required choices to deal with virtual instruments and the adopted techniques, it is necessary to define an overall institutional framework of the emerged problems. This requires an international conference in order to re-establish proper functioning of the global monetary and financial system or, at least, of that part of the world willing to cooperate in this direction. Chair Ashley Alder of IOSCO, of which Consob has been a member since its establishment, spoke out in this regard. The same indication was given by Carmine Di Noia, new Director of the OECD Directorate for Financial and Enterprise Affairs, in implementing a Recommendation approved by the OECD Council on encrypted and decentralised accounting technologies.

The urgent need to regulate the various forms and uses of cryptocurrency was reiterated at the recent G7 finance ministers meeting, highlighting that virtual instruments should be treated as traditional ones, whose rules derive from more than a century of experience and refinement that still apply.

We agree on the need to convene an international conference to include the cryptocurrency market in the existing standards, without neglecting the transposition of innovative accounting techniques used by finance.

Attaining market and legal patterns for virtual instruments so as to reproduce traditional solutions – checking market conduct by granting authorisations, applying supervisory rules, imposing administrative sanctions, and interacting with civil and criminal courts – is easier than integrating them with the decentralised and IT accounting technologies that all operators, after hesitation and pondering, have by now implemented or plan to do so. New applications are now made available to highly skilled operators, thus increasing market opacity, with significant expropriations of invested savings. Albeit alerted, public authorities (i.e. regulators, supervisors and magistrates) find it difficult to regulate and judge such issues, due to the fleeting nature of the means used, and ultimately prefer to focus on conducts.

Even when taking account of the high installation costs, the use of new technologies offers potential advantages, such as reduced time and costs of safekeeping and trading of monetary and financial assets, as well as the certainty and immutability of the related accounting records, which guarantee higher impenetrability against external attacks than traditional activities. After the 2008 global financial crisis, operators, managers and savers all wanted independence from official market certifiers. The different forms of Decentralised Finance (DeFi) and Financial Technologies (FinTech) create interconnecting universes, where the faster evolution of the former leads to the belief that they require particular regulatory attention. This is equivalent to recognising that there can be no technologically neutral standardisation of virtual instruments, although innovations are pressing and commit individuals and authorities to following their evolution.

This complex reality is examined, as clearly as always, in the Communication on Distributed Ledger Technologies (DLT) published by the Bank of Italy at the end of last week.

In light of the progress accomplished in creating gigantic collections of digitised data in an easy-to-use unified language drawing on increasingly powerful computers capable of processing it quickly with the methods offered by rapidly evolving data and computer science, technological innovations are the real issue when deciding on rapid adjustment of regulation, also in view of the progress expected from quantum logic application.

As shown by the aforementioned document issued by the Bank of Italy, the progress of knowledge on virtual instruments and their relevant intermediaries or service providers has reached a satisfactory level for regulatory action. Nevertheless, confusion arising from indistinct use of the term *digitisation* remains. If the purpose of the new legislation were to move to a mere digital computerisation of the entire monetary and financial activity (which is already at an advanced stage of application) without regulating the encrypted and decentralised accounting technologies used in order to obtain the necessary information from the supervisory authorities, market opacity would worsen to the detriment of the allocation efficiency expected from transparent and well-regulated negotiations.

Once it has been clarified whether currency and financial instruments will be kept within either centralised or decentralised accounting in digital form, explicitly considering the differences between the blockchain accounting of Bitcoins and the accounting of other crypto (DLT) arranged in different ways, the further necessary step lies in processing information through AI techniques, providing an objective, verifiable and non-modifiable basis for portfolio management of all types, including those proposed here.

The framework of necessary regulatory decisions requires some clarification as to the practical forms that some basic components of traditional money and financial market will take, such as: currency conversion into the Central Bank Digital Currency (CBDC), the existence of stablecoins, and the spread of tokenised securities. We do not aim to propose a specific solution here; we rather aim to provide some clarification on the form that will be decided, not necessarily complemented with an explanation of the underlying reasons. As monetary history teaches us, we cannot delude ourselves that it will be validated just following a phase of practical testing.

The large number of documents produced by the authorities provides no unambiguous answer on the morphological characteristics the CBDC will assume, at national or monetary level and, above all, within international payments; in particular, it is not clear which specific DLT accounting technology will be used. Discussions and regulatory proposals frequently take for granted that decentralised accounting systems – certainly the most widespread – are not Bitcoins impenetrable blockchains. Nevertheless, if these are present in complex virtual instruments or in instruments hybridised with traditional ones, the accounting technique must be expressly considered in order to ensure a "node" allowing authorities to collect information so as to convey their internal transparency and correct any external opacity. This is not the only aspect requiring urgent clarification.

As a matter of fact, if virtual currency is decided to fully replace the current monetary base and its fiduciary currency, bank deposits would quit the monetary creation circuit that make up the M2. Banks would continue to manage the payment system and the savings that will flow to them (if and when wanted and authorised), yet they will have to compete with existing technology platforms, which are better equipped and organised at digital and IT level.

Whatever the choice, public legislation on the matter would re-establish the monetary monopoly and regulatory power of States and their international agreements, nowadays deferred significantly to the will of cryptocurrency operators, who have given themselves their own rules spontaneously accepted by customers, and have gone so far as to set the criteria to directly manage any conflicts related to the platforms themselves, thus expropriating the State judiciary. Investors seem to appreciate the services provided by these intermediaries, in spite of their lack of transparency. As a matter of fact, they can conceal unlawful conducts and the technologies used can result in vulnerabilities, as confirmed by recent incidents of scams and hacking. It is hoped that virtual instruments' holders are aware of assuming all such responsibilities, even though they may call for authorities' involvement on the ground that partial public interventions have legitimised their presence on the cryptocurrency market as well as their hybridisation with traditional instruments.

More extensive use of AI will provide a firmer basis to monitor the work of all market participants (banks included) to the benefit not only of intermediaries or financial service operators but also of savers and the general public.

If, as we repeatedly hear in contradictory terms, stablecoins are legitimised and banks make use thereof, current legislation will require even deeper changes, having to include the treatment of stability reserves. To such end, it will be worth taking account of the experience (concluded in 1971) of public governance of the fiduciary currency convertible into metal (gold and silver) instruments and the one still in place of the mathematical reserves of insurance companies. The recent crisis of two major companies dealing with stablecoins testifies to the misunderstanding of the concept of *stability* applied to cryptocurrencies and the potential serious repercussions of failing to resolve the issue of inclusive regulation of the forms taken and the techniques used.

Undertaking innovative accounting technologies in the form of tokenisation of traditional financial instruments raises fewer problems and proves more useful, yet it requires a precise definition of rules for their inclusion in the existing market and corporate regulatory framework. Even for these virtual forms, it remains of crucial importance to provide the delegated supervisory authorities with the power to enter the decentralised circuit in order to supervise its activity. Once the institutional morphology of central bank currency and the funding of commercial banks have been defined, integrating both traditional activities and innovative accounting technologies appears easier in order to reap the benefits of technological innovations applied to finance.

In Italy, the alleged first tokenisation initiative – of experimental value – has taken a prudential form, with the issuance of traditional certificates replicated simultaneously (mirrored) in a virtual form. Experiments that go far beyond the hybridisation of traditional instruments by virtual ones are starting to arise, should the tokenisation of real estate assets become established, as announced by a leading bank operating worldwide. The decision would make a positive contribution to the proposal put forward here to create portfolios that protect themselves against inflation. If this were the case, a remarkable share of real savings would be transferred to the infosphere – its development aiming to embrace every aspect of the socio-economic life of those who want to join.

8 The consequent redefinition of Consob’s tasks

Some clarification on the application problems related to virtual accounting technologies and the resulting morphology of monetary and financial structures paves the indispensable basis for adapting the tasks and organisation of all securities markets’ supervisory institutions. This also applies to Consob, fully committed to keeping track of markets’ growing complexity and the internal and international expansion of the legislation, against the background of scarce ordinary financial resources which have even decreased as a result of the difficulties affecting (with a few months’ break) the Country's economic activity for over two years.

At present, Consob has the main task of ensuring transparency of financial transactions subject to its supervision as well as market operators’ fair conduct, intended not only as ascertaining compliance with current legislation but also as a way of incorporating the requests for shared value creation to undertake a sustainable development path on a stable basis.

The principles governing Consob's activity are rooted in the era when the distinction between money and finance used to be sharp and fairly simple. Banks used to perform almost exclusively the functions of collecting most savings in the form of deposits, benefitting of the guarantees offered, from lender-of-last-resort functions to the existence of a crisis resolution and deposit protection mechanism, together with well-equipped supervision. This context has changed as a result of the regulatory steps undertaken to encourage new forms of financial asset management, ranging from the Mutual Funds set up in 1983 to banking system transformation, from specialisation to the standard forms decided in 1993, from the conversion of the Italian lira into the euro approved in 1998 to the increasing liberalisation of monetary and financial trade, primarily in the EU.

The impulse to financial market growth stemming from these and other changes in the global architecture of finance enabled Italy to reach the mentioned significant results within real and financial relations with abroad, with positive domestic outcomes, which must now face countries' new isolationist tendencies as to global competition and the effects of virtual instruments' increasing quantitative and qualitative development.

Within the new context, the institutional issue to be addressed now goes beyond the regulation of manufacturing, trading and accounting for the new instruments and their interweaving with traditional activities, and affects the roles played by the various supervisory authorities of the securities market, both at domestic and European level, to define the contents of the emerging European Union of national capital markets as opposed to those of the supervisory institutions already operating. Likewise, it will be essential to identify the institutional structure that, either *de facto* or through international agreements, the international monetary, financial, and real exchanges will take on.

9 Conclusions: Protecting savings, defining technological competition rules in finance, and countering regulatory competition

Current experience can be considered similar to that described in *The Birds* by Aristophanes, where, among the oracle-mongers with prophecies for sale, Meton, famous Greek mathematician, astronomer and philosopher of the fifth century B.C., enters the scene. Meton recalculated the lunar cycles by relying on the few tools available at that time, then ironically referred to as a "rounded square" and a "squared circle". The mockery went far beyond the play, as Meton was then driven out of Athens as a lunatic. Such condemnation – luckily enough no longer physical – still hangs over today's Metonians, who run the risks of anticipating economic analysis, and/or innovative techniques and political proposals that clash with the existing rules and prevailing ways of thinking.

Today's technical tools are the result of a much more advanced science than in Meton's times, and draw upon increasingly powerful computers to embrace innovative logical languages, by now borderless. It is a matter of creating and relying on a pool of professionals capable of using new "squares and circles" generated by inventive and creative skills that, similarly to those of the Greek philosopher, remain indispensable components for human progress. We can state, confidently and unrhetorically, these qualities abound in Italy, as shown by the achievements of our export companies and the top positions held by numerous young Italians worldwide within companies operating in the infosphere.

It is now urgent to define the rules for correct and transparent use of technological innovations in the composition of securities portfolios, as an indispensable component of savings protection. An important step lies in defining the morphology that public currency will assume and whether a private currency will survive, identifying the effects of the choice made on the current banking and financial system.

A significant part of Italian enterprises, primarily those able to strengthen the range of our listed companies, are moving to foreign stock exchanges or financial markets, being attracted by the regulatory advantages offered abroad and absent in our system or, more simply, being discouraged by the administrative complexity of the procedures currently in force to access listing and remain listed. The actions and trends undertaken by Consob along with relevant authorities have been illustrated, in view of simplification that will halt possible deterioration of our financial ecosystem and promote expansion not only of regulated markets. In this context, we are witnessing a fruitful expansion of intermediaries acting in multiple forms to support companies worthy of financing, attracting and well investing the resources of the most farsighted savers.

The agreement between Borsa Italiana and Euronext is a test bench to give rise to forces aiming to expand the trading activities performed on a regulated basis and make Italy's regulatory specificities disappear in the European context. Often it is rightly said this must not be the result of our adaptation to regulatory competition from European and non-European financial markets; rather this must contribute to creating a level playing field for all, where the reference to companies' profitability obtained with regulatory advantages disappears, bringing to the surface the contents of their ability to manage innovative technologies in addition to labour and financial resources.

Within this complex action we had constant consultations with MEF (Ministry of the Economy and Finance), the Bank of Italy, the AGCM (Italian competition and market authority), IVASS (insurance supervisory authority), COVIP (national supervisory authority on Italian pension funds), as well as the Criminal, Civil and Administrative Judiciary, the Avvocatura dello Stato, the Council of State, the Guardia di Finanza, Italy's Postal Police, and the OCF (supervisory body and keeper of the consolidated register of financial advisers); and, in particular, we benefitted from the cooperation of COMI, the market operators and investors committee. Our heartfelt gratitude goes to all these institutions.

I also wish to thank the staff who coped with commitments amidst the difficulties arising in the last two years as a result of the constraints posed by the Covid-19 pandemic and markets' rapid evolution. I call upon everyone to address the necessary changes with courage, for their own good and for the benefit of the whole Country.