CONSOB
COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA

ANNUAL REPORT 2007

ROME, 31 MARCH 2008

List of boxes

ANNUAL REPORT 2007

A

FINANCIAL MARKET DEVELOPMENTS

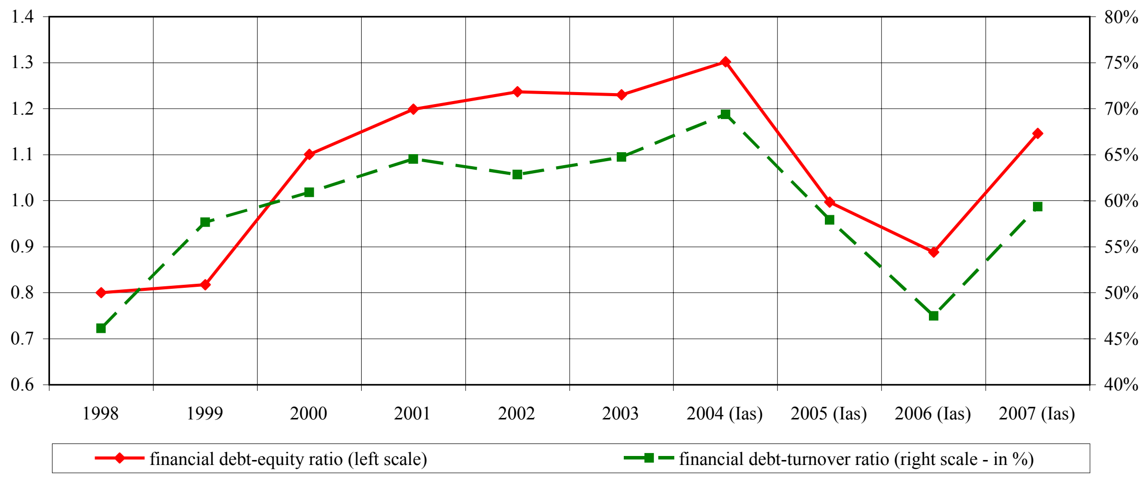
I – LISTED COMPANIES

1. Financial structure and profitability

In 2007 the level of indebtedness of major Italian listed non-financial groups increased. The debt-shareholders' equity ratio reached values of over 1.1 (compared to 0.9 in 2006; Fig. 1) as a result of the considerable increase in financial liabilities (from 152 billion to approximately 200 billion euro; +32%), due largely to the changes in just one listed group. The increase in shareholders' equity, however, was very slight (from 170 billion to 175 billion euro; +2.6%). The incidence of financial debt on turnover also increased (59% compared to the 47% of 2006).

Figure 1

Indebtedness indicators for the major Italian listed non-financial groups



Source: calculations based on reclassified R&S financial statements. The 2007 figures are provisional. See Methodological Notes.

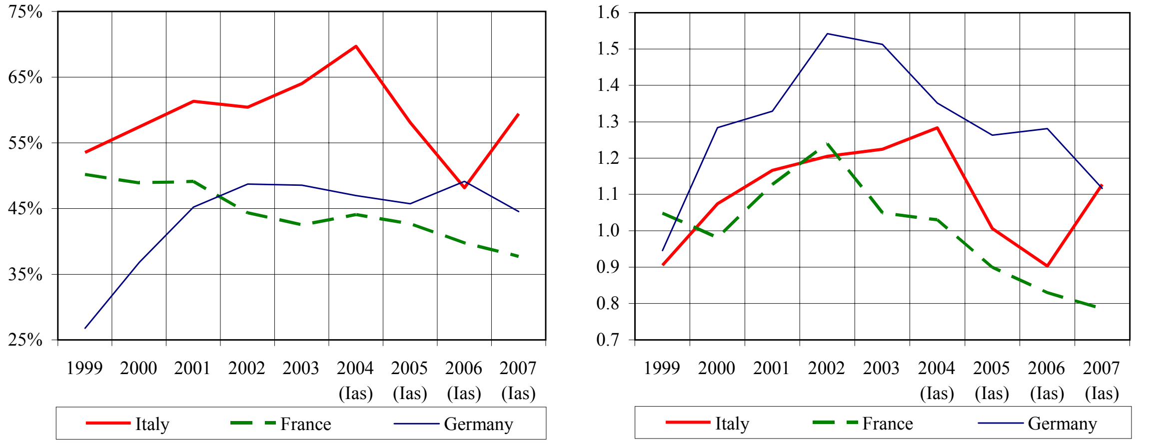
The indebtedness of the major listed non-financial groups fell, however, in France and particularly in Germany (Fig. 2). In fact, the financial debt-shareholders' equity ratio dropped, from 0.83 to 0.79 for French companies and from 1.3 to around 1.1 for German companies. The financial debt-turnover ratio for Italian listed non-financial groups recorded significantly higher levels than those of the French (38%) and German companies (45%).

The increase in the level of indebtedness of major Italian non-financial companies is above all due to a growing medium-long term financial debt (from 115 billion to 156 billion euro, +36%), the weight of which on the total financial debt increased by around two percentage points till 78% (Fig. 3). Specifically, the volume of medium-long term bonds increased by 18% (from 68 billion to 80 billion euro), whereas the volume of other medium-long term debts rose by 61% (from 47 billion to 76 billion euro). As a result, the weight of bonds maturing beyond twelve months fell by 5 percentage points (from 45% to

40%), whilst the weight of other financial debts increased by 7 percentage points (from 31% to 38%).

Figure 2

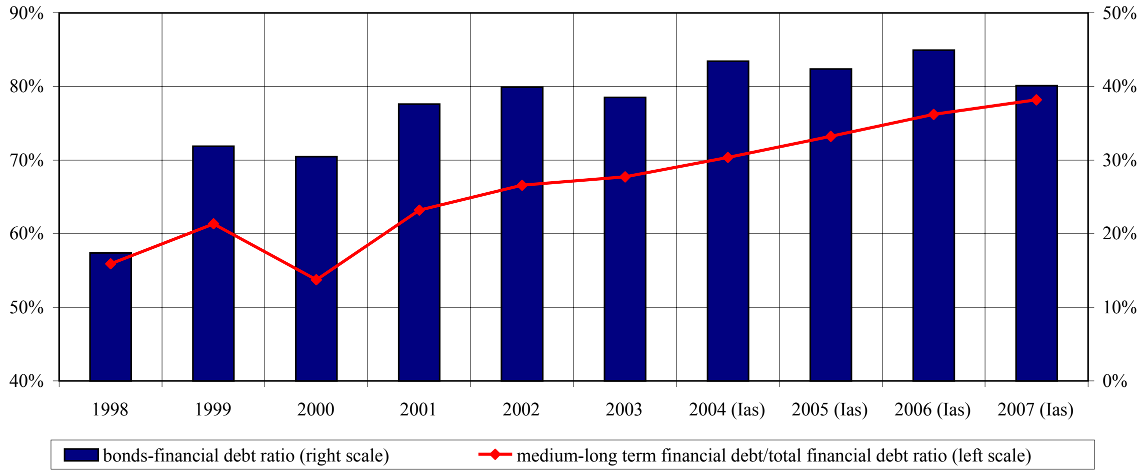
Indebtedness indicators for the major listed non-financial groups of certain EU countries



Source: calculations on Worldscope data. For France and Germany the figures relate to the top 30 non-financial companies by level of capitalisation as at May 2008, whereas for Italy the figures refer to the sample of major listed groups indicated in Fig. 1. The 2007 figures are provisional.

Figure 3

Weight of bonds and medium-long term debt on the total financial debt of major Italian listed non-financial groups

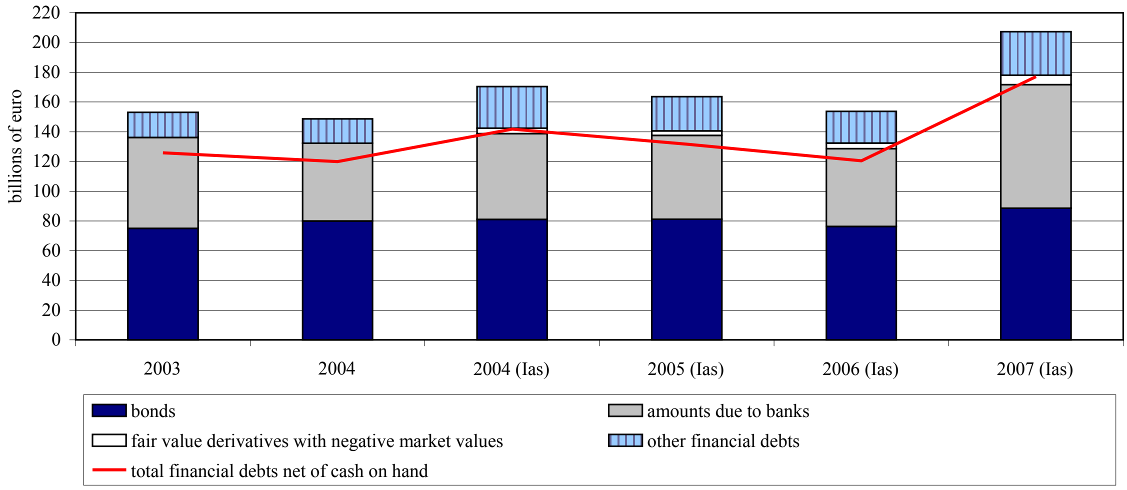


Source: calculations based on reclassified R&S financial statements. The figures for bonds refer to bonds with maturity beyond 12 months. The 2007 figures are provisional. See Methodological Notes.

In 2007 the increasing debts referred mainly to amounts due to banks, from 52 billion euro in 2006 to approximately 83 billion euro (+59%). The total value of bonds (both short and long term) increased by around 12 billion euro (from 76 billion to 89 billion euro, +16%; Fig. 4). Lastly, the fair value of derivatives with a negative market value increased by 70% to around 6 billion euro. Overall, the level of indebtedness net of cash and cash equivalents increased from 120 billion to 177 billion euro (+47%).

Figure 4

Breakdown of financial debt of major Italian listed non-financial groups

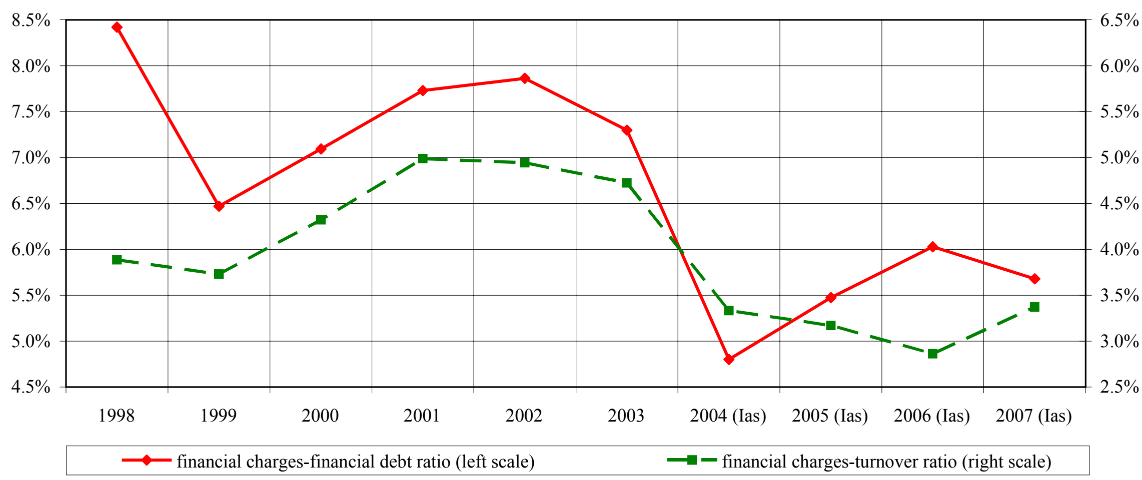


Source: calculations based on consolidated financial statements. The 2007 figures are provisional. See Methodological Notes.

The 2007 financial charges-financial debt ratio decreased slightly compared to 2006, from 6% to 5.7%. The increase in financial charges (from 9 billion to approximately 11 billion euro; +25%) is in fact less than the increase in debts (Fig. 5). Nevertheless, the financial charges-turnover ratio increased (from 2.9% to 3.4%).

Figure 5

Incidence of financial charges for major Italian listed non-financial groups

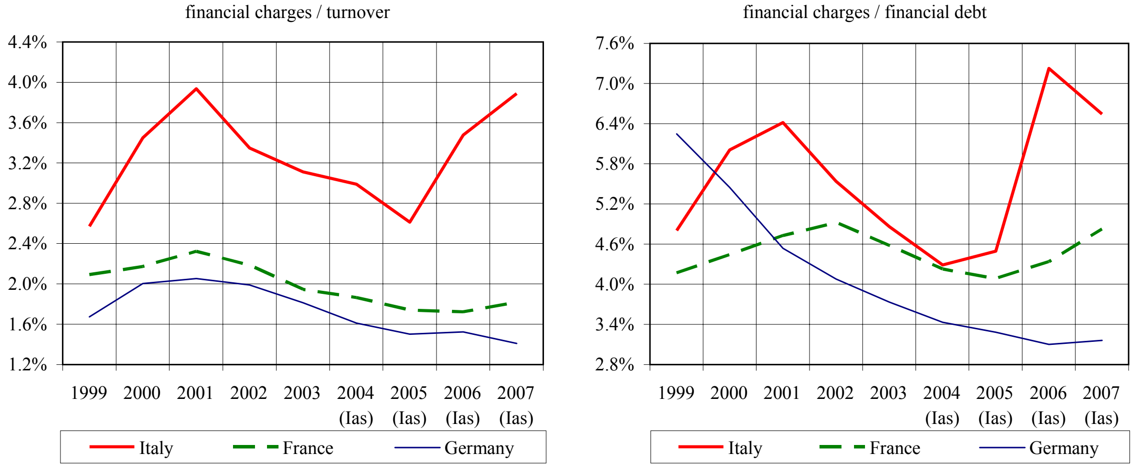


Source: calculations based on reclassified R&S financial statements. The 2007 figures are provisional. See Methodological Notes.

Analyses based on financial statements data, reclassified to allow a comparison between several countries, show that Italian companies continue to record a higher incidence of financial charges on financial debts and on turnover compared to French and German companies (Fig. 6). The financial charges-total financial debt ratio increased only slightly for the major French non-financial companies (from 4.3% to 4.8%) and German companies (from 3.1% to 3.2%). Furthermore, the incidence of financial charges on turnover remained stable below 2% in both countries.

Figure 6

Incidence of financial charges for major listed non-financial groups in certain EU countries

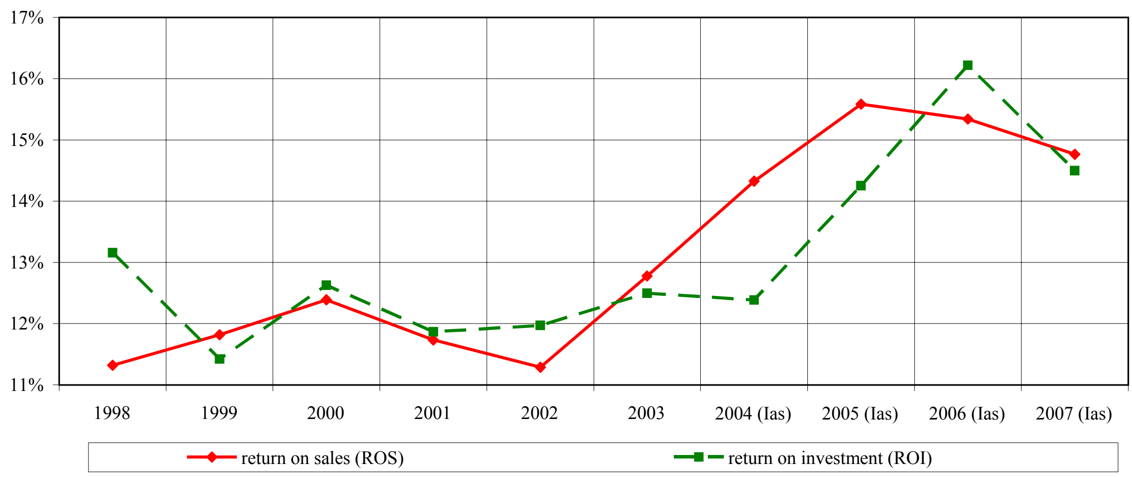


Source: calculations on Worldscope data. For France and Germany the figures relate to the top 30 non-financial companies by level of capitalisation as at May 2008, whereas for Italy the figures refer to the sample of major listed groups indicated in Fig. 1. The 2007 figures are provisional.

Profitability for the major non-financial listed companies dropped slightly between 2006 and 2007. The return on sales (i.e. the turnover-invested capital ratio) was just under 15%, therefore slightly down on 2006 (15.3%; Fig. 7). The return on invested capital (or net operating profit-invested capital ratio) decreased by a little over one percentage point, from just over 16% in 2006 to around 14.5% in 2007. The return on own capital (net profit-shareholders' equity ratio), however, remained stable at approximately 31%.

Figure 7

Profitability of the major Italian listed non-financial groups



Source: calculations based on reclassified R&S financial statements. The 2007 figures are provisional. See Methodological Notes.

2. Cash flows

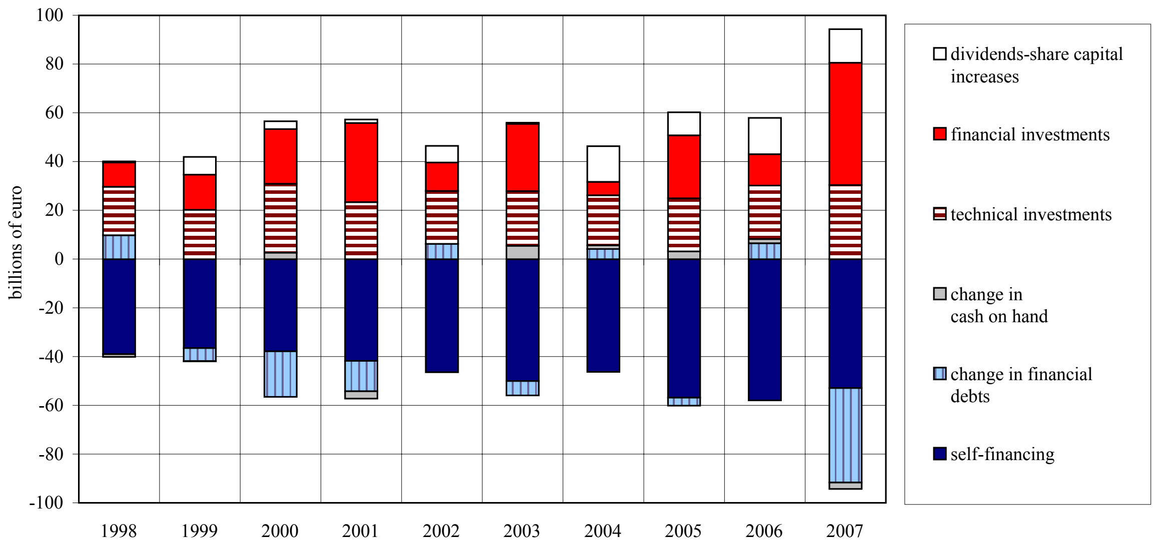
During 2007, self-financing remained the primary source of financial resources for the large Italian non-financial listed companies (Fig. 8). Compared to 2006, however, the total reduced slightly from 58 billion to around 53 billion euro, whilst a significant increase was recorded in financial debt (approximately +39 billion euro) which led to an increased financial leverage (see paragraph 1 above).

The increase in financial debt, however, was almost entirely attributable to the takeover of a foreign group by one of Italy's major listed companies (also see paragraph 5 below).

The financial resources were used mainly for acquisitions and financial investments for a total of around 50 billion euro. Technical investments in systems and equipment were also significant (30 billion euro in 2007 against the 22 billion euro or thereabouts in 2006). On the other hand, financial resources refunded to shareholders (dividends net of capital increases) decreased slightly from 15 billion to a little under 14 billion euro.

Figure 8

Uses (+) and sources (-) of financial resources of major Italian listed non-financial groups

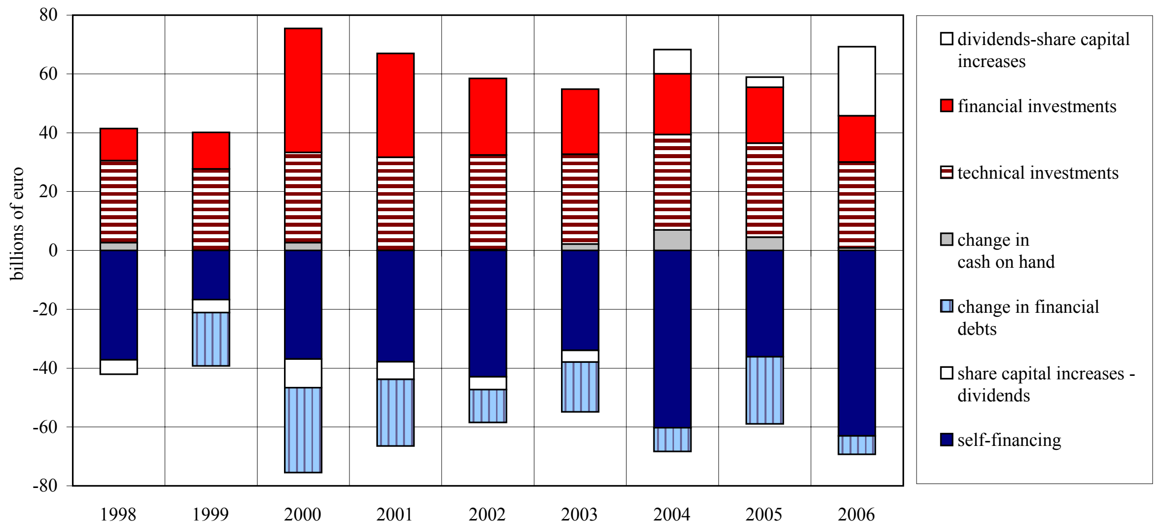


Source: based on cash flow statements and R&S figures. Self-financing is net of investments in net working capital. The 2007 figures are provisional. See Methodological Notes.

Self-financing (totalling 63 billion euro) was also the main source of financing for a sample of approximately 2,000 Italian companies, surveyed by Mediobanca and in part coinciding with the major listed groups (Fig. 9). The 2006 figures show that, in terms of resource usage, technical investments remain particularly strong (29 billion euro), albeit slightly down on 2005 (-8%). Financial investments fell from 19 billion to around 16 billion euro (-17%). Lastly, financial resources returned to shareholders (dividends net of capital increases) increased significantly (from 3 billion to 23 billion euro).

Figure 9

Uses (+) and sources (-) of financial resources for large Italian non-financial companies



Source: based on Mediobanca data, "Cumulative data of 2,015 Italian companies", 2007 edition. Self-financing is net of the investments in net working capital.

3. Credit quality

Data on the development of ratings issued by rating agencies on private companies (financial and non-financial) show that in 2007 credit quality, in both the USA and Europe, was characterised by a negative trend, especially after the subprime mortgage crisis.

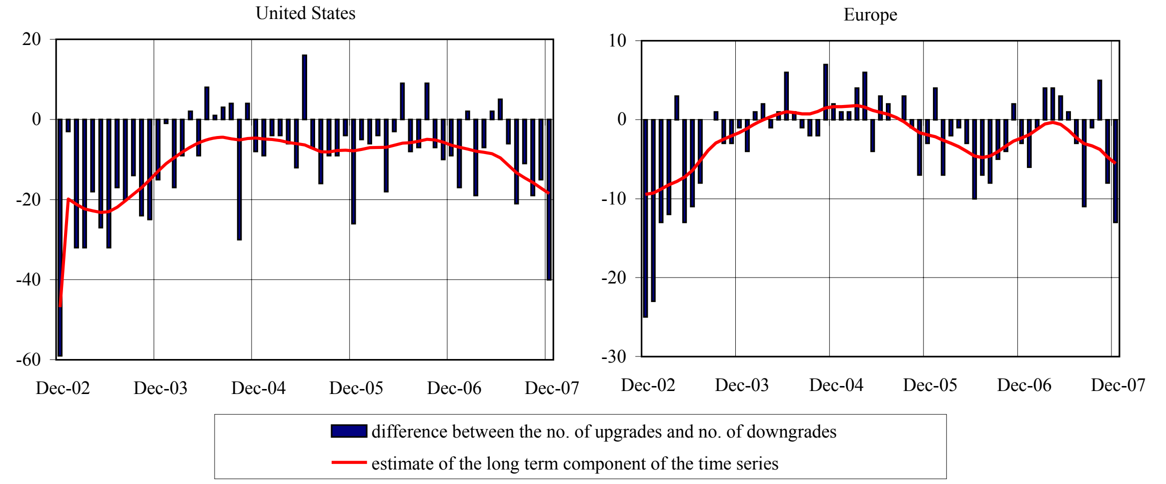
In fact, in the USA the difference between the number of rating downgrades and upgrades issued by the rating agencies was 112 in the second half of 2007 (against 34 in the first half).

In Europe, downgrades exceeded upgrades by 31 in the second half, whereas in the first half of the year the number of upgrades was five more than the downgrades (Fig. 10).

Despite the negative signals emerging from an analysis or rating changes, the insolvency rate of issuers with speculative ratings nevertheless decreased in both the USA (from 1.7% in December 2006 to 1% at the end of 2007) and in Europe (from 2.7% to 1.1%). Issuers of bonds classified as in default decreased from 30 in 2006 (23 North America, 5 Europe and 2 rest of the world) to 18 in 2007 (15 North America, 3 Europe). The value of bonds declared to be in default also decreased by 36%, from 10 billion to around 7 billion euro (Fig. 11).

Figure 10

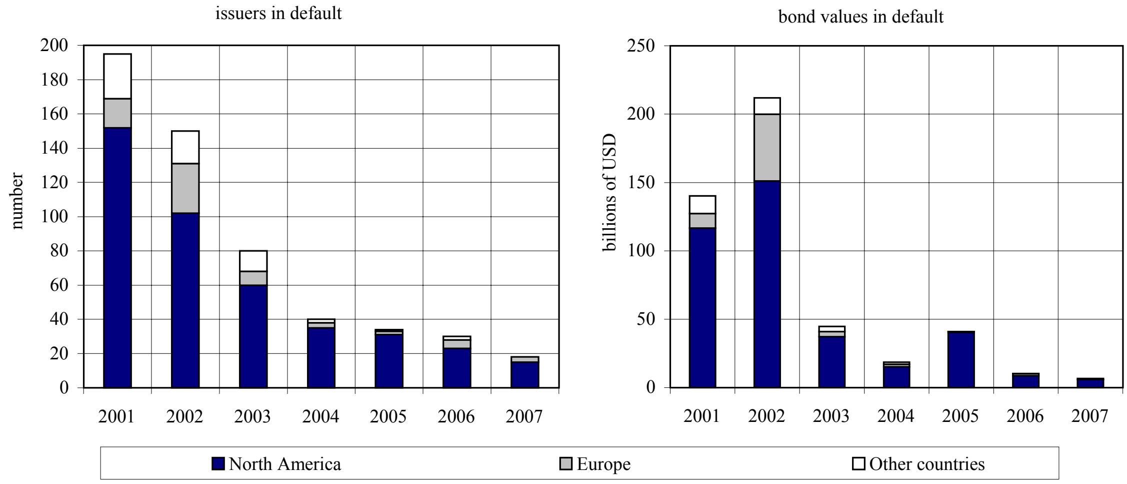
Difference between upgrades and downgrades in the corporate sector
(monthly figures; December 2002-December 2007)



Source: Moody's. The number of upgrades and downgrades refers to all companies, both financial and non-financial. The long-term component is estimated by non-parametric time series analysis methods.

Figure 11

Corporate bonds in default by geographic area



Source: Moody's.

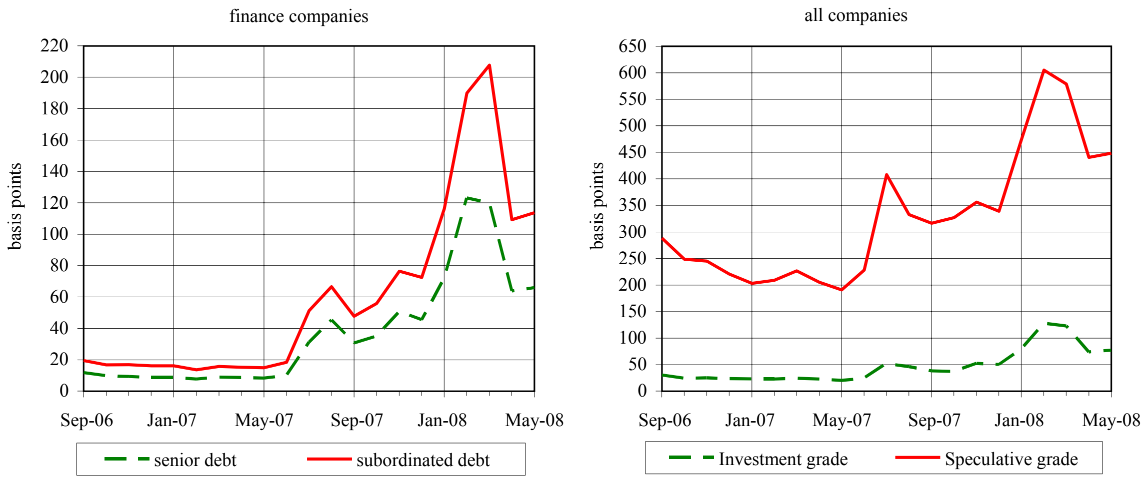
The low number of insolvency cases recorded in the corporate sector in 2007 is attributable to the positive economic position and favourable credit access conditions that characterised the previous years. By May 2008, the default rate (Moody's global estimate) for companies with speculative ratings had increased to 2% (compared to 1% at the end of 2007). Furthermore, based on Moody's forecasts, this rate could increase significantly to reach close on 5% by the end of 2008.

The subprime mortgage crisis has led to a significant increase in the perception of credit risk on the financial markets. The unstable situation continued for several months after the first signs of turbulence emerged.

The crisis has also resulted in an increased cost for protection against insolvency risk, as seen in the performance of credit default swap (CDS) contract prices on the major European listed companies. In particular, the cost for protection against insolvency risk on the subordinated debt of banks leapt from around 20 basis points before the crisis to over 200 basis points in March 2008. In the same period, for non-financial companies with speculative ratings the cost increased from 200 to over 600 basis points (Fig. 12). CDS prices later decreased in April and May 2008, but still remain high.

Figure 12

Credit default swap prices for contracts with 5-year maturity on European listed issuers
(monthly figures; 30/09/2006-31/05/2008)



Source: Thomson Financial-Datastream Data on the Itraxx indices relate to credit default swap contracts for a sample of European listed companies. A price listed, for example, at 100 base points indicates that the contract buyer (i.e. the purchaser of credit risk protection) pays an annual protection fee to the seller amounting to 1.1% of the nominal value of the underlying bond or credit.

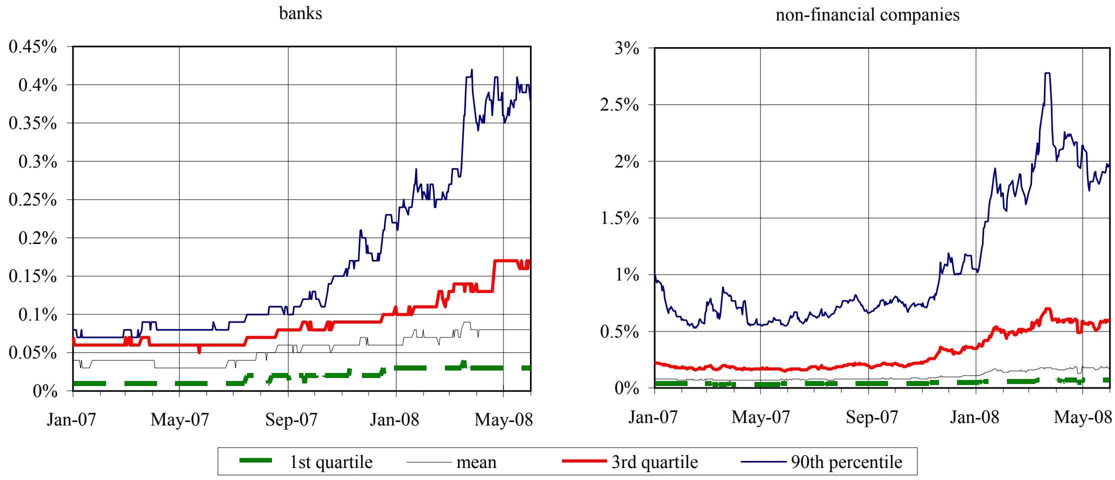
For Italy, the deterioration in credit quality is also pointed out by analytical insolvency risk assessment models.

From May 2007 to May 2008 the minimum default probability for the higher risk group of banks (90th distribution percentile of default probability) increased from 0.08% to 0.4%. In the same period, the minimum default probability of the higher risk group of non-financial companies increased from 0.6% to over 2% (Fig. 13).

In May 2008, 90% of Italian listed companies continued, however, to record a default probability lower than that of European listed companies, taking into consideration both banks (0.7%) and non-financial companies (6.2%) (Fig. 14).

Figure 13

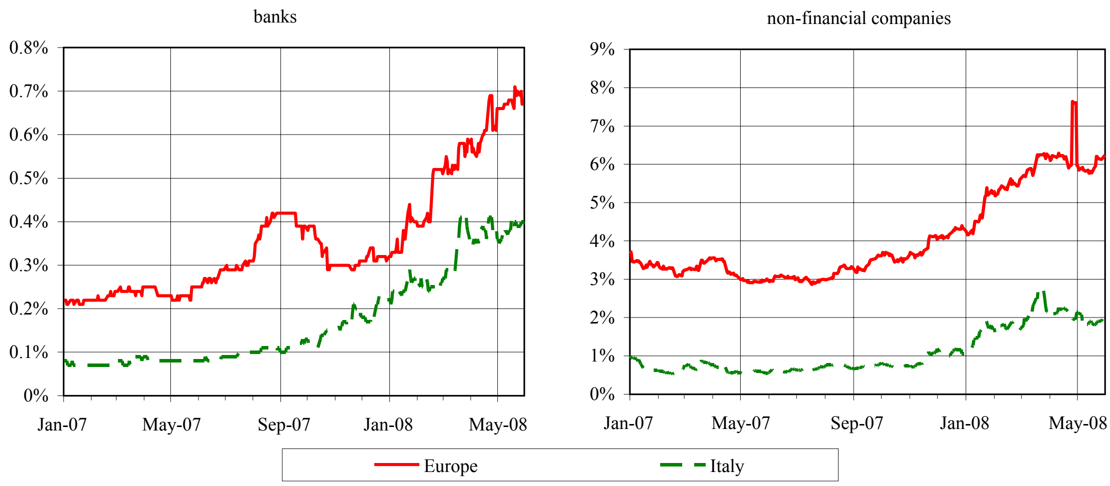
Default probability spread in Italian listed companies
(daily figures; 01/01/2007-31/05/2008)



Source: Moody's KMV - Credit Edge.

Figure 14

90th percentile spread for default probability in Italian and European listed companies
(daily figures; 01/01/2007-31/05/2008)



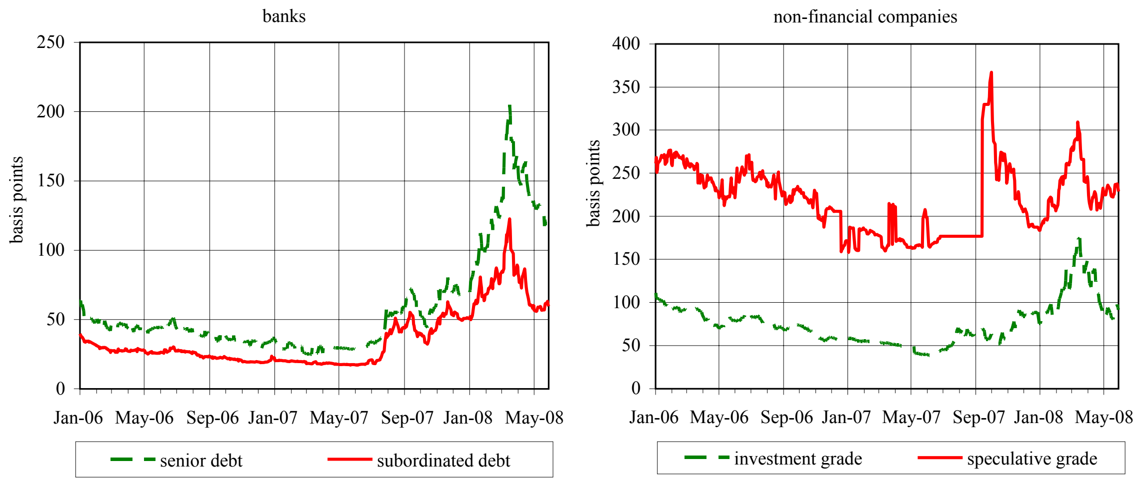
Source: Moody's KMV - Credit Edge.

The increased perception of insolvency risk for Italian listed issuers is also seen in the increase in credit default swap contract prices (Fig. 15) which peaked in March 2008, in line with figures recorded for the European CDS market.

Similar evidence emerges from models estimating theoretical CDS contract prices (expressed as a spread compared to the Libor rate) across the Italian non-financial listed companies. Specifically, it emerged that the subprime mortgage crisis has affected the distribution of spreads forecast even one year after the turbulent situation hit the financial markets (Fig. 16). Whereas in May 2007, for example, listed companies in the higher credit risk class (with a rating of C-CCC or equivalent) had a maximum theoretical spread of almost 1,100 basis points, in May 2008 the same companies maximum theoretical spread was just over 1,300 basis points.

Figure 15

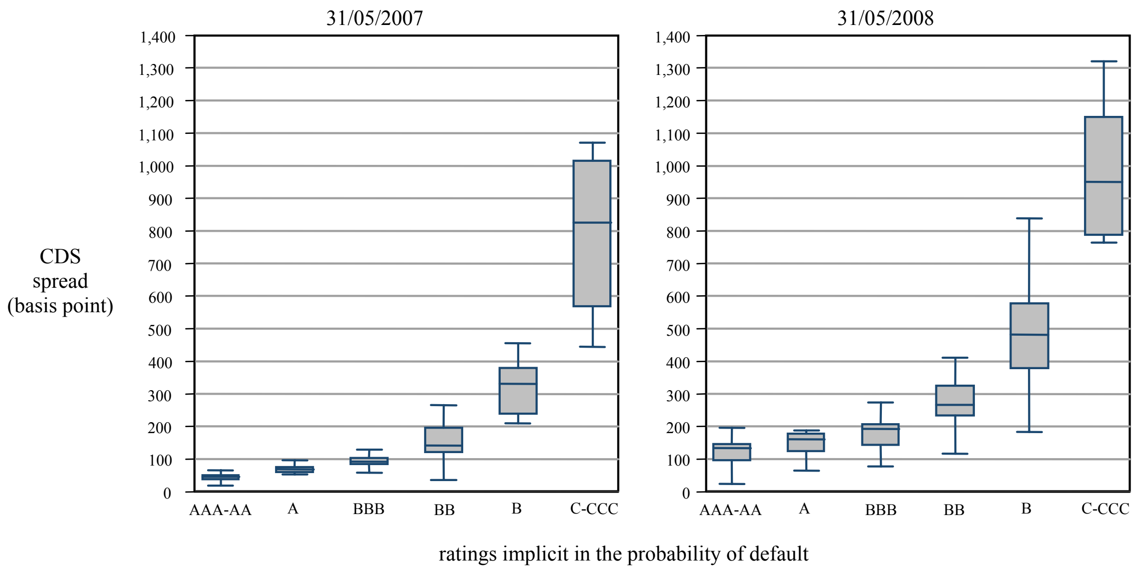
Credit default swap prices for contracts with 10-year maturity on Italian listed issuers
(daily figures; 01/01/2006-31/05/2008)



Source: calculations based on Thomson Financial-Datastream data. For non-financial companies data are calculated as the average of daily credit default swap prices for companies with the same rating, whilst for banks data consist of the average of daily prices for the major banking groups. A price listed, for example, at 100 base points indicates that the contract buyer (i.e. the purchaser of credit risk protection) pays an annual protection fee to the seller amounting to 1.1% of the nominal value of the underlying bond or credit.

Figure 16

Spreads compared to the Libor rate for theoretical credit default swap (CDS) prices for Italian non-financial listed companies



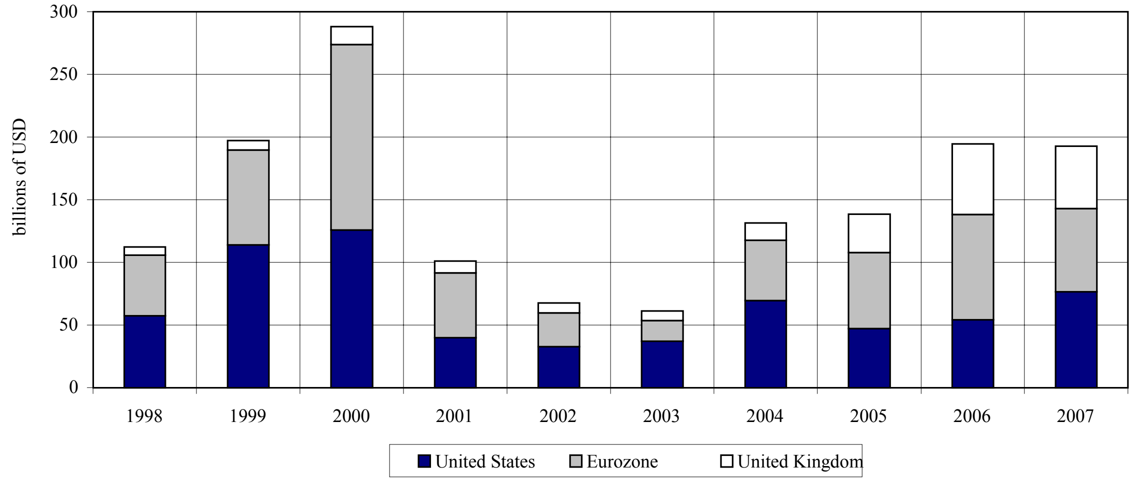
Source: based on Moody's KMV-Credit Edge data. Insolvency probability is estimated using the credit risk assessment model developed by Moody's KMV and the rating allocation implicit to companies is calculated on the basis of the default probability estimated by the model. The CDS spread measures the difference between theoretical CDS yield (estimated on the basis of insolvency probability) and the Libor rate. The chart shows the spread distribution by credit class group. Specifically, the horizontal line in the box corresponds to the mean, the lower half shows the 1st quartile and the upper half the 3rd quartile. The two horizontal lines above and below the box indicate the range of values for each spread.

4. Equity funding and admissions to listing

In 2007 the total funding raised by newly listed companies increased by 71% in the United States (from 54 billion to 76 billion euro), whereas in Eurozone countries funding fell by 21% and in the United Kingdom by 11% (Fig. 17).

Figure 17

Funding of companies newly listed on the stock exchanges of major industrialised countries

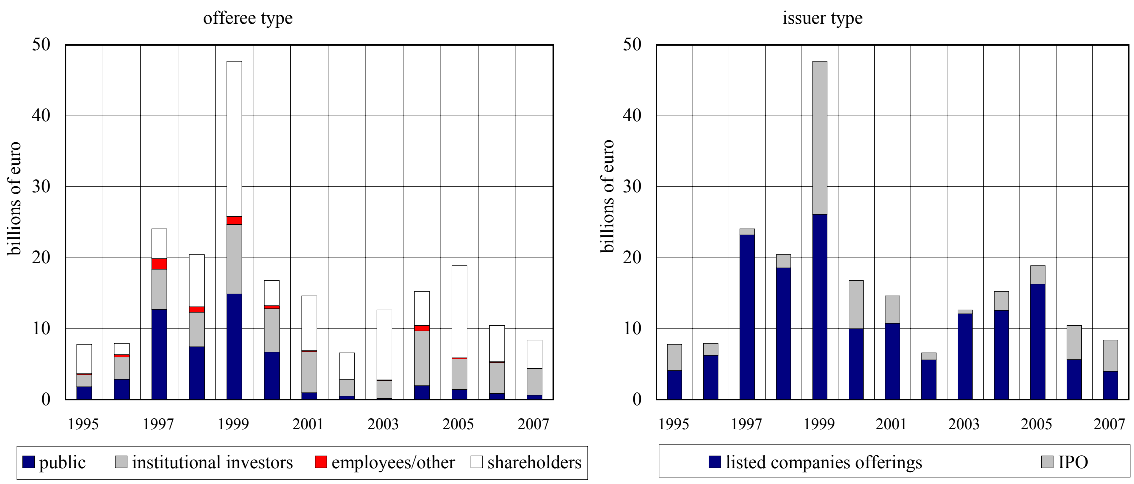


Source: based on *World Federation of Stock Exchanges* data. The US figures refer to NYSE and NASDAQ listed companies.

In Italy the total placement of shares (new risk capital funding and public offerings of shares already issued) recorded a further decrease on the 2006 figure (from 10 billion to 8 billion euro; -33%), due mainly to lower capital increases of companies already listed (from 5.6 billion to approximately 4 billion euro) (Fig. 18). The total value of IPOs decreased to a lesser extent (from 4.8 billion to around 4.4 billion euro; -9%), implemented by means of offerings of securities already in circulation (approximately 3 billion euro; Fig. 19).

Figure 18

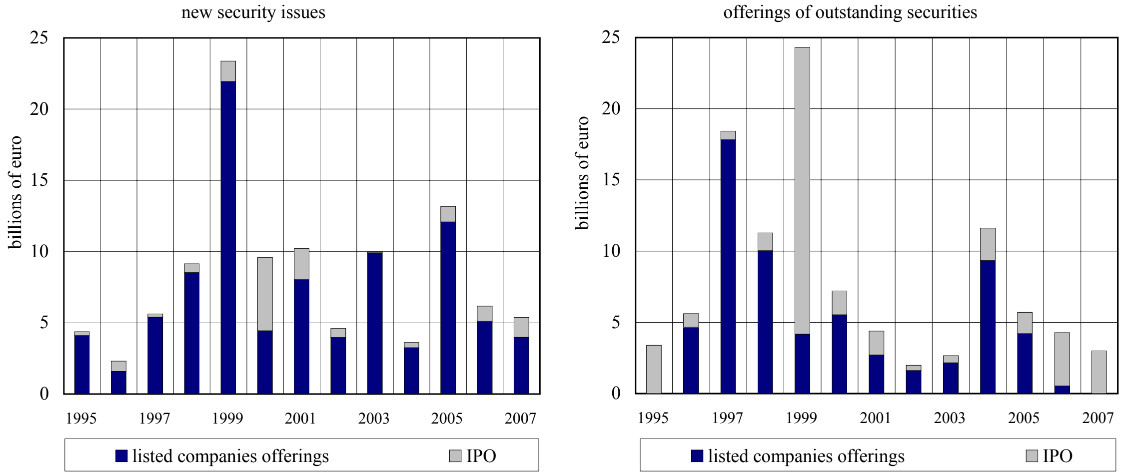
Overall placements of shares and convertible bonds of Italian listed companies
(issues of new securities and existing share offerings)



Source: Consob and Borsa Italiana.

Figure 19

Offering types of shares and convertible bonds of Italian listed companies



Source: Consob and Borsa Italiana.

In 2007 29 new companies were admitted to listing (21 in 2006). The total pre-offering capitalisation of newly listed companies was 9.8 billion euro (Table 1).

Table 1

Initial public offerings by Italian companies
(amounts in millions of euro)

	Number of companies	Pre-offering capitalisation[1]	IPO value			Incidence on post-offering capitalisation[2]
			subscription	sale	*total*	
1995	11	22,675	274	3,396	*3,670*	33.1
1996	12	5,550	721	945	*1,666*	26.6
1997	10	2,126	227	606	*833*	35.4
1998	16	3,844	614	1,231	*1,845*	41.7
1999	27	65,788	1,414	21,606	*23,020*	33.2
2000	44	28,308	4,970	1,933	*6,903*	20.7
2001	18	8,193	2,199	1,736	*3,935*	35.2
2002	6	2,504	638	424	*1,062*	33.8
2003	4	1,340	67	483	*550*	39.1
2004	8	5,406	351	2,300	*2,651*	39.7
2005	15	5,874	1,088	1,608	*2,696*	34.5
2006	21	11,736	1,053	3,977	*5,030*	39.3
2007	29	9,770	1,415	3,080	*4,495*	40.2

Source: Consob. See Methodological Notes. [1] Capitalisation of the companies admitted to listing, calculated on the basis of the public offering price and the pre-offering number of shares. [2] In relation to the post-listing capitalisation, gauged at the public offering price. Percentage values, weighted for the sum total of the public offerings. Figures do not include ENI in 1995, Enel in 1999, Snam Rete Gas in 2001 or Terna in 2004.

Institutional investors were present among shareholders in 12 of the newly listed companies. The pre-offering holding accounted for approximately 40% of the share capital and, after placement, around 21% (Table 2).

Table 2

Institutional investors' shareholdings in newly listed Italian companies[1]

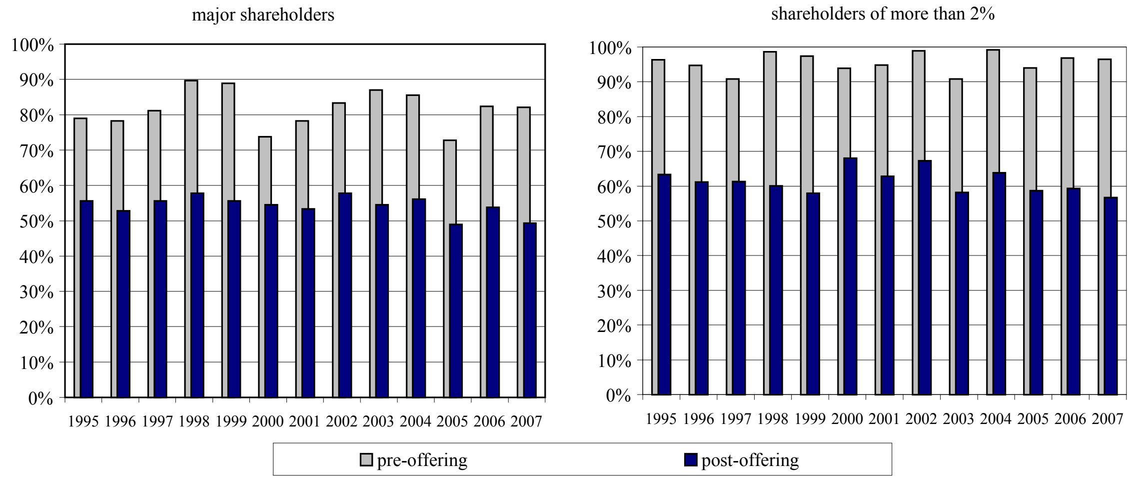
	Company		Average number of institutional investors [4]	Average pre-offering share[5]	Average post-offering share[6]
	Number [2]	% of total [3]			
1995	6	54.5	2.3	27.7	8.5
1996	6	50.0	3.7	47.3	23.2
1997	2	20.0	1.5	40.9	7.1
1998	4	25.0	4.3	48.3	18.9
1999	9	33.3	2.0	27.5	10.2
2000	18	40.9	2.7	25.9	16.2
2001	6	33.3	1.5	28.0	13.1
2002	2	33.3	2.5	27.1	15.2
2003	3	75.0	2.0	22.0	10.1
2004	4	50.0	2.3	28.5	9.5
2005	6	40.0	3.2	20.6	4.1
2006	11	52.4	1.8	23.7	11.8
2007	12	41.4	1.7	39.6	21.2

Source: Consob. See Methodological Notes. [1] Institutional investors comprise closed-end investment funds, venture capital companies, commercial and investment banks. Foundations and savings banks are excluded. Data refer only to companies with this investigator category among its shareholders, taking into account both direct investments and those in issuer controlling companies. [2] Number of companies listed during the year, in which institutional investors held an interest at the public offering date. [3] Percentage of all companies listed during the year on the reference market. [4] Average number of institutional investors holding an equity interest at the public offering date. [5] Average percentage of the share capital held by institutional investors at the public offering date. [6] Average percentage of the share capital held by institutional investors immediately after the public offering.

The ownership structures of newly listed companies show characteristics typical of companies admitted to listing in previous years. The average share of voting rights held by the majority shareholder prior to the offering was 82%, reducing to a post-offering share of 50% (Fig. 20). Nevertheless, in 10 cases in 2007 the post-offering holding of the majority shareholder was less than 50% (compared with just 5 in 2006).

Figure 20

Ownership structure of newly listed Italian companies
(percentages of share capital with voting rights; average values)



Source: Consob. See Methodological Notes.

The shares of newly listed companies were allocated mainly to foreign investors (approximately 60% in 2007) and the demand-supply ratio dropped for both public placements (2.8 compared to 5.3 in 2006) and institutional placements (4.0 compared to 5.4 in 2006; Table 3).

Table 3

Italian companies admitted to listing: IPO results [1]

	Portion of shares allocated				Demand-supply ratio [2]	
	Public	Italian institutional investors	Foreign institutional investors	Others [3]	Public offering	Institutional offering
1995	42.3	16.3	41.4	—	3.2	6.8
1996	40.5	24.3	35.2	—	6.3	9.4
1997	31.4	24.5	44.1	—	10.8	12.2
1998	44.4	27.3	28.3	—	7.7	13.9
1999	43.7	24.1	32.3	..	12.6	10.2
2000[4]	35.0	26.0	37.6	1.3	18.5	10.2
2001	28.7	37.8	33.0	0.5	1.2	2.2
2002	27.7	50.4	20.3	1.6	1.1	1.1
2003[5]	39.8	45.0	14.5	0.6	1.8	1.6
2004	20.9	26.2	52.9	..	2.0	3.1
2005	24.7	26.7	47.0	1.6	3.8	3.9
2006	19.3	18.7	61.9	0.1	5.3	5.4
2007	16.4	24.1	58.0	1.5	2.8	4.0

Source: Consob. See Methodological Notes. [1] Averages weighted according to the values of the public offerings; percentages. Rounding may cause discrepancies in the final figure. The figures do not include ENI in 1995, Enel in 1999, Snam Rete Gas in 2001 or Terna in 2004. [2] The averages of the demand-supply ratio are calculated with reference only to offerings for which data on the part reserved for the general public and that reserved for institutional investors are known. [3] These are named parties to which a certain amount of shares is reserved, also as a result of agreements reached prior to listing. [4] The remaining holding (0.1%) was taken up by the underwriting syndicate for the public offering in connection with the placement of Cairo Communication shares. [5] The remaining holding (0.1%) was taken up by the underwriting syndicate for the public offering in connection with the placement of Cairo Communication shares.

Credit and investment relations are still frequent between newly listed companies and their placement agents or sponsors: specifically, 4 companies were linked by equity investments (Table 4). In addition, a little under half of the companies listed on the stock exchange in 2007 (13) had credit relations with the placement agents or sponsors even where the financial debt represented a lower incidence on total debt (26%) compared to that recorded in 2006 (36%)

In 2007, 3 companies with a pre-offering capitalisation of around 82 million euro (against the 95 million euro post-offering capitalisation) were admitted to listing on the MAC market (*Mercato alternativo dei capitali*).

Table 4

Credit and equity relationships between newly Italian listed companies and the IPO placement agents[1]

	Companies with credit relationships with sponsors or placement agents			Companies with equity relationships with sponsors or placement agents		
	Number of companies	Percentage of the total newly listed companies[2]	Average share of lending provided by sponsors or placement agents [3]	Number of companies	Percentage of the total newly listed companies[2]	Average share of equity held by sponsors or placers [4]
2000	23	52.3	27.2	11	25.0	18.1
2001	10	55.6	27.8	2	11.1	19.8
2002	3	50.0	46.1	1	16.7	28.3
2003	4	100.0	13.9	1	25.0	..
2004	4	50.0	47.2	2	25.0	10.8
2005	7	46.7	24.0	2	13.3	7.3
2006	11	52.4	36.1	5	23.8	25.9
2007	13	44.8	26.2	4	13.8	27.9

Source: based on data from statements by the sponsors and placement agents. See Methodological Notes. [1] Credit and equity relationships as of the public offering date existing between companies admitted to listing (on the Stock Exchange - MTA and Mtax and on the Expandi Market) and the sponsor, specialist, global coordinator or lead manager of the public offering and other intermediaries belonging to the same group as the above. [2] Percentages. [3] As a percentage of total financial debt. [4] As a percentage of the pre-offering share capital.

Table 5

IPOs for admission to listing on the MAC market
(amounts in millions of euro)

Company	Pre-offering capitalisation[1]	IPO value			Post-offering capitalisation[1]	Majority shareholder's post-offering holding
		subscription	sale	*total*		
Area Impianti Spa	40.0	5.8	--	*5.8*	45.8	52.4
Raffaele Caruso Spa	31.0	3.4	5.1	*8.5*	34.4	66.2
Tessitura Pontelambro Spa	11.2	3.8	2.2	*6.0*	15.0	59.9

Source: Borsa Italiana Spa. [1] Capitalisation of companies admitted to listing, calculated on the offering price. [2] Percentages.

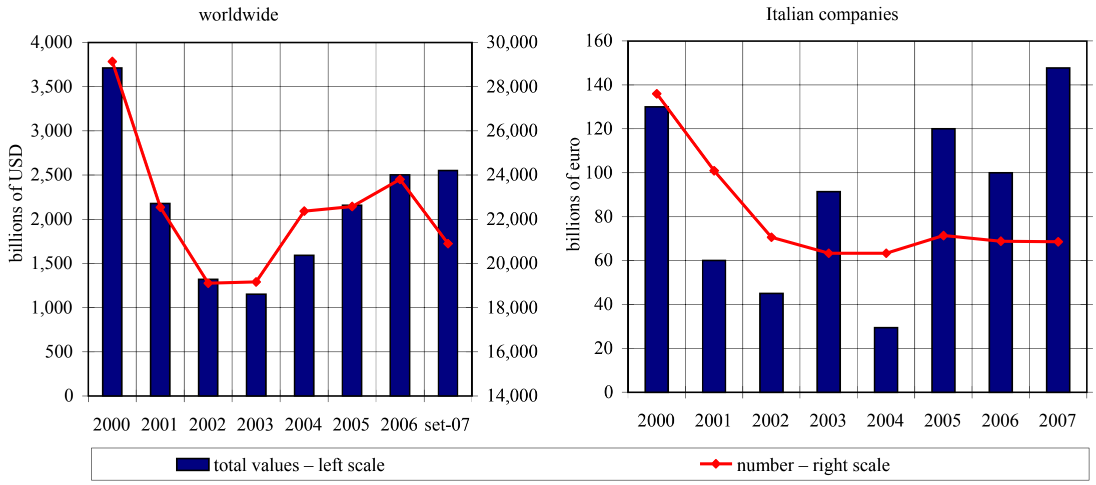
5. Mergers and acquisitions

In the period January-September 2007 a total of 20,900 mergers and acquisitions were concluded worldwide for a total value of around 2,500 billion US dollars (Fig. 21).

Based on data emerging from the KPMG study, the total value of mergers and acquisitions in Italy increased by approximately 48%, whereas the number remained stable (443 compared to 444 in 2006; Fig. 21).

Figure 21

Mergers and acquisitions

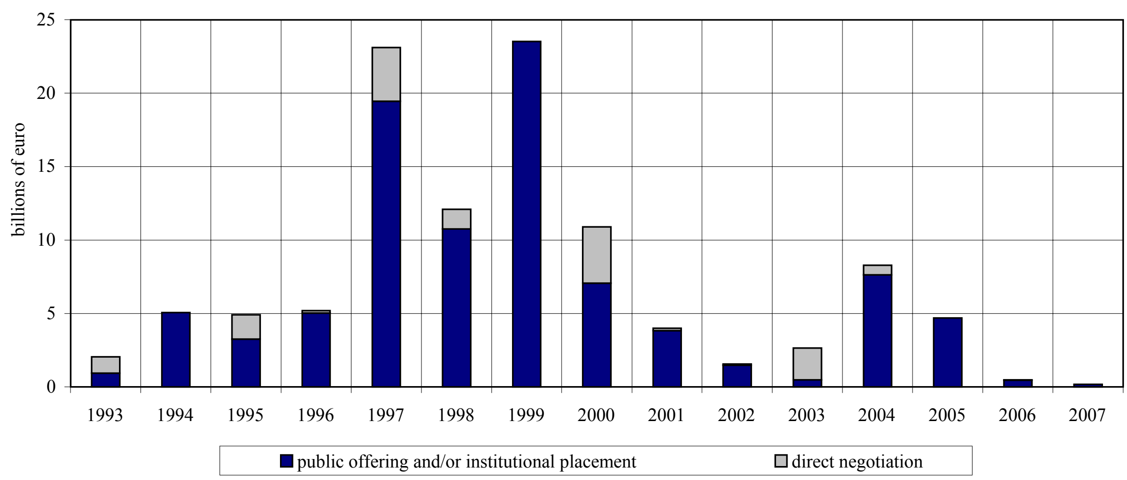


Source: KPMG and Thomson Financial-Datastream.

With regard to disposals of public investments in listed companies, only one privatisation was recorded in 2007. This operation was completed through a public offering and institutional placement by the Municipality of Reggio Emilia and other municipalities in the Emilia Romagna region of 20% of Enìa Spa capital (Fig. 22).

Figure 22

Disposals of public investments in Italian listed companies

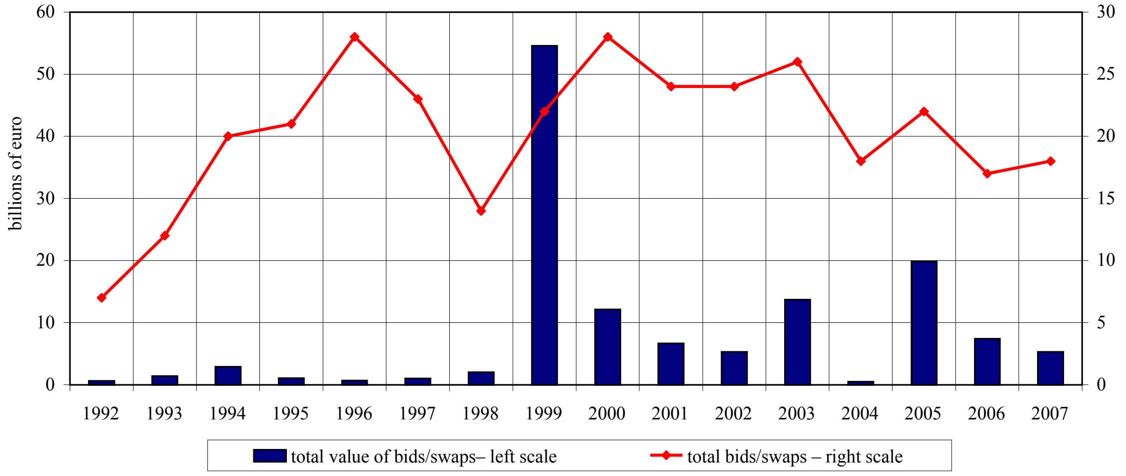


Source: based on Borsa Italiana and Ministry of the Economy and Finance data.

The total value of takeover bids and/or share swaps of Italian listed companies fell by around 7.4 billion euro in 2006 to around 5.3 billion euro in 2007, whilst the number of transactions increased from 17 to 18 (Fig. 23).

Figure 23

Takeover bids and/or share swaps of Italian listed companies



Source: calculations based on Borsa Italiana and offer document data. Share swap prices are valued at the market prices for the day preceding announcement of the bid.

II – SECONDARY MARKETS

1. The current economic trend and equity markets

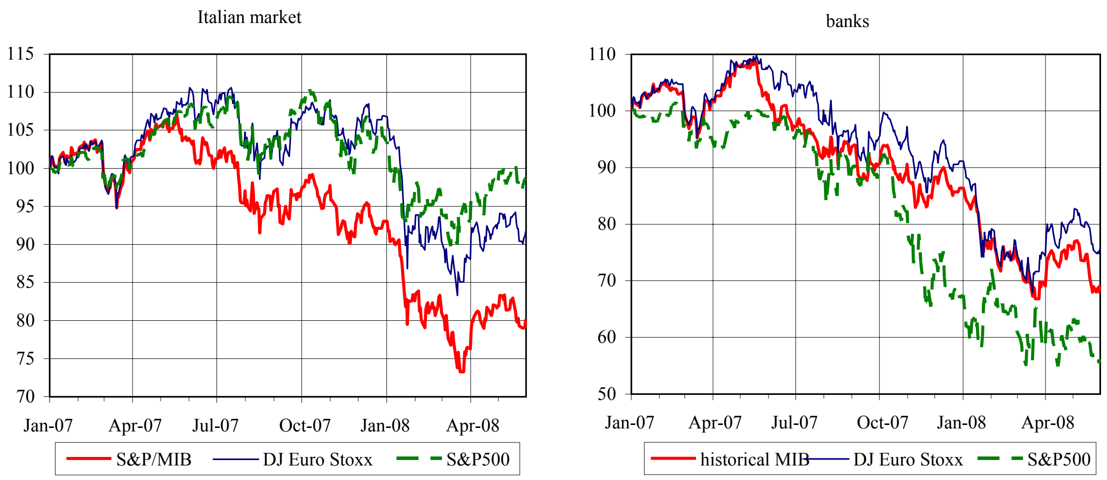
The crisis in the US subprime mortgages sector has led to uncertainty regarding growth prospects in the major industrialised countries. At the start of 2008 for the Eurozone, and even more so for Italy, a strong deceleration in production was predicted, whilst in the United States the risk of recession became fact. In the second quarter of 2008, the economic prospects of the leading industrialised countries improved slightly. Nevertheless, the increase in pressure from inflation and the sharp increase in oil prices has rekindled fears for development in the economic scenario.

The gradual deterioration in the quality of subprime mortgages, tensions on the structured finance product market and repercussions on the financial intermediaries most exposed to this sector are some of the many factors contributing to intensify turbulence on the international financial markets. In the period January 2007-May 2008, the S&P500 index (covering the major companies on the US market) recorded an approximate 1.3% drop, the Dow Jones Euro Stoxx (for the major companies in the Eurozone) by around 9%, whilst the S&P/MIB index (for the more important companies on the Italian market) fell by almost 20%.

At sector level, the banks were the issuers hit hardest by the crisis and suffering a significant drop in share prices. For the Italian and European banks, however, securities depreciation, 31% and 24% respectively, was more restricted than that recorded for the US banking sector (45%; Fig. 24).

Figure 24

Share price performance
(daily figures; 01/01/2007-31/05/2008; 01/01/2007=100)

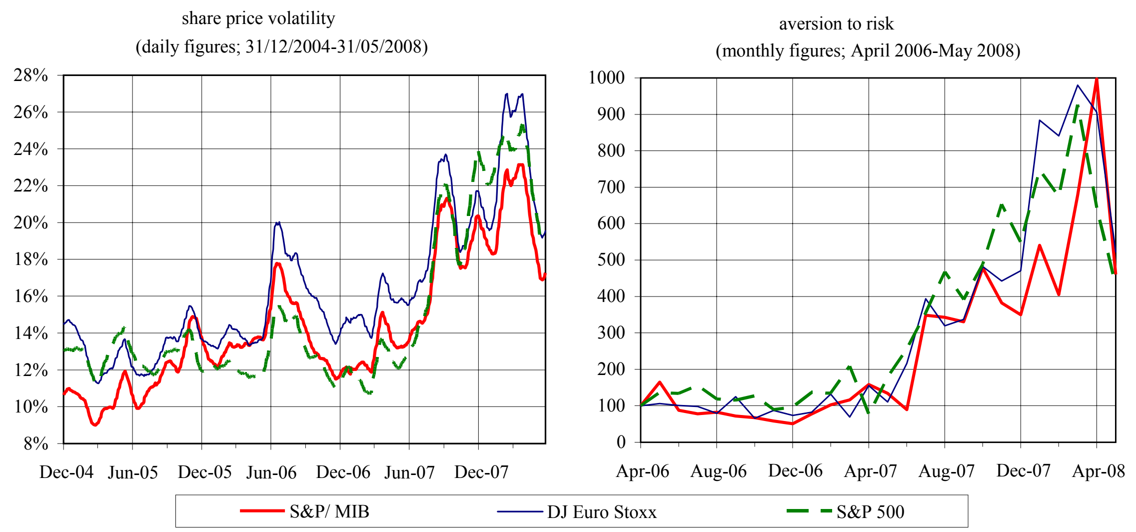


Source: Thomson Financial-Datastream.

The unstable financial situation led to increasing uncertainty in the climate, mirrored in increased share price volatility and aversion to risk (Fig. 25).

Figure 25

Equity market volatility and aversion to risk

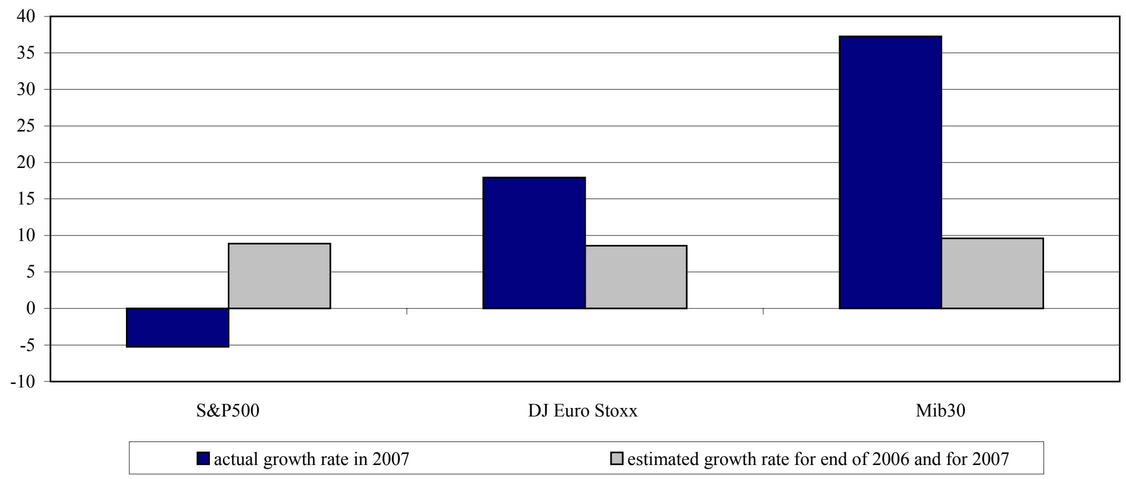


Source: calculated on Bloomberg, Thomson Financial-Datastream and Borsa Italiana data. Implicit volatility is deduced from option prices indexed as at the money and with 3-month maturity. The 20-day mobile average is recorded based on annual percentage values. The level indicator for aversion to risk is estimated by comparing the historic allocation of returns on shares with that implicit in the index option prices.

In 2007 the earnings growth rates for companies on the S&P500 index, Dow Jones Euro Stoxx and MIB30 indices recorded diverging performances. In particular, whereas for US companies' earnings fell by around 5% (against the expected increase of approximately 9% for the end of 2006), for European companies the earnings growth rate reached values closer to the 18% mark. The earnings growth rate for Italian companies on the MIB30 index was even more significant (around 37%), compared to an expected growth rate for the end of 2006 of just under 10% (Fig. 26).

Figure 26

Actual and forecast growth in business profits in 2007
(percentages)

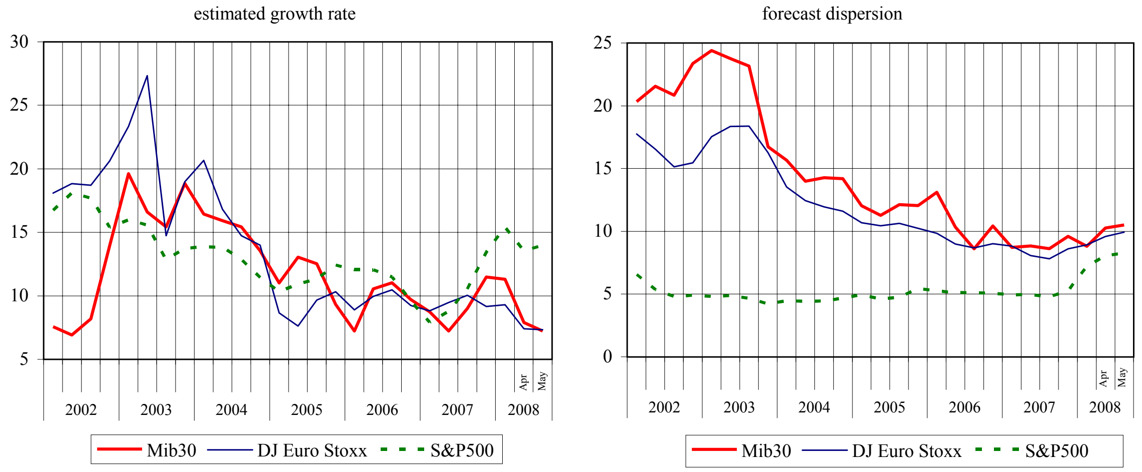


Source: Thomson Financial Datastream; IBES data on 12-month earnings forecasts (before the amortisation of goodwill and other atypical income components) at the end of December 2006 and on actual earnings for 2007 (February 2007 estimate).

Though the crisis has had a strong negative effect on share prices, the prospects for corporate sector profitability remain positive, and in May 2008 analysts forecast earnings growth rates over 12 months as steady, particularly for the US companies (Fig. 27).

Figure 27

Analyst forecasts on business earnings
(percentages; quarterly data)



Source: Thomson Financial-Datastream; IBES data on 12-month earnings forecasts before the amortisation of goodwill and other atypical income components. The dispersion is based on the ratio between the standard deviation of forecasts by individual financial analysts and the average forecast is estimated on quarterly data. For each quarter the average growth rate forecast per month is indicated.

The ratings allocated by financial analysts to Italian companies on the S&P/MIB index deteriorated slightly compared with the 2006 ratings (Fig. 28). Specifically, 5 companies were downrated from “buy” to “hold”, one went from “buy” to “underperform” and 2 from “hold” to “underperform”. There were only 4 cases showing improvement (from “hold” to “buy”). The incidence, in capitalisation terms, of “buy” companies fell slightly compared to 2006 (from 75% to 70%), whereas that of companies classed as “underperform”, of which there were none in 2006, reached 5%.

Acquisitions of listed companies through debt (i.e. leveraged buy outs or LBO) in 2007 led to a significant process of company delistings. In the pre-subprime crisis period, the phenomenon was fostered by the low level of spreads on bonds and corporate loans, and by a relatively low share price-corporate profits ratio.

The increase in LBO and private equity transactions could nevertheless be discouraged by the increase in the costs of gross bond issues, induced by the subprime mortgage crisis, and particularly by possible restrictions in credit supply as a result of the banks’ difficulty in successfully hedging credit risk through credit derivatives and securitisation.

Figure 28

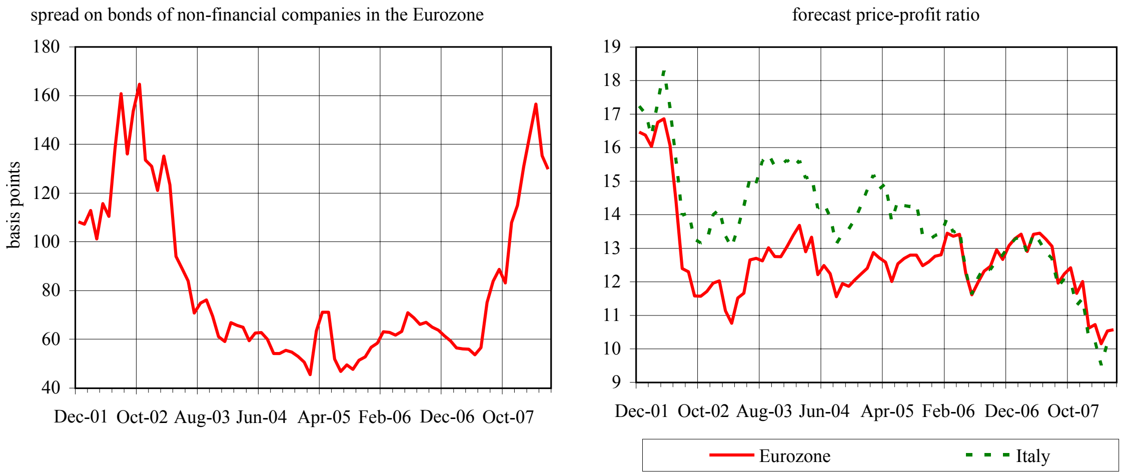
Breakdown of S&P/Mib companies by analyst rating type
(percentages; period end data)

Source: calculated on Thomson Financial-IBES data on the financial analysts' Consensus. Data refer to companies on the S&P/MIB index as at 31.12.2007. The companies Lottomatica, Parmalat, STMicroelectronic, Terna and Unipol, for which complete series of Consensus data for all four years considered are unavailable, have been excluded.

The price-earnings ratio performance stimulated private equity transactions and led also to increased dividends and buybacks of own shares aimed at upholding share prices. These trends also affected the Italian equity market where, from the end of the 1990s, resources refunded to shareholders through takeovers, dividends and buyback of own shares had always exceeded the fresh funding achieved through share capital increases (Fig. 30).

Figure 29

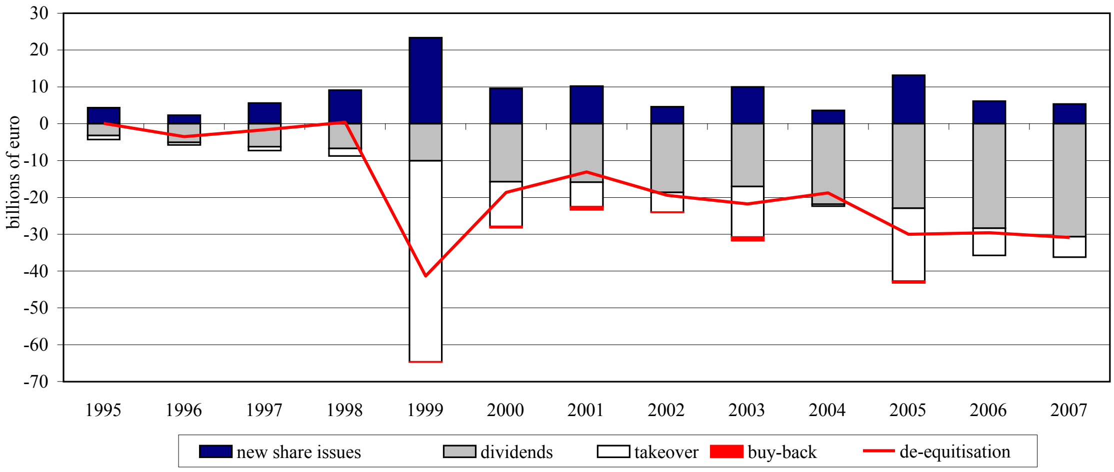
Prices-earnings per share ratio and spreads on bonds issued by non-financial companies with investment grade ratings[1]
(monthly figures; 31/12/2001-31/05/2008)



Source: calculated on Thomson Financial-IBES and JP Morgan data. [1] Weighted average (for capitalisation) of the Dow Jones Euro Stoxx and MIB 30 share price ratios and the 12-month earnings per share forecast. [2] Spread (in basis points) between the yield on bonds issued by non-financial companies with ratings in the AAA-BBB range and that of Government securities in the Eurozone.

Figure 30

De-equitisation of the Italian market



Source: calculated on Bank of Italy, Borsa Italiana, Consob and Thomson Financial-Datastream data.

In 2007, the capitalisation of Italian companies listed on the MTA/Mtax markets managed by Borsa Italiana decreased, compared to 2006, in both absolute terms (from 768 to 723 billion euro; -6%) and in relation to GDP (from 52% to 49%; Table 6). The historical MIB index fell by around 8% (+19% in 2006). Increased volatility and uncertainty have bolstered the increase in both traded volumes (from 1.1 billion to approximately 1.5 billion euro; +36%) and the trading-capitalisation ratio (from 1.4 to 2.0; +43%). The number of Italian listed companies has increased by 4 (from 258 to 262), as a result of 18 new listings (via IPO only) and 14 delistings.

With regard to the Expandi Market, reserved to small-medium sized companies, an increase in capitalisation was recorded (from 10 billion to 11 billion euro) and in the number of listed companies (from 26 to 35, as a result of 11 new listings and 2 delistings). The trading volume almost doubled (from 2 billion to around 4 billion euro).

During 2007, new issues of shares on markets managed by Borsa Italiana reduced by 13%, from 6.2 billion to 5.4 billion euro. This decrease is entirely due to the drop in share capital increases against payment (4 billion euro in 2007 against the 5.1 billion euro of 2006). Total funding through IPOs, however, increased from 1 billion to 1.4 billion euro.

Based on Bank of Italy estimates, as at December 2007 the net value of purchases of Italian listed shares was 4.4 billion euro, lower than that of the previous year (6.1 billion euro; Fig. 31). Foreign entities, which in 2006 were the main net purchasers of shares, disinvested in 2007 by around 15 billion euro. Among the net sellers were mutual investment funds (for 3 billion euro), whilst Italian banks made net purchases of approximately 3.5 billion euro.

Table 6

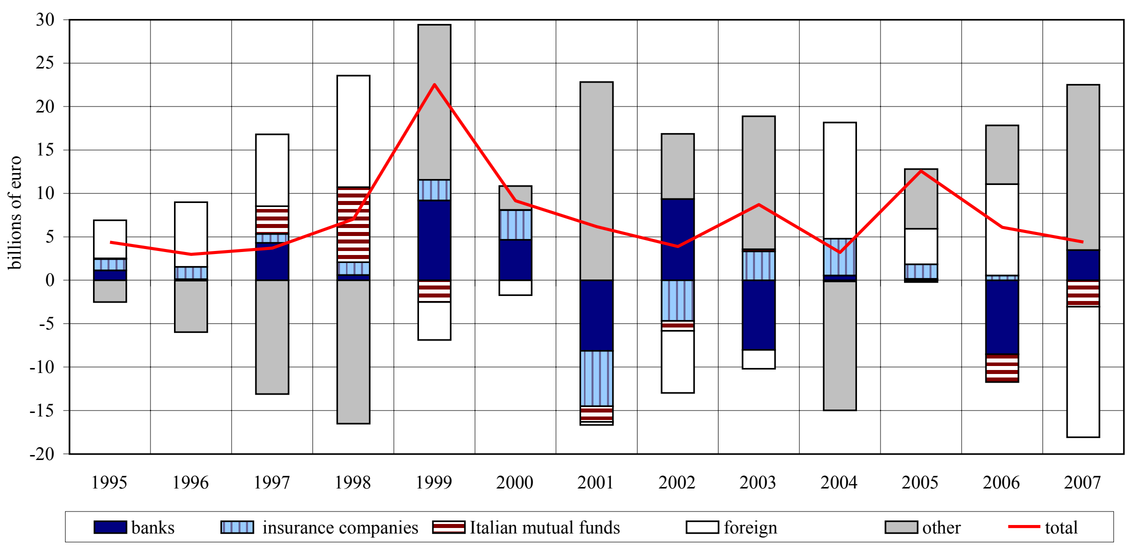
Indicators of equity markets operated by Borsa Italiana Spa
(amounts in billions of euro)

	Stock Exchange[1]									Expandi Market[2]			Nuovo Mercato			
	Capitalisation[3]	Capitalisation[3] (as a % of GDP)	Share swaps[3]	Number of Italian listed companies	Number of Italian newly listed companies	Number of Italian companies delisted	Change in the MIB historical index[4]	Dividend/price ratio[4]	Earnings/price ratio[4]	Capitalisation[3]	Share swaps[3]	Number of Italian listed companies	Capitalisation[3]	Volume of trading in shares	Number of Italian listed companies	Change in the NM index[4]
1996	199	20.3	81	213	14	18	13.1	2.1	6.9	3	..	31	—	—	—	—
1997	310	30.2	174	209	14	18	58.2	1.7	4.6	5	1	26	—	—	—	—
1998	484	44.8	423	219	25	15	41.0	1.6	3.9	4	2	20	—	—	—	—
1999	714	64.4	503	241	28	6	22.3	1.5	3.4	5	1	17	7	4	6	536[5]
2000	790	67.8	839	237	16	20	5.4	2.1	4.5	6	1	15	22	30	39	-25.5
2001	575	47.3	637	232	13	18	-25.1	2.8	6.0	5	..	12	13	21	44	-45.6
2002	447	35.7	562	231	11	12	-23.7	3.8	5.9	5	..	13	6	10	44	-50.1
2003	475	36.6	567	219	9	21	14.9	3.4	6.4	5	..	11	8	14	41	27.3
2004	569	42.2	641	219	7	7	17.5	3.4	6.0	5	..	13	7	19	37	-17.5
2005	669	47.2	893	257	13	12	13.9	3.0	5.2	7	1	18	—	—	—	—
2006	768	52.1	1,076	258	17	16	19.0	3.4	6.0	10	2	26	—	—	—	—
2007	723	49.0	1,510	262	18	14	-8.0	4.1	8.4	11	4	38	—	—	—	—

Source: Borsa Italiana Spa, Thomson Financial. [1] Since 2005 Mta/Mtax. [2] MAC data are included from 2007. [3] Data refer to Italian companies only. [4] Year-end percentages. [5] From 17 June 1999 to 30 December 1999.

Figure 31

Net purchases of Italian listed shares by institutional sector



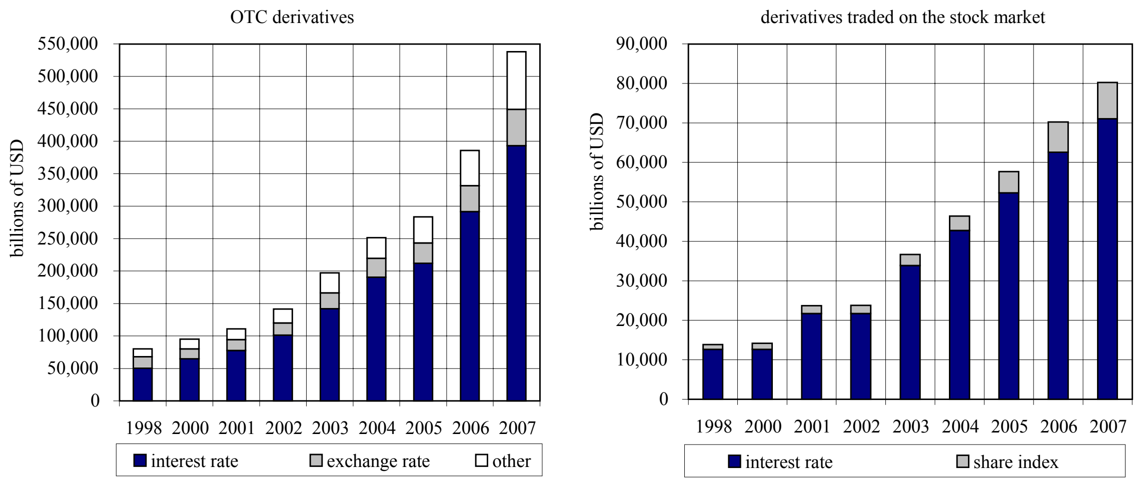
Source: Bank of Italy. The "Other" institutional sector includes households, companies, centrally and locally administered organisations, Cassa Depositi e Prestiti and investment firms. In 2007 the "Other" category also includes insurance companies.

2. The derivatives market

In 2007 the significant increase in the total notional value of unlisted financial instrument derivatives (i.e. over the counter derivatives, or OTCs) and listed financial instrument derivatives (i.e. traded on the stock exchange or in circulation) traded on the leading international markets confirmed the trend of the last few years (Fig. 32).

Figure 32

Notional value of derivatives in G-10 countries
(period end balances)

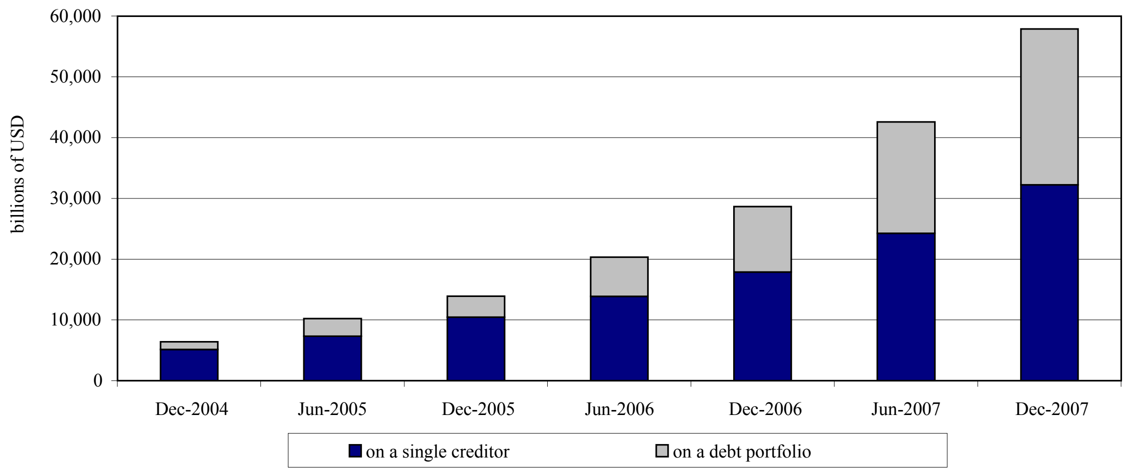


Source: Bank for International Settlements. Exchange traded derivatives in currency are not included as they represent less than 1% of the total notional value in each year considered.

Based on BIS data, in 2007 the notional value of credit risk derivatives represented by credit default swap contracts (CDS) doubled, from 29,000 billion to approximately 58,000 billion US dollars (Fig. 33). Slightly more popular were the single creditor contracts, accounting for around 56% of the total notional value.

Figure 33

Notional value of credit default swaps in G-10 countries
(period end balances)



Source: Bank for International Settlements.

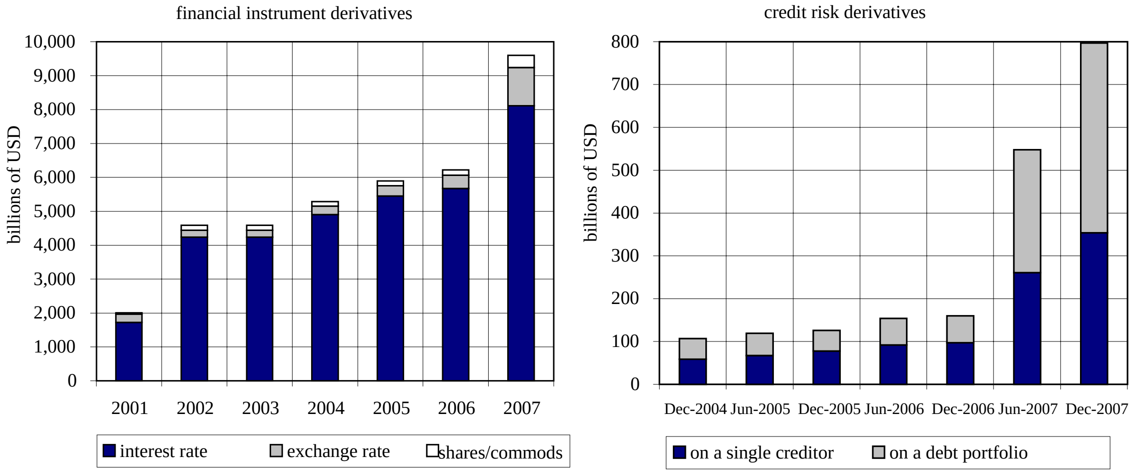
According to a half-year survey conducted by the Bank of Italy on derivative transactions by the major Italian banking groups in the second half of 2007, the notional value of OTC derivatives has increased from 6,200 billion to 9,600 billion US dollars (+54%; Fig. 34). The strong increase partly derives from the modified survey sample which now offers greater coverage of foreign subsidiaries of Italian banking groups.

In particular, the notional value of exchange rate derivatives almost tripled in 2007 (from 388 billion to 1,164 billion dollars). Interest rate derivatives continue to have the strongest incidence on the total notional value (85%), whereas equity and commodity derivatives form the residual component.

The notional value of credit default swap contracts has almost tripled, from 160 billion to approximately 797 billion US dollars (Fig. 34). As seen at international level, the CDS on a debt portfolio weigh on the total to a similar extent as the CDS on individual creditors.

Figure 34

Notional value of OTC derivatives in Italy
(period end balances)



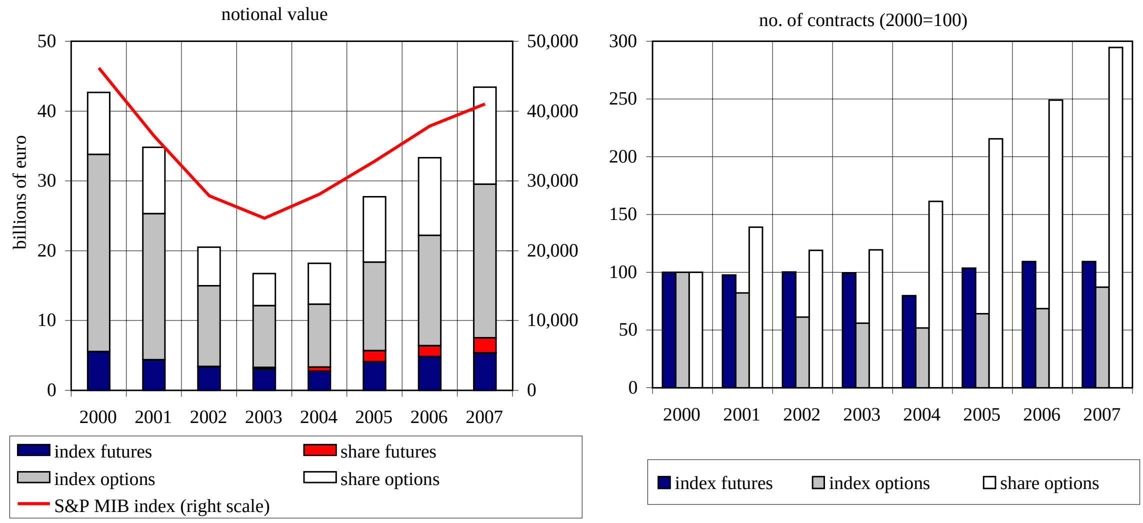
Source: Bank of Italy.

The only exchange traded derivatives for the Italian market were those quoted on the Italian Derivatives Market (IDEM) operated by Borsa Italiana Spa, and only with underlying share indices or shares. In 2007 the notional value of contracts opened on the IDEM market (calculated as a daily average) increased by 30%, from 33 billion to approximately 43 billion euro (Fig. 35).

In 2007 the notional turnover on the IDEM market reached approximately 1,600 billion euro, a 30% increase over 2006 (Fig. 36). However, the derivative-share swap ratio dropped slightly (from 1.1 to approximately 1.0).

Figure 35

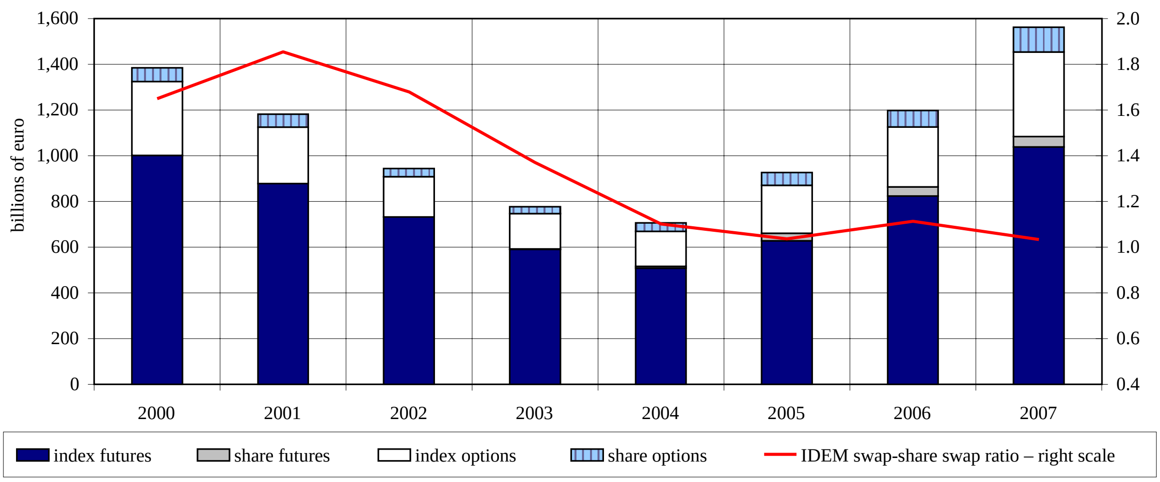
Notional value and number of positions opened in derivatives traded on the IDEM market
(average daily percentages)



Source: calculations based on Borsa Italiana data. The graph on the notional value of positions opened in the "index futures" category includes index minifutures. The annual values for the S&P/MIB index are the average end of month figures.

Figure 36

Notional turnover of derivatives traded on the IDEM



Source: calculations based on Borsa Italiana data. The "index futures" category includes index minifutures.

3. The covered warrants and certificates market

In 2007 the total value of swaps on the SeDeX market (the securitised derivatives market managed by Borsa Italiana Spa) was 88 billion euro (+25% on the previous year; Table 7). The number of new issues remained steady (+ 0.48%) and was lower than the number of issues matured. Therefore the overall number of issues outstanding as at the end of 2007 reduced (-5% on the 2006 figure).

50% of the swaps were implemented by specialists, the operators appointed to provide liquidity to the market and whose counterparties are primarily online traders and intermediaries involved in arbitrage on their own account. Input from retail investors was instead a lower percentage.

Table 7

Covered warrants and certificates listed on the SeDeX market
(amounts in billions of euro)

	Number of issues			Turnover
	outstanding[1]	new[2]	matured[3]	
1998	122	122	--	3
1999	1,565	1,660	217	14
2000	3,107	3,343	1,801	31
2001	5,866	8,194	5,435	21
2002	3,571	6,668	8,963	18
2003	2,594	4,749	5,726	11
2004	3,021	4,478	4,051	16
2005	4,076	7,253	6,198	49
2006	4,647	7,572	7,001	70
2007	4,408	7,609	7,848	88

Source: calculations based on Borsa Italiana Spa data. [1] Year-end data. [2] Admitted to listing during the year. [3] Issues matured during the year. [3] Includes securities revoked at the request of the issuer before their original maturity.

The issuers of securities in 2007 included 21 Italian and foreign intermediaries, 18 of which were own-security specialists. Also taking into account the intermediaries trading instruments issued prior to 2007, the number of issuers present on the market increased to 23.

Half the securities issued in 2007 had a maturity of less than 12 months, and only 2% matured beyond 4 years. In general, covered warrants have a shorter life than certificates, with maturities varying from 3 weeks for certain plain vanilla covered warrants up to 15 years for a number of investment certificates. In addition, unlimited term securities were listed for the first time in 2007. These are open-end investment certificates which offer the investor the option to request redemption of the sum invested without waiting for the security to mature (there being no maturity date in this case). The exercise of such certificates is normally permitted in pre-established periods.

In terms of the number of issues outstanding at the end of 2007, plain vanilla covered warrants retain their stronger popularity (64.4% of the total), although the number of issues has fallen by 20% since 2006 (Table 8). The number of investment certificate issues increased by 49%, so this category of financial instruments now has a 23% incidence on the total. Leverage certificates and exotic/structured covered warrants, despite the increase in the number of issues, continue to be of marginal impact on the total of SeDeX-traded financial instruments.

Table 8

Types of covered warrants and certificates listed on the SeDeX market (as at 31 December)

Segment and category	2005		2006		2007	
	Number of issues	Incidence on total [1]	Number of issues	Incidence on total [1]	Number of issues	Incidence on total [1]
Covered warrants						
Plain vanilla	3,189	78.2	3,548	76.3	2,839	64.4
Exotic	151	3.7	142	3.1	154	3.5
Certificates						
Leverage	290	7.1	276	5.9	399	9
Investment	446	10.9	681	14.7	1,016	23
Total	*4,076*	*100.0*	*4,647*	*100.0*	*4,408*	*100.0*

Source: calculations based on Borsa Italiana Spa data. [1] Percentages. Rounding may cause discrepancies in the final figure.

With regard to the distribution of covered warrants based on profit deriving from an immediate exercise of the option ("moneyness"; Table 9), at the time of issue around 59% of the plain vanilla call covered warrants on the S&P/MIB index and on Italian shares was deep out of the money (i.e. issued with a strike price 8% higher than the market price of the underlying instrument). For put instruments issued in 2007, 45% percent were deep out of the money at the time of issue (or with a strike price 8% lower than the market price of the underlying instrument). Covered warrants issued deep in the money instead account for only a small percentage of issues (9% of call warrants and 7% of put warrants issued in 2007).

Even in reference to moneyness on maturity, call and put covered warrants were largely deep out of the money. However, the percentages of derivatives maturing deep in the money were also significant (22% for call warrants, 29 put warrants).

Table 9
Distribution of covered warrants listed on the SeDeX market, according to their "moneyness" at issue
(percentages)

	Degree of moneyness[1]	
	on issue[2]	on maturity[3]
Call warrant		
> 8% (deep out of the money)	58.6	50.6
from 8% to 4% (out of the money)	13.7	8.4
from 4% to 0 (at the money)	10.2	8.6
from 0 to -4% (in the money)	8.7	10.2
< -4% (deep in the money)	8.7	22.2
Total	*100.0*	*100.0*
Put warrant		
< -8% (deep out of the money)	44.6	40.5
from -8% to -4% (out of the money)	19.4	10.3
from -4% to 0 (at the money)	19.0	10.7
from 0 to 4% (in the money)	10.2	9.5
> 4% (deep in the money)	6.8	29.0
Total	*100.0*	*100.0*

Source: calculations based on Borsa Italiana data. 1 Percentage difference between the exercise price and the market price of the underlying instrument at the time of issue or maturity of the covered warrants. [2] Figures relating to plain vanilla covered warrants on Italian shares and S&P/Mib index issued in 2007. [3] Figures relating to plain vanilla covered warrants on Italian shares and S&P/Mib index maturing in 2007.

4. The bond market

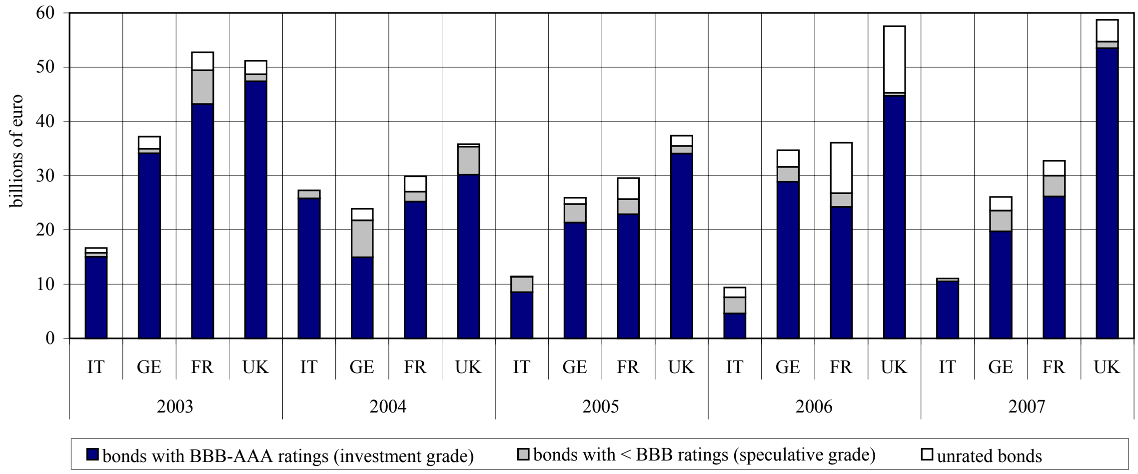
Overall, for the primary bond market for non-financial companies there were no significant negative effects in 2007 after news came of the subprime mortgage crisis. In Europe, bond issues fell by 25% in Germany (from 35 billion to 26 billion euro) and by 9% in France (33 billion euro in 2007 compared to 36 billion euro in 2006). The UK figures remained steady at around 58 billion euro, whilst in Italy they increased from 9 billion to 11 billion euro (+17%; Fig. 37). Issues of unrated bonds decreased, however (-19% in Germany, -70% in France, -67% in the United Kingdom and -72% in Italy).

Where the subprime crisis had no significant repercussion on primary market volumes, the deterioration in issuer credit ratings and the increased perception of credit risk (see paragraph 3, Chapter I "Listed companies") led to an increase in the difference in the returns on corporate bonds and on Government securities in euro, especially for issuers with speculative ratings (Fig. 38). At the end of May 2008, these differences were 4.1% for issuers with BB ratings (1.6% at the end of 2006) and around 7% for those with B ratings

(3% at the end of 2006). Consistent with the price performance of credit default swaps, the difference in returns on euro bonds for non-financial companies and returns on Government securities peaked in March 2008, then decreased in later months.

Figure 37

Gross bond issues of non-financial companies in the major European countries

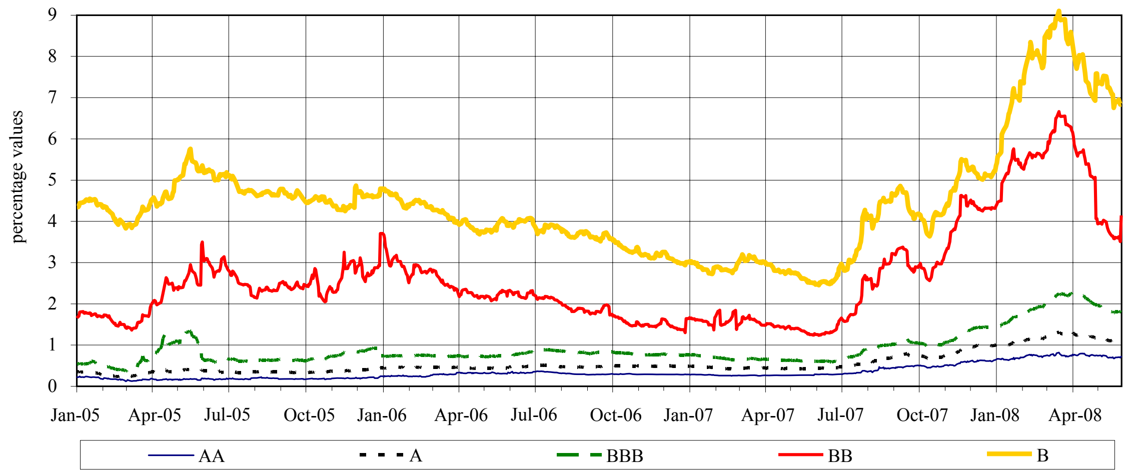


Source: Calculations on Bondware data. Figures relating to bond issues placed on the Euromarket or via public offers on the Italian market of companies resident in the country of reference or foreign subsidiary companies of groups with headquarters in the country of reference.

Figure 38

Differentials between the returns on Euro bonds of non-financial companies and the returns on Euro Government securities

(daily figures; 03/01/2005-31/05/2008)

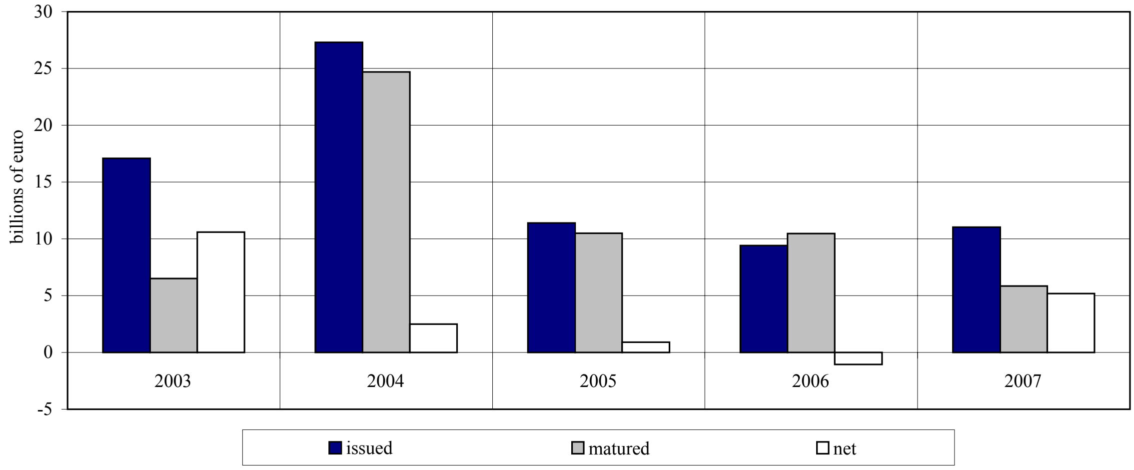


Source: calculations on Merrill Lynch and Thomson Financial-Datastream data. The returns on Government securities refer to German securities.

In Italy the gross bond issues of non-financial companies totalled 11 billion euro (against the 9.4 billion euro of 2006), whereas net issues amounted to 5 billion euro (-1.1 billion euro in 2006; Fig. 39). The increase in corporate bond issues is due to consistent placement among a number of the Italian blue chip companies and is in part attributable to the financing of important takeovers.

Figure 39

Bond issues of Italian non-financial companies

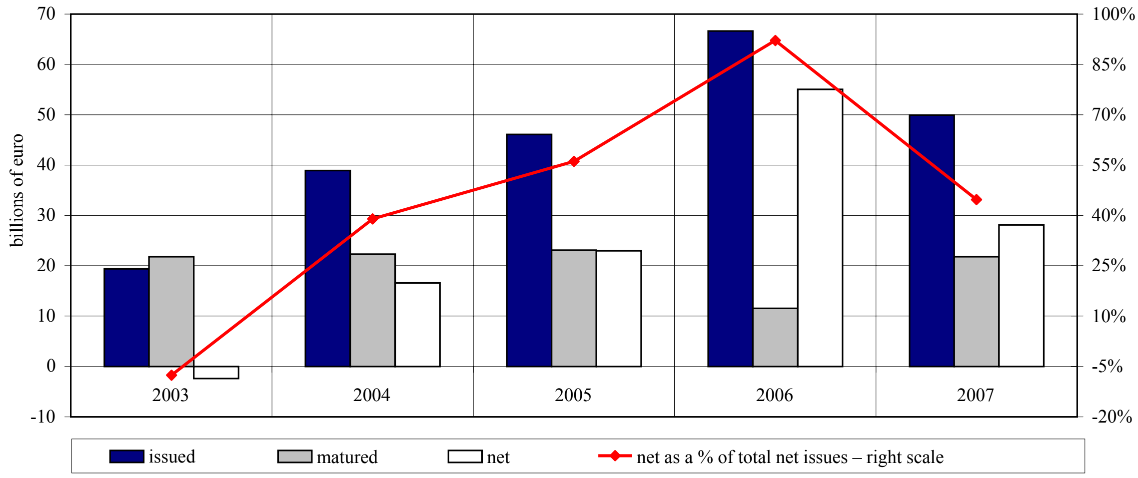


Source: Calculations on Bondware data. Figures relating to bond issues placed on the Euromarket or via public offers on the Italian market of Italian companies or foreign subsidiaries of Italian groups.

In 2007, however, the gross issues of bonds by the Italian banks on the Euromarket (through placements reserved to institutional investors) decreased. In fact, gross issues fell from 67 billion euro in 2006 to approximately 50 billion euro, whereas net issues dropped from 55 billion to 28 billion euro (Fig. 40).

Figure 40

Bond issues of Italian banking groups placed with institutional investors

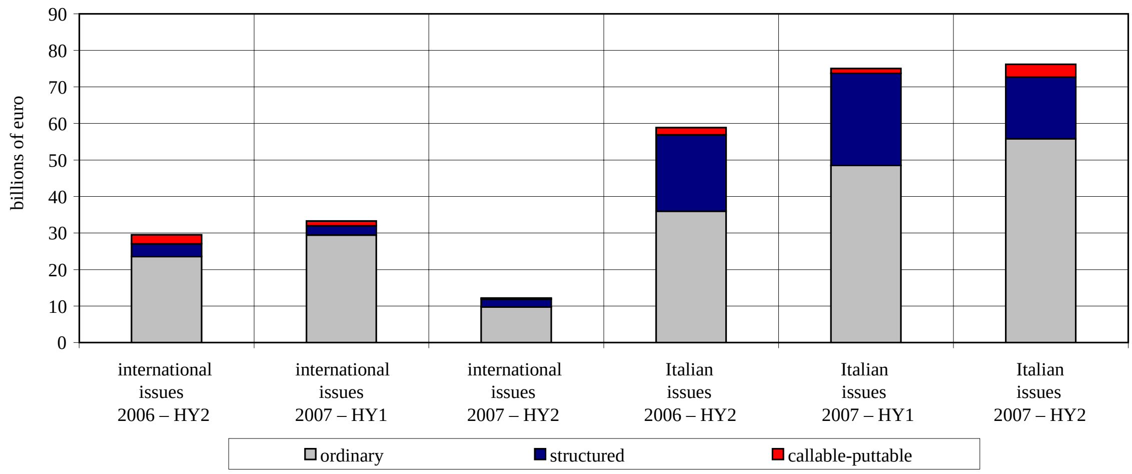


Source: calculations based on Bondware and Bank of Italy data. Figures relating to bond issues placed on the Euromarket or via tender offers reserved for institutional investors by Italian banks or foreign subsidiaries.

In the second half of 2007, international bond issues by Italian banks recorded a marked decrease over the first half of the year (from 33 billion to 12 billion euro; -63%), whilst Italian issues increased slightly (from 75 billion to 76 billion euro; +1.4%) (Fig. 41).

Figure 41

Gross issues of international and Italian bonds by Italian banks

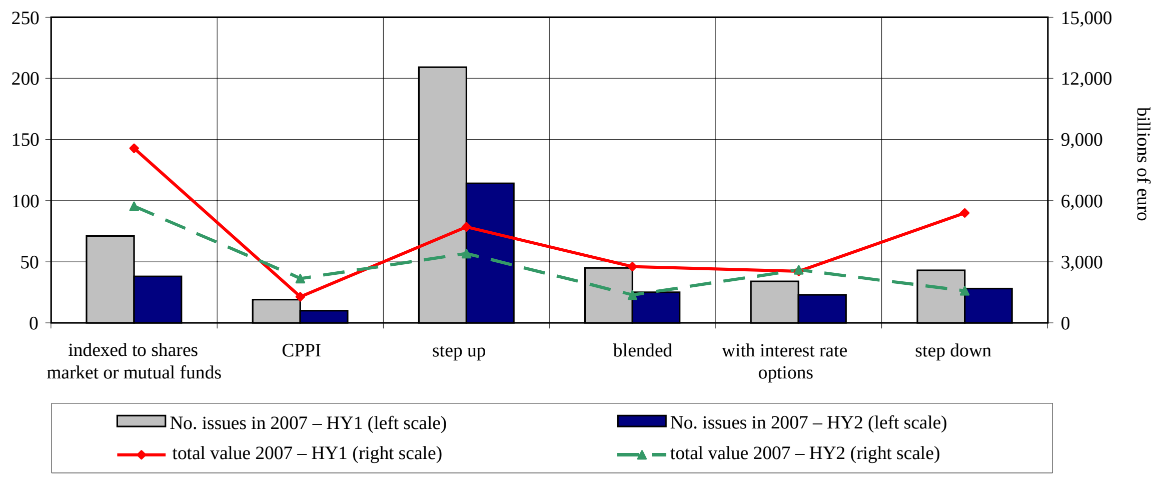


Source: calculated on Bondware data (for international issues) and prospectuses and final terms (for Italian issues).

The weight of structured bank bonds on the total bond issues placed on the Italian market has decreased, from 36% in the second half of 2006 to 22% in the second half of 2007. This drop is probably due to the high implicit costs of bonds with more complex structures (i.e. in structuring commissions). Structured bonds are more common than linked bonds (with returns linked to mutual funds or share indices) and step up bonds. Less common are the bonds with more complex structures, such as those incorporating interest rate options or CPPI (constant proportion portfolio insurance), which replicate a portfolio with variable weightings composed of a linked bond and a zero coupon bond) (Fig. 42).

Figure 42

Gross issues of structured bank bonds on the Italian market



Source: Based on prospectuses.

With regard to secondary markets, bonds traded on Italian regulated markets have increased by 7% (from 2,341 billion to 2,512 billion euro; Table 10). Specifically, the trading volume increased by 20% on Bondvision (from 555 billion to 664 billion euro), by 22% on the MOT market (from 122 billion to 149 billion euro) and almost doubled on the TLX (from 13 billion to 25 billion euro). Volumes traded on the screen-based wholesale market for Government securities (the MTS market) remained stable, whereas the wholesale market for bonds other than Government securities decreased (from 17 billion to 9.2 billion euro).

Table 10

Bond trading volumes on regulated Italian markets [1]
(amounts in billions of euro)

	MTS	Bondvision	Wholesale market for bonds other than government securities	MOT[2]	EuroMOT	Tlx[3]	*Total*
2000	2,020	—	..	154	..	—	*2,174*
2001	2,324	18	12	136	1	—	*2,491*
2002	2,205	100	24	159	2	—	*2,490*
2003	2,160	176	23	142	4	2	*2,507*
2004	1,949	339	31	147	4	8	*2,478*
2005	1,596	448	19	123	—	7	*2,193*
2006	1,634	555	17	122	—	13	*2,341*
2007	1,665	664	9.2	149	—	25	*2,512*

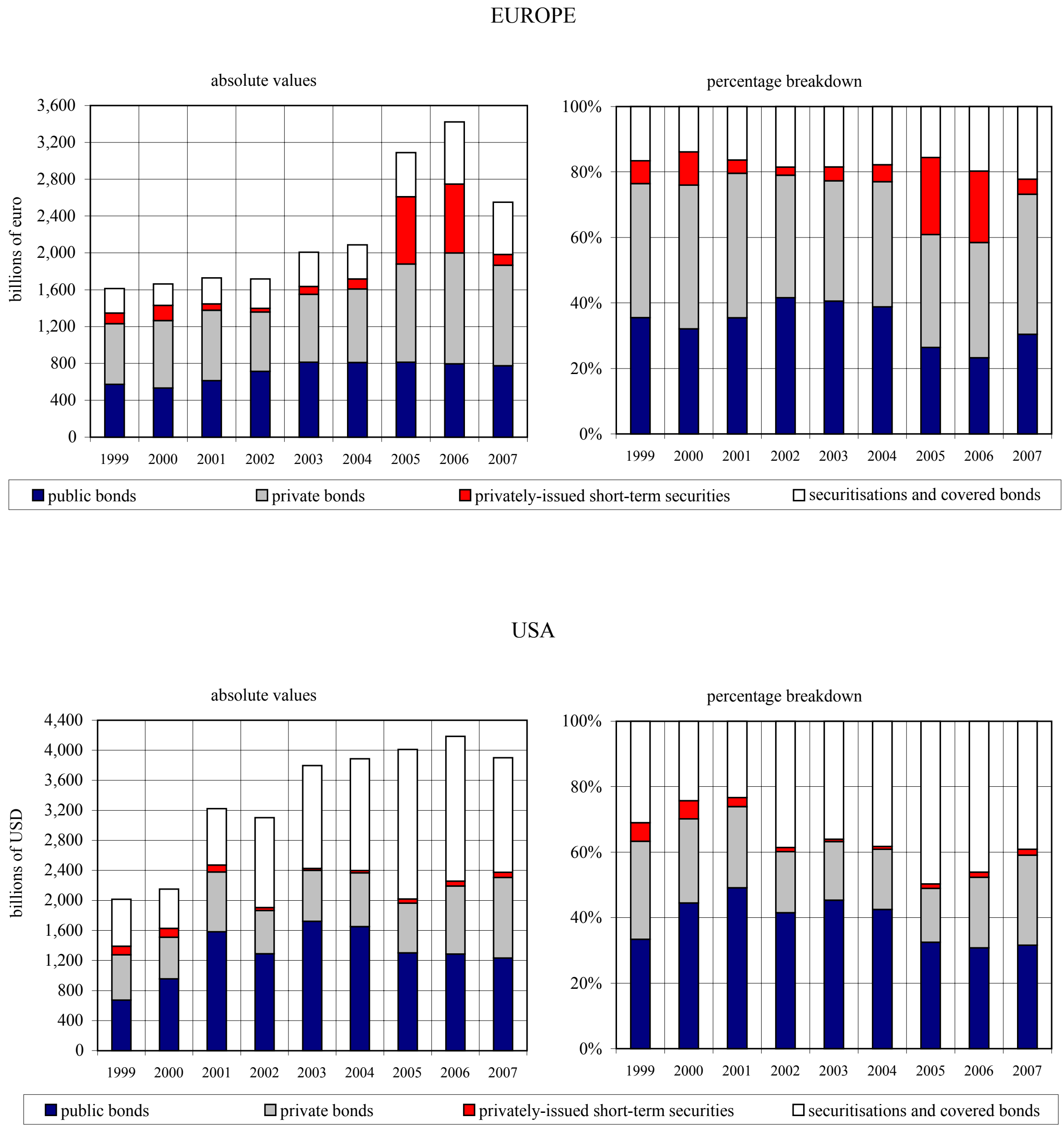
Source: Based on MTS s.p.a., Borsa Italiana s.p.a. and TLX s.p.a. data. [1] Rounding may cause discrepancies in the last figure. [2] From 2005 includes bonds previously traded on the EuroMot market. [3] Market began operations on 20 October 2003.

5. *The asset backed securities and covered bonds market*

As mentioned in paragraph 4 above, the subprime mortgages crisis has had no significant repercussions on gross volumes traded on the bond markets. In both Europe and the USA, bond placements in 2007 by private and public entities were similar to those recorded in 2006 (Fig. 43). Nevertheless, Europe saw a marked drop in the placement of short-term securities issued by banks and other banking sector vehicles, often indirectly exposed to the securitisation market (as for asset backed commercial papers). Such placements increased dramatically in the two previous years, but tension brought on by the subprime crisis has made the refinancing of maturing securities through new issues particularly problematic.

Figure 43

Gross bond issues



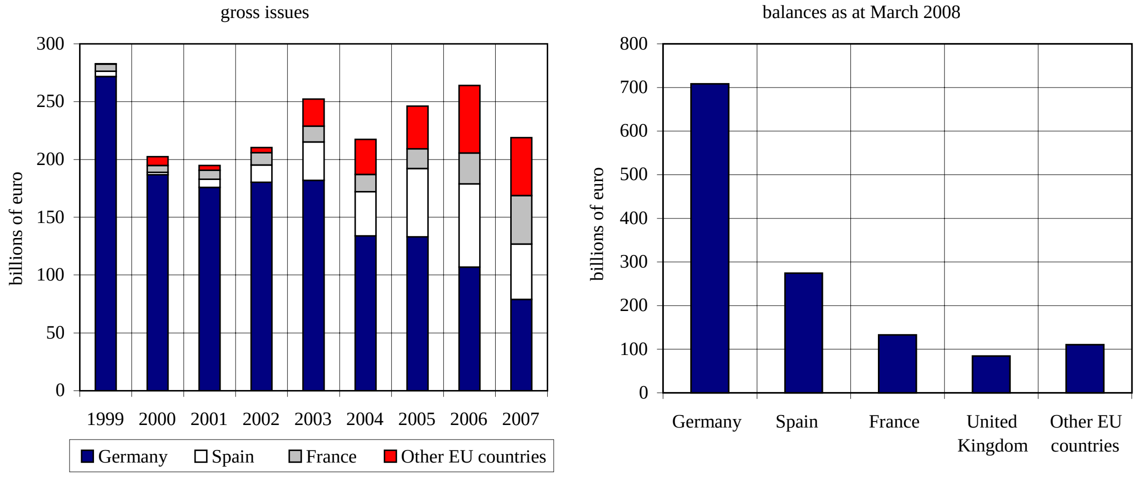
Source: Calculations on Bondware data.

In the USA there was instead a considerable reduction in the total volume of securities issued to cover securitisations (from around 1,930 billion US dollars in 2006 to approximately 1,530 billion dollars in 2007; -20%).

With regard to Europe, in 2007 the gross issues of covered bonds in the major countries dropped from 263 billion to 219 billion euro (-17%), due mainly to the decrease in issues in Germany (from 107 billion to 79 billion euro; -26%) and Spain (from 72 billion to 48 billion euro; -33%). France, however, recorded a 57% increase in issues (from 27 billion to 42 billion euro; Fig. 44).

Figure 44

The European covered bonds market



Source: Calculations on Bondware data.

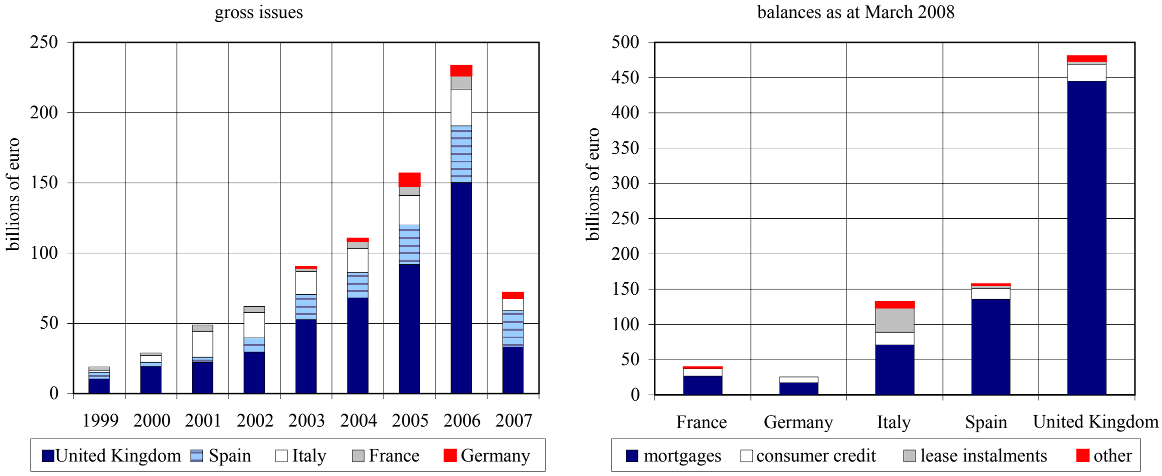
In March 2008 German covered bonds accounted for 54% of the total balances recorded in European countries. The Spanish securities instead represented 21% of the total, French 10% and British 6%.

The subprime crisis had a much stronger negative effect on the securitisations market. In fact, gross ABS issues recorded mass decreases in all the major European countries (Fig. 45). In particular, issues in the UK fell from 150 billion to 33 billion euro (-77%), in Spain from 40 billion to 26 billion euro (-36%), in Italy 26 billion to 8 billion euro (-70% approximately), in Germany from 7 billion to 4 billion euro (-40%) and in France from around 10 billion to 451 million euro (-95%).

With regard to the major European countries, 57% of structured security stock outstanding as at the end of March 2008 is attributable to the United Kingdom, 19% to Spain, 16% to Italy, 5% to France and 3% to Germany. Securities originating from securitisation transactions are primarily backed by loans (83% of the total balances), whereas those backed by consumer credit and lease instalments account for 9% and 5%, respectively, of the totals (Fig. 45).

Figure 45

Securities deriving from loan and asset securitisations of banks and companies in the major European countries



Source: Calculations on Bondware data. The figures do not include public sector loan securitisations. The country is that in which the originator company has its registered office.

III – INTERMEDIARIES AND HOUSEHOLDS

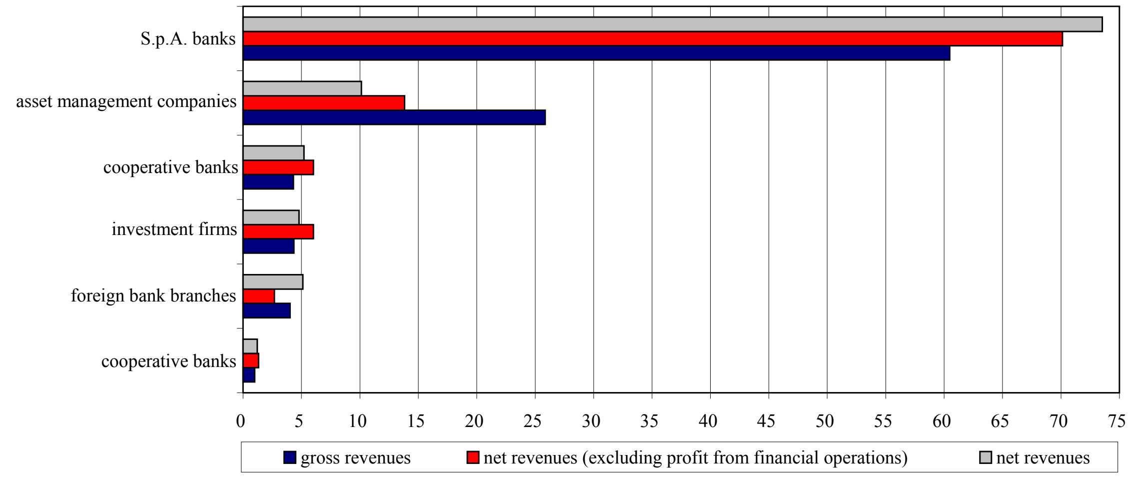
1. The structure of the investment services sector

In the two-year period 2005-2006 the role of banks in the investment services sector grew stronger, as confirmed by the increase recorded in both the gross revenues and net revenues percentages from investment services by banks. Specifically, the weight of banks on gross revenues increased from 62% in 2005 to approximately 70% in 2006, whereas the percentage net revenues rose from 76% to around 85%.

Gross revenues from investment services are around 60% attributable to banks incorporated as joint stock companies (approximately 220 companies). Foreign bank branches (41 entities) instead account for 4% of total revenues (Fig. 46).

Figure 46

Breakdown of revenues from investment services by entity type
(2006 figures; percentages)

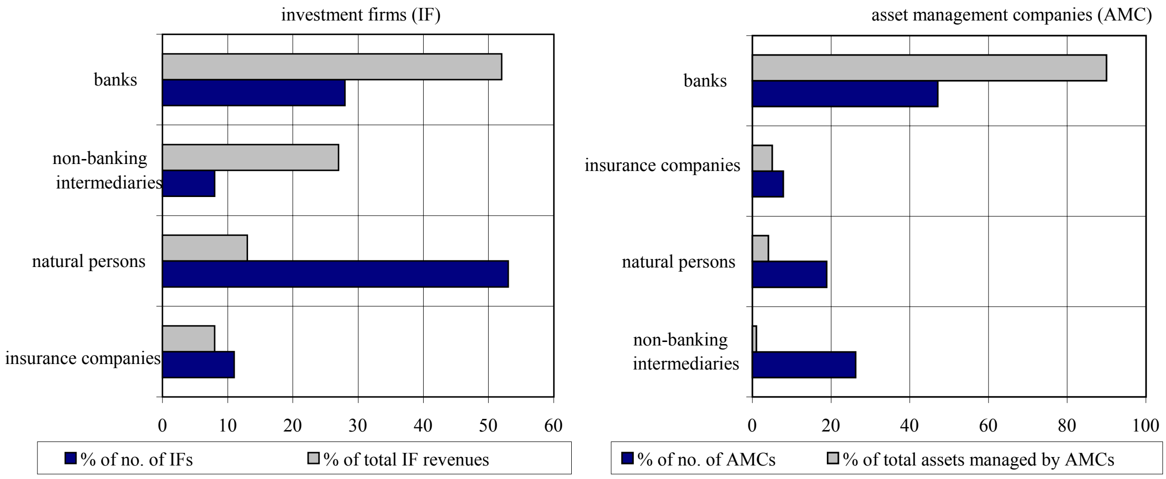


Source: calculations on statistical supervisory indications. Gross (net) revenues from investment services equal the sum of gross (net) commissions on investment and asset management services plus profits from financial transactions.

Investment firms provide only 4% of gross revenues from investment services. Of these, 50% is attributable to entities controlled by banking intermediaries (Fig. 47). Asset management companies, on the other hand, account for 26% of gross revenues (31% in 2005) and approximately 10% of net revenues (16% in 2005). A significant share of commissions received by the asset management companies is in fact paid back to the distributors, largely represented by banking group branches or sales networks. Almost 90% of asset management company revenues are attributable to entities controlled by banking groups.

Figure 47

Control of investment firms and asset management companies
(percentages)



Source: calculations on statistical supervisory indications and Assogestioni data. For investment firms data relate to the first half-year 2007. For the asset management companies the asset figures as at the end of 2007 relate to Italian open-end funds and foreign funds promoted by Italian intermediaries ("roundtrip" funds), including subfunds. (closed-end funds are excluded).

2. The major banking groups

The subprime crisis has had a negative impact on revenues and profits of the major Italian banking groups. In fact, in 2007 gross income fell by over 7% and operating results decreased by approximately 5% (Table 11). Overall net profit, however, increased by 9.8%, essentially due to transactions of an extraordinary nature linked to company reorganisations and consolidation.

The lower gross income in 2007 is largely due to almost halved profits from financial operations. Overall net commissions fell by around 6.3% and commissions from investment services and collective management by 4%. Net commissions from collective management continued to fall (approximately -11%) as did individual management figures (around -14%), whereas commissions from financial and insurance product placement increased slightly (by approximately 2%).

Table 11

Aggregate income statement for the major Italian banking groups
(amounts in millions of euro)

	2003	2004	2005	2006	2007	% change 2007/2006
Net interest income (a)[1]	27,501	27,745	29,195	38,032	37,214	-2.2
Net commissions (b = b.1 + b.2 + b.3)	16,201	16,736	19,316	22,800	21,369	-6.3
of which:						
investment and collective management services (b.1)	8,106	8,589	9,768	11,727	11,258	-4.0
securities and currency trading and order receipt	1,048	1,009	1,081	1,659	1,699	2.4
individual portfolio management:	843	764	1,005	1,214	1,047	-13.8
collective portfolio management	4,129	4,689	4,869	4,824	4,288	-11.1
depository bank	346	374	370	390	328	-15.9
securities safekeeping	209	204	179	210	225	7.1
placement and distribution of financial and insurance products	1,443	1,474	2,179	3,277	3,350	2.2
consultancy	89	75	84	153	320	108.8
from banking services (b.2)[2]	7,001	7,061	8,171	10,406	9,421	-9.5
other net commissions (b.3)[3]	1,095	1,086	1,377	666	688	3.3
Profits on financial transactions (c)[4]	3,437	3,115	3,055	6,215	3,517	-43.4
Other net operating income (d)	3,632	3,854	1,912	1,887	1,566	-17.0
Insurance management result (e)	....	....	626	537	526	-2.1
Gross income (f = a+b+c+d+e)	50,771	51,450	54,103	69,470	64,191	-7.6
Operating costs (g)[5]	32,156	31,857	31,110	38,675	35,002	-9.5
Operating result (f-g)	18,615	19,592	22,993	30,796	29,189	-5.2
Net profit[6]	5,051	8,617	11,849	16,524	18,137	9.8

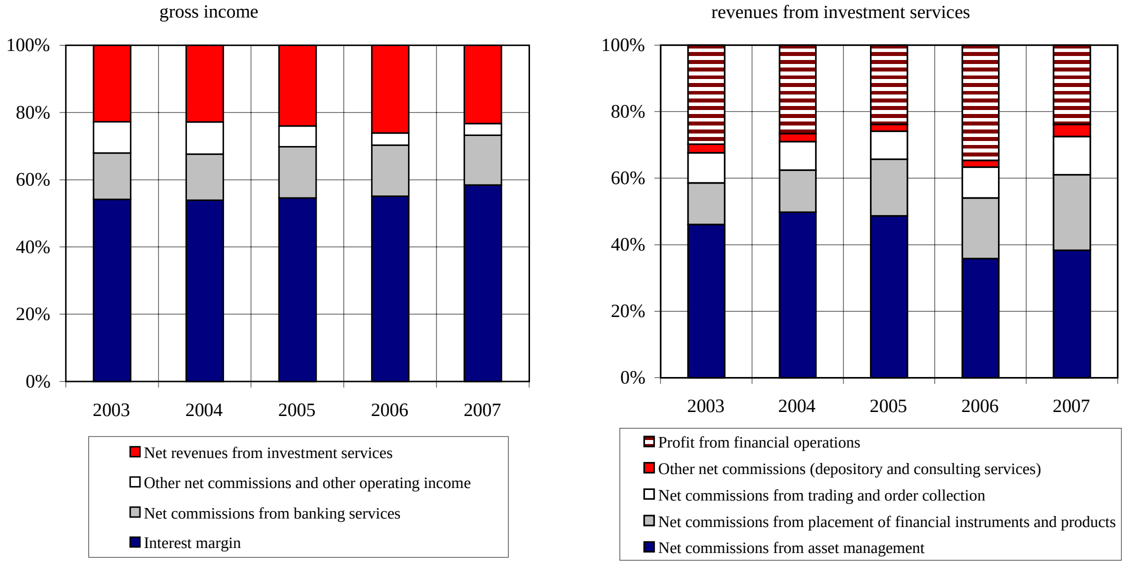
Source: calculations based on consolidated financial statements. Rounding may cause discrepancies in the last figure. See Methodological Notes. [1] Including dividends on holdings and profits or losses on holdings carried at equity. [2] Net commissions for guarantees issued and credit derivatives, collection and payment services, net commissions on current accounts, credit cards and ATM services. [3] Net commissions for servicing on securitisation transactions, factoring and tax collection services. [4] For annual statements from 2005 onwards, prepared in accordance with IAS/IFRS standards, the item includes the net result of trading, hedges and assets and liabilities assessed at fair value, plus profits from the disposal or buyback of financial assets and liabilities. [5] Administrative expenses plus value adjustments on tangible and intangible fixed assets. [6] Including profit pertaining to minority shareholders.

In 2007, the weight of revenues from investment services (intended as the sum of net commissions from investment services and collective management plus profit from financial operations) on gross income dropped slightly (from 26% to 23%), whilst the weight of gross income increased to account for almost 60% of total revenues (Fig. 48).

Though lower than in the three-year period 2003-2005, net commissions from asset management represent the stronger share of revenues from investment services (approximately 38%), followed by placement commissions and profit from financial operations.

Figure 48

Revenues of the major Italian banking groups

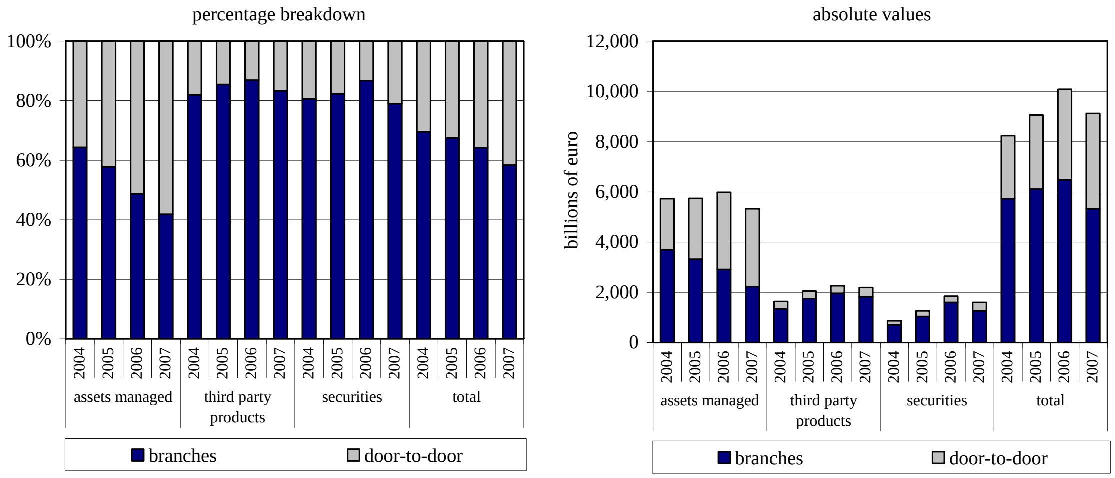


Source: calculations based on consolidated financial statements. See Methodological Notes.

With regard to commission income from investment services and from the placement of financial products and instruments, the weight of commissions generated by door-to-door selling has increased, now in excess of 40% to the detriment of the weight of commissions generated by bank branches. The weight of sales networks is particularly significant in the placement of asset management products, whereas in relation to revenues from the placement of securities and third party financial products the greater weight is from commissions generated by branches (Fig. 49).

Figure 49

Commission income from investment services and placement of products and financial instruments for the major Italian banking groups by distribution channel



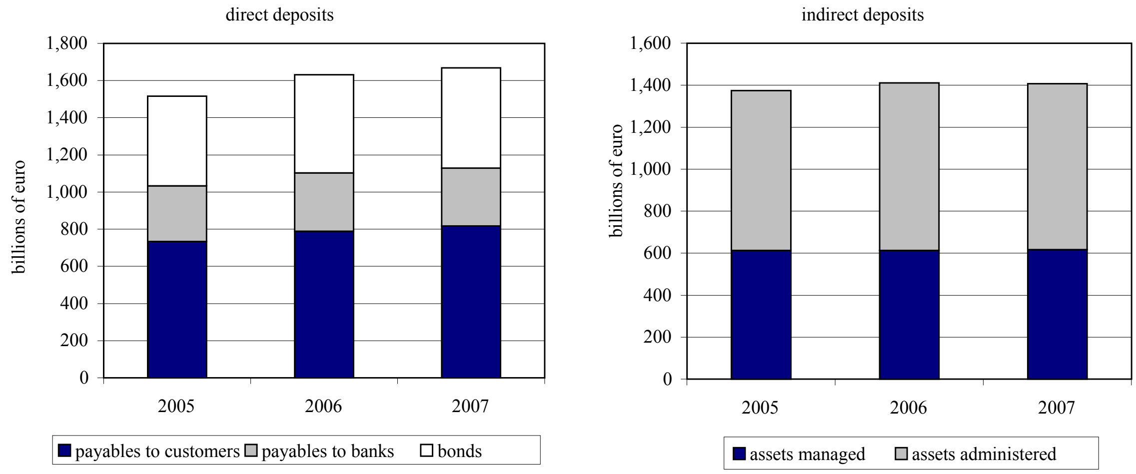
Source: calculations based on consolidated financial statements. See Methodological Notes.

The figures for indirect deposits (managed assets plus administered savings) essentially show that the total managed is stable at around 1,400 billion euro in 2007, whilst administered savings, which increased in 2006 (from 761 billion to 797 billion euro; approx. +4.8%), decreased slightly in 2007 (to approximately 791 billion euro; -0.8%) (Fig. 50).

Direct deposits on the other hand recorded an increase in both customer deposits (from 790 billion to 818 billion euro; approx. +3.6%) and in the deposit of securities (from 528 billion to 540 billion euro; approx. +2.2%).

Figure 50

Deposits for the major Italian banking groups



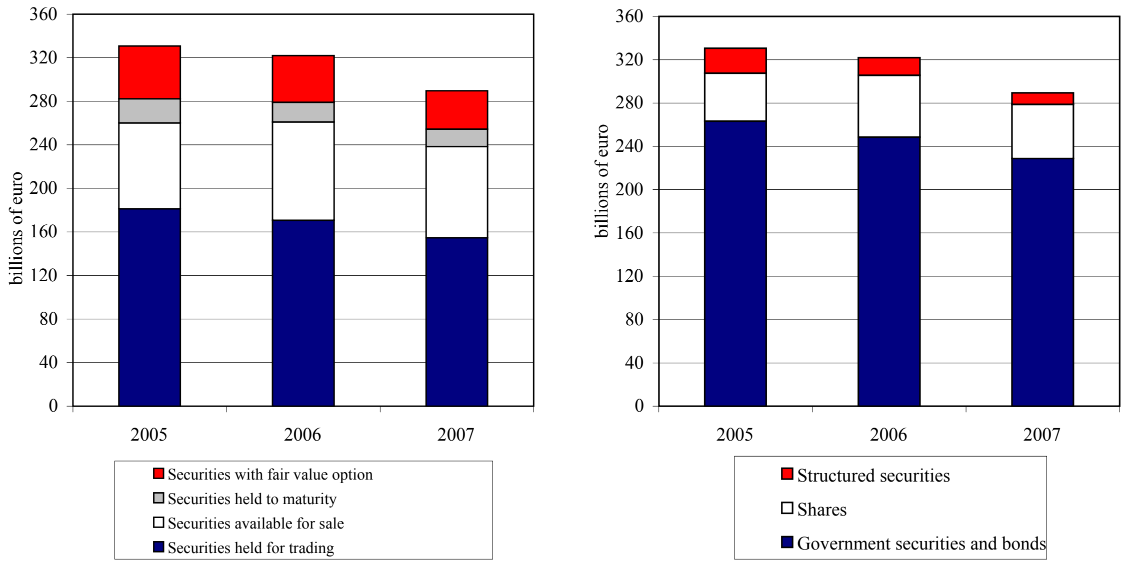
Source: calculations based on consolidated financial statements. See Methodological Notes. Managed savings include technical reserves for insurance and welfare products for group companies. Subordinated and trading liabilities are excluded from direct deposits.

The total value of bank-owned securities fell by around 10% (from 322 billion euro at the end of 2006 to 290 billion euro at the end of 2007). Securities assessed at fair value (based on the "fair value option") fell by 18%, securities held to maturity reduced by approximately 11% and securities held for trading by around 9%. Structured securities account for a little under 4% of the overall securities portfolio of the major Italian banks, whereas debt securities make up the majority (approximately 80%) (Fig. 51).

The net fair value of trading derivatives of the major Italian banking groups is negative at approximately -4 billion euro. Though the total net fair value of trading derivatives indicates that, overall, market risk could be limited, the gross fair value amount (the absolute sum of positive and negative fair values) of around 196 billion euro indicates that counterparty risk remains significant (Fig. 52).

Figure 51

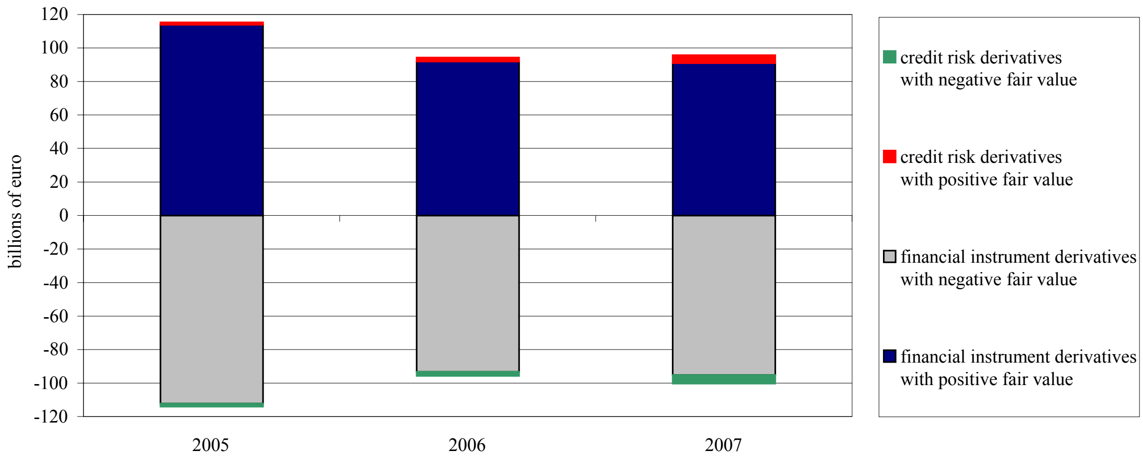
Breakdown of the securities portfolio of the major Italian banking groups



Source: calculations based on consolidated financial statements. See Methodological Notes. Financial assets other than securities (i.e. credit facilities or loans) and assets sold and not cancelled or impaired are excluded. UCITS are included among Government securities and bonds.

Figure 52

Fair value of trading derivatives of the major Italian banking groups
(period end balances)



Source: calculations based on consolidated financial statements. See Methodological Notes.

The overall exposure of Italy's major banking groups from securitisation transactions almost tripled in the three-year period 2005-2007 (from 23 billion to 67 billion euro), though this increase is largely attributable to just one banking group. Specifically, exposure linked to third party securitisations is significant (increasing from 14 billion to 42.7 billion euro). In detail cash exposure leapt from 22 billion to 54 billion euro in 2007, whereas off-balance sheet exposure (credit facilities and guarantees issued) increased from 1 billion to 13 billion euro. In general, among the various asset types, mortgages represented 24% (in

2006) and 38% (in 2007) of the total exposure, though the incidence of non-performing mortgages represented limited and decreasing percentages in the three-year period (14%, 6% and 3% respectively). In 2007 exposure from securitisations on own mortgages was more significant compared to securitisations linked to third-party mortgages (24.5% against 13.7%) (Table 12).

Table 12

Exposure from securitisation transactions of the major Italian banking groups
(amounts in millions of euro)

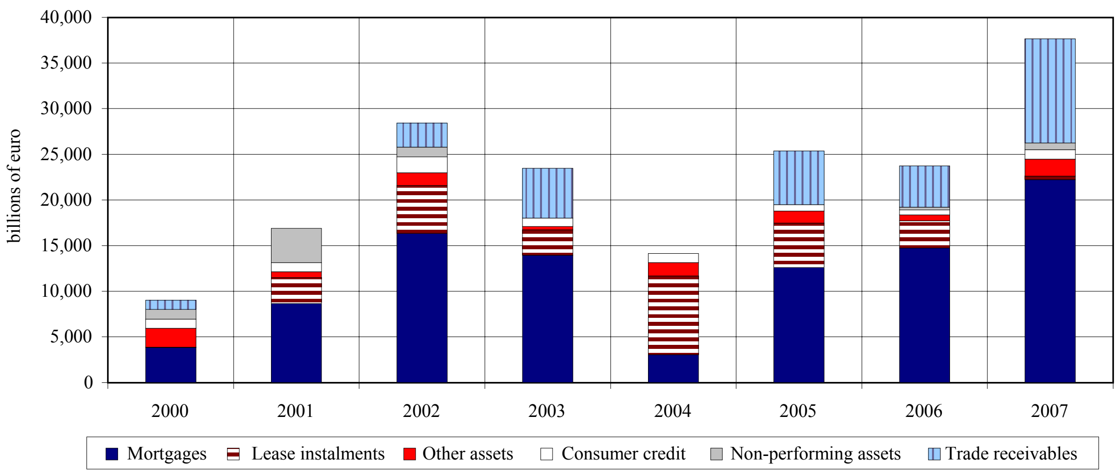
		Own				Third party				*Total*
		Mortgages		Other assets		Mortgages		Other assets		
		impaired	performing	impaired	performing	impaired	performing	impaired	performing	
2005	Cash	2,527	1,737	864	2,878	--	430	1,126	12,608	*22,170*
	Off-balance sheet	836	202	4	125	--	--	--	--	*1,167*
	Total	*3,362*	*1,939*	*868*	*3,003*	*--*	*430*	*1,126*	*12,608*	*23,337*
2006	Cash	2,231	1,257	403	4,372	78	9,040	579	20,556	*38,517*
	Off-balance sheet	915	194	50	31	--	--	--	16,438	*17,628*
	Total	*3,146*	*1,451*	*453*	*4,403*	*78*	*9,040*	*579*	*36,995*	*56,145*
2007	Cash	1,142	13,987	133	7,836	2	8,763	267	21,912	54,042
	Off-balance sheet	1,114	231	50	33	--	459	--	11,290	13,176
	Total	2,256	14,218	183	7,869	2	9,222	267	33,202	67,218

Source: calculations based on consolidated financial statements. See Methodological Notes. The figures include the HVB Group.

In 2007 there was a strong increase in assets securitised by the major Italian banking groups, due mainly to mortgage disposal transactions and trade receivables (Fig. 53).

Figure 53

Assets disposed of for securitisation purposes by the major Italian banking groups

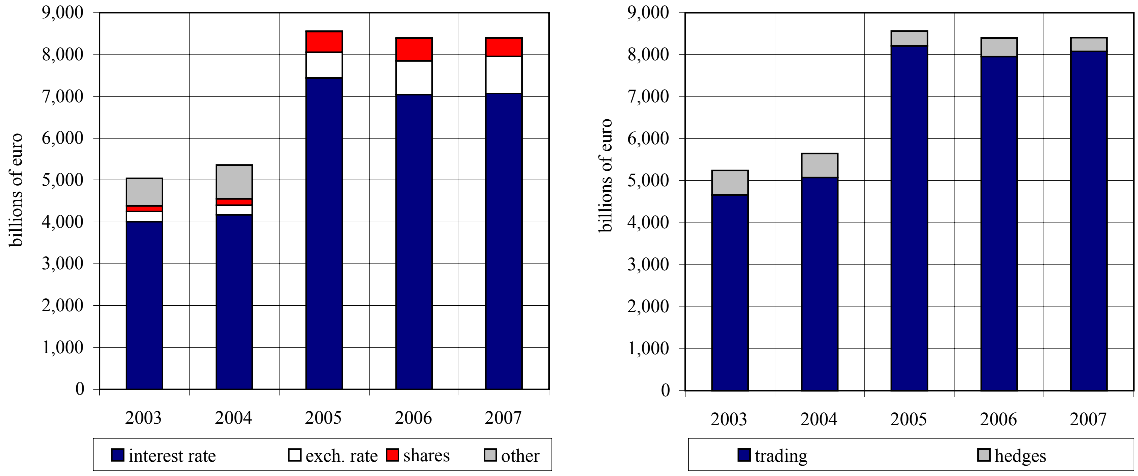


Source: calculations based on consolidated financial statements. See Methodological Notes.

In the three-year period 2005-2007 the notional value of derivatives held by major Italian banking groups remained generally stable. At the end of 2007 the total was approximately 8,000 billion euro (Fig. 54).

Figure 54

Notional value of derivatives for the major Italian banking groups
(period end balances)

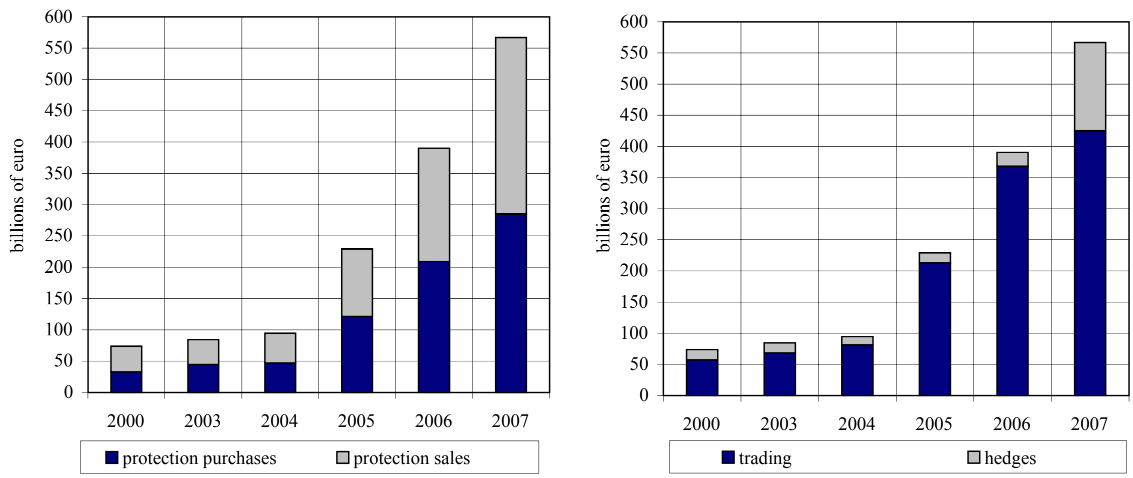


Source: calculations based on consolidated financial statements. See Methodological Notes.

Credit derivative positions, on the other hand, increased significantly in the 2005-2007 period, from 232 billion euro in 2005 to around 567 billion euro in 2007. The increase was relatively more marked in hedging sales (from 181 billion to 281 billion euro), whereas held-for-trading positions were by far the most prevalent (though a highly significant share was attributable to just one banking group) (Fig. 55).

Figure 55

Notional value of credit risk derivatives for the major Italian banking groups
(period end balances)



Source: calculations based on consolidated financial statements. See Methodological Notes.

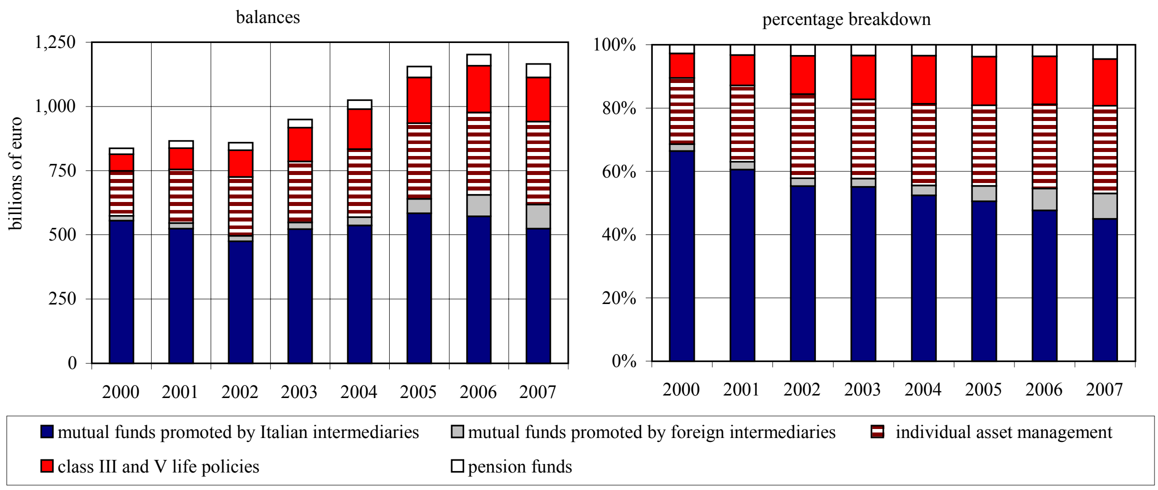
3. Institutional investors

As at the end of 2007, portfolios referring to asset management products placed in Italy were 3% lower than the December 2006 figure (decreasing from 1,202 billion to approximately 1,165 billion euro) This decrease is mainly due to the performance of mutual funds promoted by Italian intermediaries, the portfolio value of which fell from 573 billion to around 524 billion euro (-8.5%) (Fig. 56). The total technical reserves held against class III and V life policies also decreased (from 182 billion to 172 billion euro; approx. -5%), halting the upward trend recorded in recent years. Resources managed by mutual funds promoted by foreign intermediaries (94 billion euro as at December 2007) instead increased by 13%, whereas the total individual portfolios managed remained steady at around 320 billion euro. Lastly, the asset portfolios managed by pension funds increased by approximately 20%, from 43.2 billion to 52 billion euro.

The number of new pension funds (contractual and open-end) increased by 65%, mainly as a result of the entry into force of new regulations on supplementary pensions. In detail, the resources managed by contractual pension funds increased from 9.2 billion to 11.6 billion euro, whereas those managed by open-end pension funds rose from 3.5 billion to around 4.3 billion euro.

Figure 56

Portfolio of asset management products placed in Italy

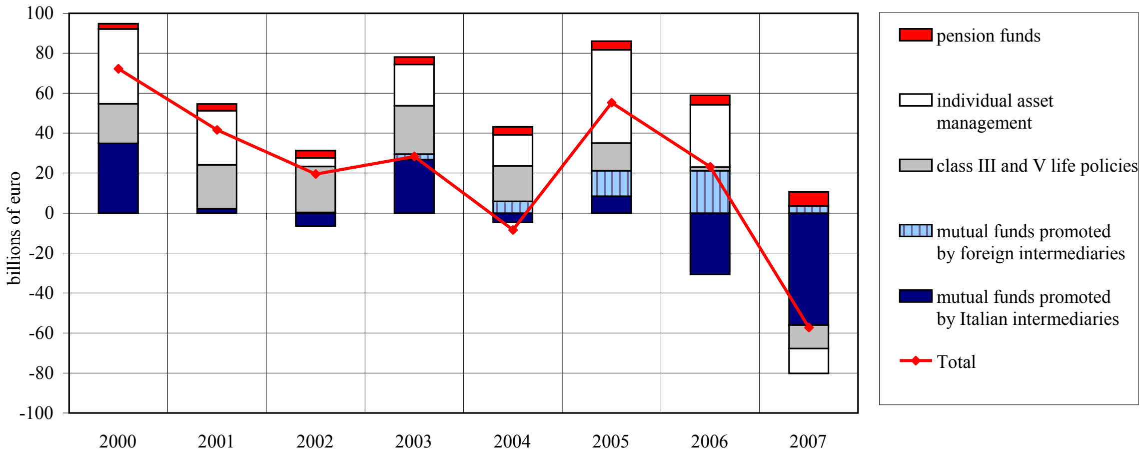


Source: calculations based on Ania, Assogestioni, Bank of Italy and Covip data. Period end data. Data on mutual funds promoted by Italian intermediaries include Italian open-end funds (harmonised and otherwise) and foreign funds promoted by Italian intermediaries ("roundtrip" funds). Data also include funds of funds. The figures relating to individual portfolios are stated net of investments in mutual fund units. Data relating to life policies refer to "direct Italian business" (i.e. excluding reinsurance business and that performed by foreign companies operating in Italy).

In 2007, the overall net inflows from asset management products placed in Italy were negative at approximately -60 billion euro (Fig. 57), largely due to the outflow of resources from mutual funds promoted by Italian intermediaries (-56 billion euro; -31 billion euro in 2006). Net inflows from asset management were also negative (-12 billion euro in 2007 against +31 billion euro in 2006), as were net inflows from class V life policies (capitalisation products) which recorded a 12 billion euro outflow of resources, whereas net inflows from class III life policies (linked policies) were positive (117 million euro), albeit much lower than the figure recorded at the end of 2006 (2.1 billion euro). Net inflows from new contractual and open-end pension funds were positive at 3.5 billion euro (against the 2.3 billion euro at the end of 2006).

Figure 57

Net inflows of asset management products placed in Italy



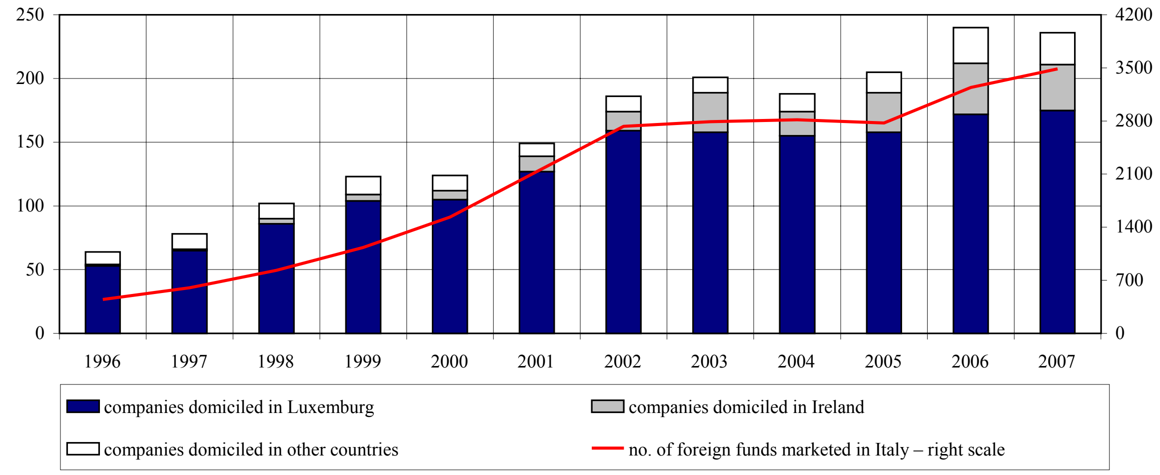
Source: calculations based on Ania, Assogestioni, Bank of Italy and Covip data. Data on mutual funds promoted by Italian intermediaries include Italian open-end funds (harmonised and otherwise) and foreign funds promoted by Italian intermediaries ("roundtrip" funds). Data relating to life policies refers to "direct Italian business" (i.e. excluding reinsurance business and that performed by foreign companies operating in Italy). The pension fund figures do not include contributions on pre-existing funds. The total does not take into account net subscriptions to mutual funds by individual portfolios.

In 2007 the net inflows for mutual funds promoted by foreign intermediaries, albeit positive, fell dramatically compared to 2006 (from 21 billion to approximately 4 billion euro; -83%) mainly as a result of the outflow of resources recorded in the third and fourth quarters (-1.4 billion and -6.2 billion euro respectively). Assets managed by foreign funds increased (from 83 billion to 94 billion euro; +13%), but at a slower rate than in the previous year (+50%). The number of foreign operators (almost all based in Luxemburg and Ireland) authorised to market such products also decreased slightly from 240 to 236 (Fig. 58), whilst the number of foreign funds marketed in Italy continues to increase (from 3,244 to 3,488).

Mutual funds promoted by Italian intermediaries suffered a strong outflow of resources (approximately 56 billion euro) which affected not only mutual funds domiciled in Italy (around 53 billion euro in 2007; Fig. 59), but also foreign domicile mutual funds managed by Italian intermediaries, the "roundtrip" funds (3.1 billion euro).

Figure 58

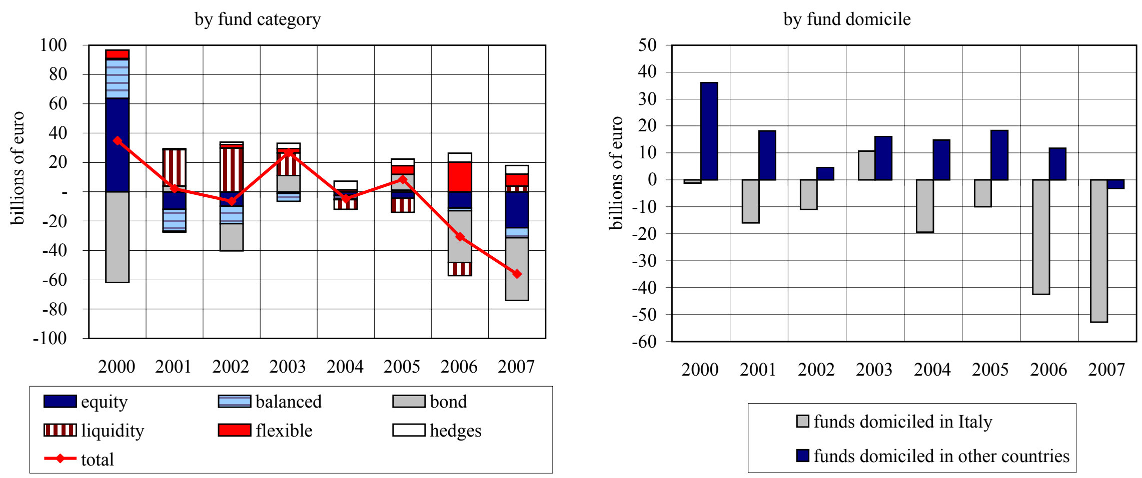
Number of foreign funds marketed in Italy and the number of foreign firms authorised to market funds, by registered office



Source: prospectuses.

Figure 59

Net inflows of mutual funds promoted by Italian intermediaries



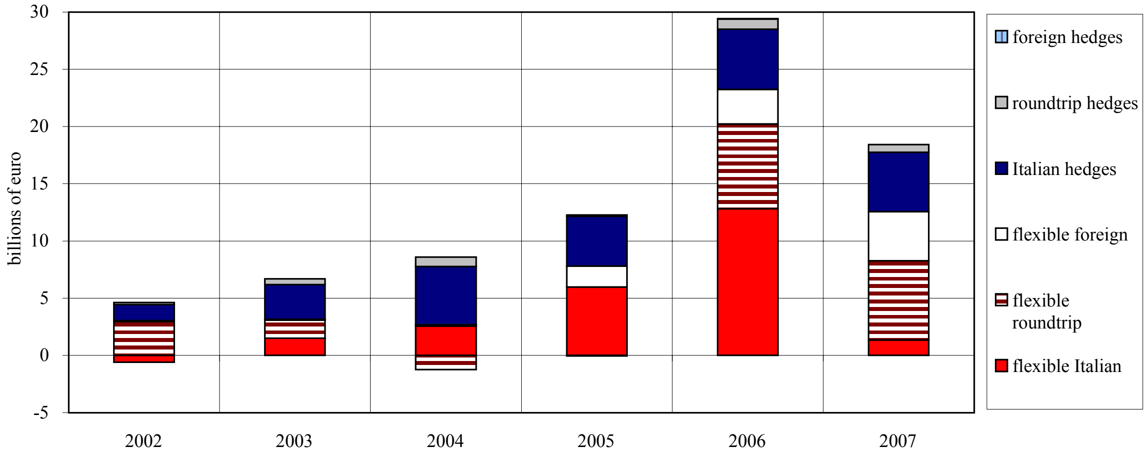
Source: Assogestioni. The data includes Italian open-end funds (harmonised and otherwise) and foreign funds promoted by Italian intermediaries ("roundtrip" funds). Funds of funds are also included. For foreign domicile funds, the data refers only to inflows from Italian subscribers until 2004, and thereafter also includes inflows from foreign investors.

Net inflows were negative for bond funds (approximately -43 billion euro), equity funds (-24 billion euro) and balanced funds (-6.9 billion euro). Inverting the 2006 trend, net inflows for liquidity funds were instead positive (3.8 billion euro compared to -8.9 billion euro in 2006). The inflow of resources exceeded redemptions also for flexible funds (8.3 billion euro) and hedge funds (5.9 billion euro).

Net inflows for flexible and hedge funds, however, though still positive, fell compared to 2006 by 37%, from 29 billion to 18 billion euro (Fig. 60). The most significant drop related to Italian flexible funds, for which net inflows fell from 12.8 billion to around 1.4 billion euro.

Figure 60

Net inflows of hedge funds and flexible funds, by fund domicile



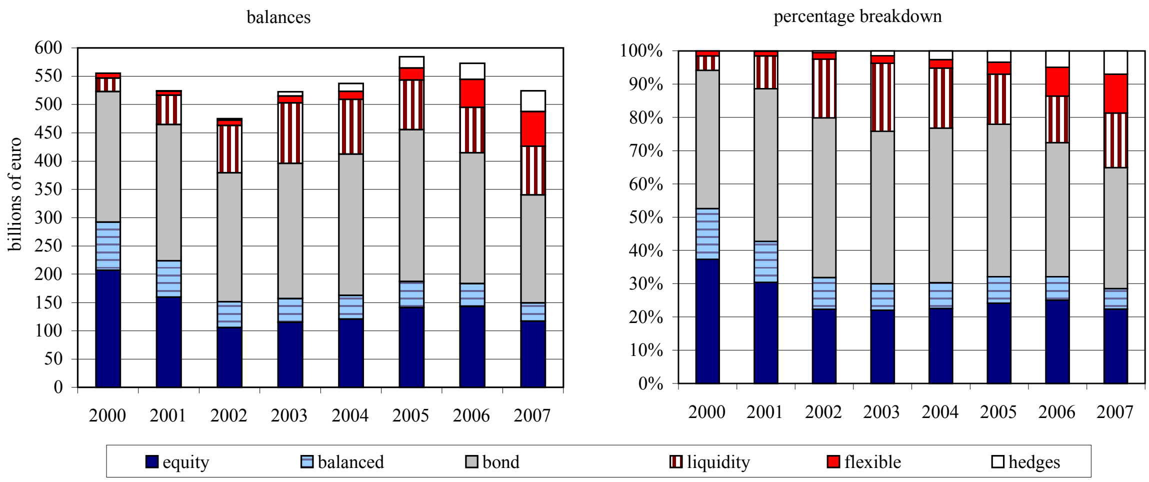
Source: calculations on Assogestioni data.

Assets managed by mutual funds promoted by Italian intermediaries decreased by 8.5% (Fig. 61) due mainly to the reduction in resources managed by Italian mutual funds (from 371 billion to 322 billion euro; -13%). The assets figure for roundtrip funds, however, remained stable at around 202 billion euro.

The weight of equity funds on the total assets managed by funds promoted by Italian intermediaries fell from 25% to 22% (Fig. 61), that of balance funds from 7% to 6%, and that of bond funds from 40% to 36%. On the other hand, there were increases in the weight of resources managed by liquidity funds (from 14% to 16%), flexible funds (from 9% to 12%) and hedge funds (from 5% to 7%).

Figure 61

Shareholders' equity in mutual funds promoted by Italian intermediaries

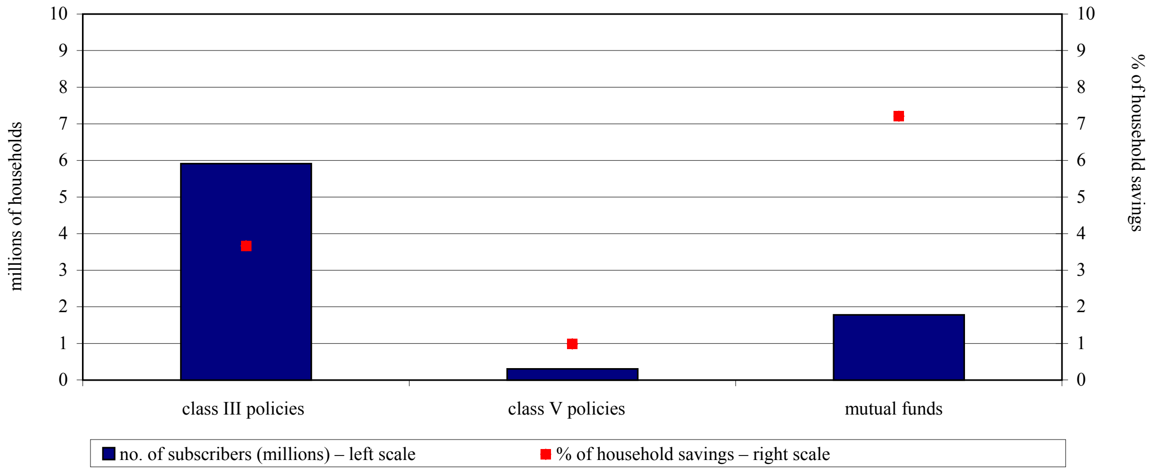


Source: Assogestioni. The data includes Italian open-end funds (harmonised and otherwise) and foreign funds promoted by Italian intermediaries ("roundtrip" funds). Funds of funds are also included. For funds placed abroad the data refers to total assets.

Despite the strong outflows of resources, the incidence of mutual funds on the financial assets of households still remains significant (approximately 7%), though class III life policies (linked) were more popular among retail investors and households than mutual investment funds (Fig. 62). Class V life policies (capitalisation policies), which saw significant outflows of resources in both 2006 and 2007, instead have a residual weight on household financial assets and are less common.

Figure 62

Household investments in the mutual funds market and in class III and V life policies
(end of 2007 figures)



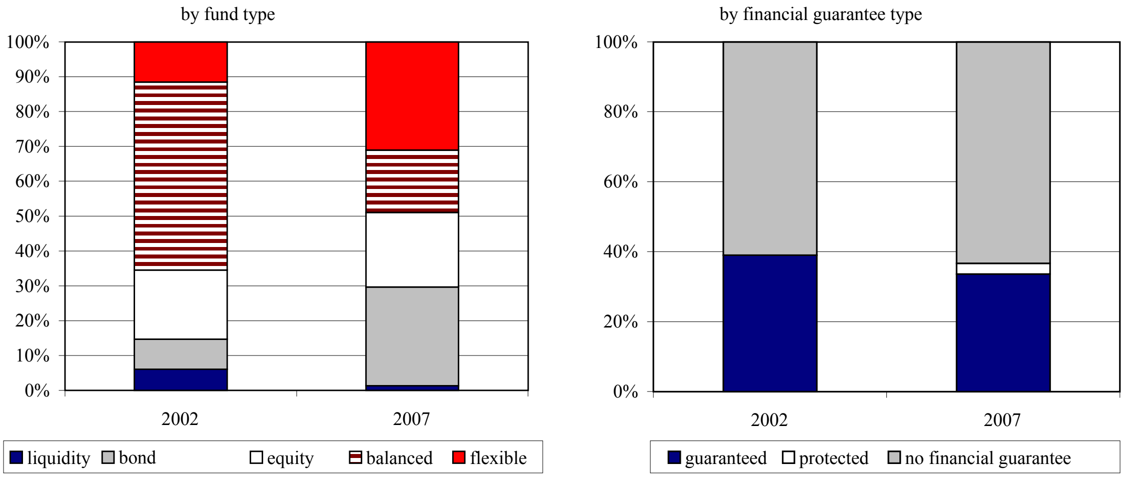
Source: GfK Eurisko – Multifinanziaria Retail Market 2008, Bank of Italy, Ania. The source for data on the number of subscribers to funds is GfK Eurisko, and Ania the source for data on the number of policy subscribers. Data on the percentage of household savings invested in mutual funds is from the Bank of Italy, and both Ania and the Bank of Italy were the data sources on savings invested in policies. See Methodological Notes.

Developments in the breakdown of the Italian fund portfolios associated with unit-linked policies were somewhat different to those recorded for Italian mutual investment funds. In fact, from 2002 to 2007 not only the weight of flexible funds increased (from 12% to 31%), but also that of bond funds (from 10% to 28%) (Fig. 63). The percentage of managed assets invested in guaranteed and protected funds, however, recorded only a slight change (from 39% to 37%) as did assets invested in funds without financial guarantees (from 61% to 63%).

In 2007 the change in the choice of asset allocation of Italian funds led to a decrease in the weight, on the total portfolio, of Italian equity (from 6.7% to 5.5%) and foreign equity (from 24% to 22%). The weight of Italian Government securities and bonds increased however (from 39% to 43%) (Fig. 64). Investment decisions relating to individual portfolios are not easily comparable with those of mutual funds, as around 37% of their portfolio is in turn invested in mutual funds. Nevertheless, a breakdown of the percentage invested in funds according to the average portfolio composition would show that individual portfolios are less exposed to the share market than mutual investment funds (21%). The percentage of resources invested in Italian Government securities and bonds (47%), rather, is only slightly higher than that recorded for Italian mutual funds.

Figure 63

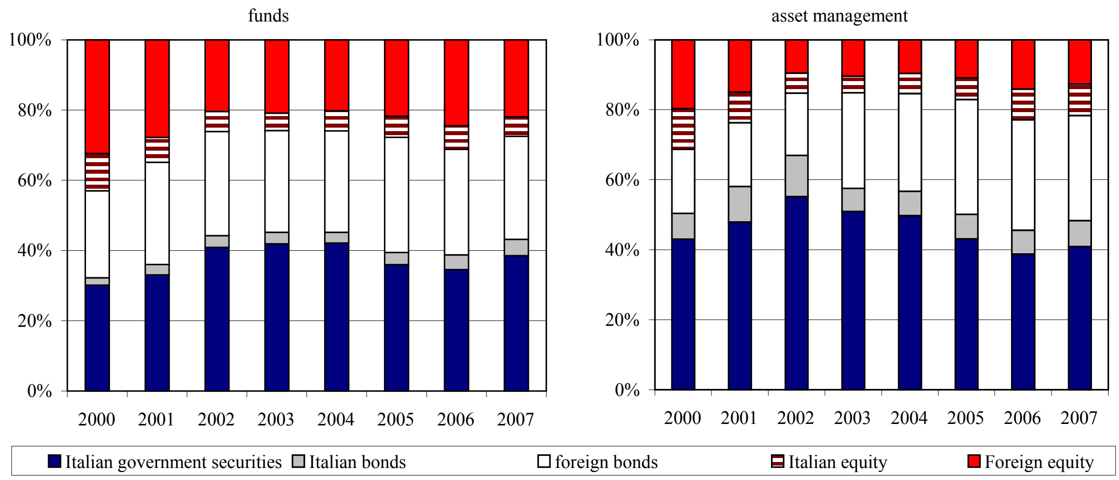
Breakdown of managed portfolios of funds associated with unit-linked policies



Source: calculations on Ania data.

Figure 64

Breakdown of Italian open-end mutual fund portfolio and individual portfolios managed



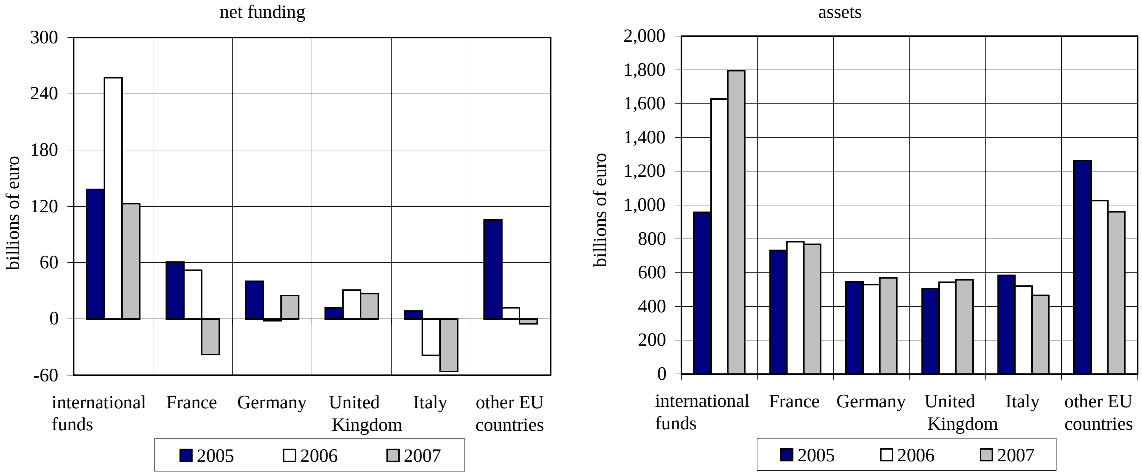
Source: calculations based on Bank of Italy data. The portion of individual portfolios invested in UCITS was allocated to other financial assets according to the composition of the Italian mutual fund portfolio for the reference year.

In the European scenario, Italy is not the only country characterised by a strong outflow of resources from Italian mutual investment funds. In 2007 net inflows were also highly negative in France (-38 billion euro) and Spain (-14 billion euro). Furthermore, net inflows of funds domiciled in Luxemburg and Ireland and sold on a cross-border basis in several European countries fell by over 50% (Fig. 65). Excluding international funds, the Italian market nevertheless retains fourth place in Europe for assets managed (after France, Germany and the UK).

The Italian real estate funds market, on the other hand, continued to grow in 2007 (Box 1).

Figure 65

Portfolio and net inflows of mutual funds in Europe



Source: FERI FMI. The funds are classified on the basis of the country in which the major share of the portfolio is held. This classification criteria may differ from that of the country in which the fund is established, as occurs with "roundtrip" funds, or from that of the country of residence of the intermediary. "International funds" are those established in Ireland and Luxembourg, for which an individual country with at least 80% of the total portfolio ("pure cross-border") cannot be identified. The "other European countries" are Switzerland, Spain, Belgium, Sweden, Austria, The Netherlands, Denmark, Finland, Norway, Portugal and Greece. Funds of funds are excluded.

Box 1

Real estate funds

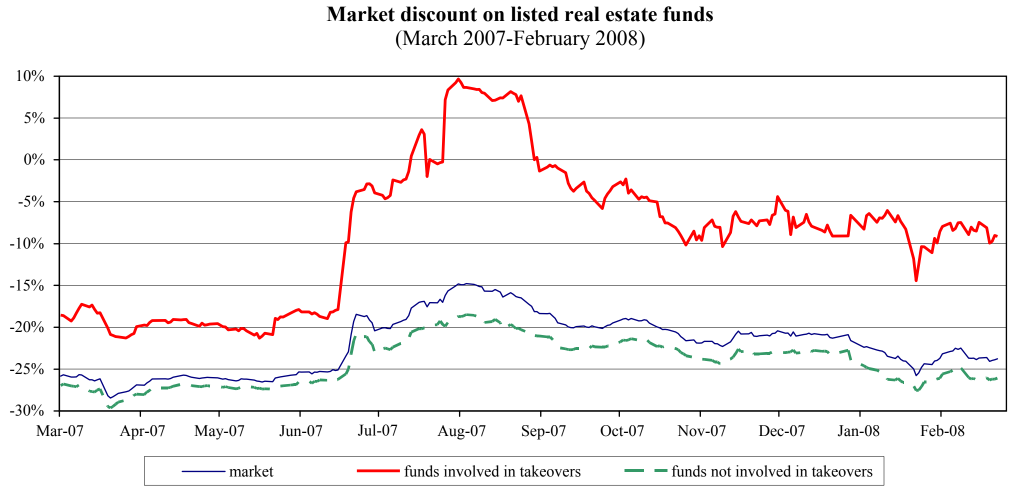
As at the end of 2007, 22 real estate funds managed by 13 asset management companies were traded on regulated markets operated by Borsa Italiana. The stock market prices for units of funds in the 2002-2007 period show a consistent "market discount" compared to shareholders' equity values, on average of over 20%, and the presence of reduced trading volumes.

In the period May-September 2007 the price recovery effect of the first takeover bids on real estate funds led to a temporary decrease in the market discount across the entire market of Italian listed real estate funds.

Considering the overall number of real estate funds (both listed and unlisted), an increase has been recorded since 2005 in funds reserved for professional investors compared to those offered to the public or listed on regulated markets.

In fact, as at 31 December 2007 the number of reserved real estate funds accounted for the majority (126 funds, i.e. 73.7% of the total), compared to the number of funds offered to the public (28, i.e. 16.4% of the total). The number of speculative real estate funds is also on the increase (17, i.e. 9.9% of the total). In shareholders' equity terms, reserved funds have a weight of approximately 59%, funds offered to the public around 35% and speculative funds in the region of 6%.

The strongest development in reserved real estate funds, attributable to the disposal of significant real estate portfolios by industrial groups and households, can be linked to the incentives offered by tax regulations and to the strong increase in property values.



Source: Consob figures on Borsa Italiana data.

In recent years, development in the sector has been associated with an increased degree of financial leverage. The average leverage for the sector, in fact, increased from 14% in 2003 to around 40% in 2007.

Over half the real estate funds, with managed assets as at 31 December 2007 of approximately 12 billion euro, are expected to complete liquidation transactions in the period 2011-2017.

Structure of the Italian closed-end real estate fund market[1]
(amounts in millions of euro)

	Number of management companies	Number of funds in operation	Shareholders' equity	Total assets	Asset percentage breakdown			
					properties and property rights	financial instruments	securities and liquidity	other assets
2003	11	19	4,434	5,160	74.7	8.7	10.2	6.4
2004	16	32	8,101	12,326	86.1	6.1	3.6	4.2
2005	27	64	12,026	18,576	83.7	8.5	4.8	3.1
2006	34	118	16,291	26,924	82.0	6.8	6.1	5.1
2007	47	171	21,563	35,866	85.3	4.7	4.4	5.6

Source: Calculations on financial statements. [1] Rounding may cause discrepancies in the last figure.

With regard to costs, the data relating to financial statements on Italian open-end mutual funds indicates that the average commissions compared to the total assets managed, which increased from 1.44% in 2005 to 1.54% in 2006, instead fell in 2007 to 1.41% (Table 13). These changes are mainly due to the decrease in management commissions and inducements, with particularly strong reductions on liquidity and flexible funds and, to a lesser extent, on equity funds.

Table 13

Costs of Italian open-end funds
(percentages)

	Average weight of total managed assets[1]						Percentage breakdown[2]					
	Total depository bank fees	Management commissions	Operating fees and other expenses	Inducements	Commission paid to other intermediaries	Total	Total depository bank fees	Management commissions	Operating fees and other expenses	Inducements	Commission paid to other intermediaries	Total
2003												
Liquidity	0.07	0.53	..	..	..	0.60	11.4	88.4	0.1	..	0.1	100.0
Equity	0.13	1.87	0.04	0.26	0.03	2.32	5.5	80.7	1.7	11.0	1.1	100.0
Bond	0.08	0.82	..	0.02	..	0.93	9.1	88.1	0.2	2.3	0.3	100.0
Balanced	0.09	1.19	0.03	0.07	0.01	1.39	6.5	85.6	1.8	5.2	0.8	100.0
Flexible	0.13	1.48	0.26	0.23	0.06	2.16	6.1	68.6	12.2	10.5	2.7	100.0
Total	*0.09*	*1.00*	*0.02*	*0.07*	*0.01*	*1.18*	*7.7*	*84.4*	*1.3*	*5.9*	*0.7*	*100.0*
2004												
Liquidity	0.07	0.55	..	..	..	0.62	11.9	88.0	..	..	0.1	100.0
Equity	0.13	1.93	0.02	0.18	0.06	2.32	5.7	83.2	0.8	7.8	2.5	100.0
Bond	0.09	0.86	..	0.01	..	0.96	9.0	89.4	0.1	1.1	0.4	100.0
Balanced	0.10	1.20	0.02	0.04	0.05	1.40	6.9	85.5	1.3	3.1	3.2	100.0
Flexible	0.12	1.42	0.15	0.19	0.03	1.92	6.5	74.1	7.8	9.8	1.8	100.0
Total	*0.10*	*1.06*	*0.01*	*0.05*	*0.02*	*1.23*	*7.7*	*85.8*	*0.9*	*4.2*	*1.5*	*100.0*
2005												
Liquidity	0.10	0.73	..	..	..	0.83	12.0	87.8	..	..	0.1	100.0
Equity	0.14	2.01	0.04	0.33	0.05	2.57	5.3	78.2	1.7	13.0	1.9	100.0
Bond	0.09	0.99	..	0.02	..	1.10	8.6	89.5	0.1	1.5	0.3	100.0
Balanced	0.11	1.51	0.03	0.06	0.02	1.72	6.3	87.5	1.7	3.3	1.2	100.0
Flexible	0.10	1.35	0.18	0.14	0.01	1.79	5.8	75.4	10.3	7.9	0.6	100.0
Total	*0.11*	*1.21*	*0.02*	*0.09*	*0.01*	*1.44*	*7.3*	*84.2*	*1.5*	*6.0*	*1.0*	*100.0*
2006												
Liquidity	0.10	0.67	..	..	..	0.77	12.5	87.3	..	..	0.2	100.0
Equity	0.13	1.98	..	0.28	0.24	2.63	5.1	75.3	..	10.5	9.1	100.0
Bond	0.10	1.01	..	0.02	0.01	1.14	8.5	88.5	..	1.8	1.2	100.0
Balanced	0.10	1.51	..	0.05	0.05	1.71	6.1	88.3	..	2.8	2.8	100.0
Flexible	0.09	1.32	..	0.26	0.08	1.74	4.9	76.0	..	14.7	4.3	100.0
Total	*0.10*	*1.26*	*..*	*0.10*	*0.07*	*1.54*	*6.9*	*82.1*	*..*	*6.4*	*4.6*	*100.0*
2007												
Liquidity	0.08	0.52	..	--	..	0.60	12.9	86.9	..	--	0.2	100.0
Equity	0.12	1.95	..	0.09	0.18	2.34	5.1	83.4	..	3.9	7.5	100.0
Bond	0.09	0.98	..	..	0.01	1.08	8.2	90.3	..	0.3	1.2	100.0
Balanced	0.11	1.56	..	..	0.06	1.72	6.2	90.2	..	0.1	3.4	100.0
Flexible	0.08	1.21	..	0.04	0.05	1.39	6.0	87.3	0.1	3.1	3.6	100.0
Total	*0.10*	*1.23*	*..*	*0.03*	*0.06*	*1.41*	*6.7*	*87.2*	*..*	*2.0*	*4.1*	*100.0*

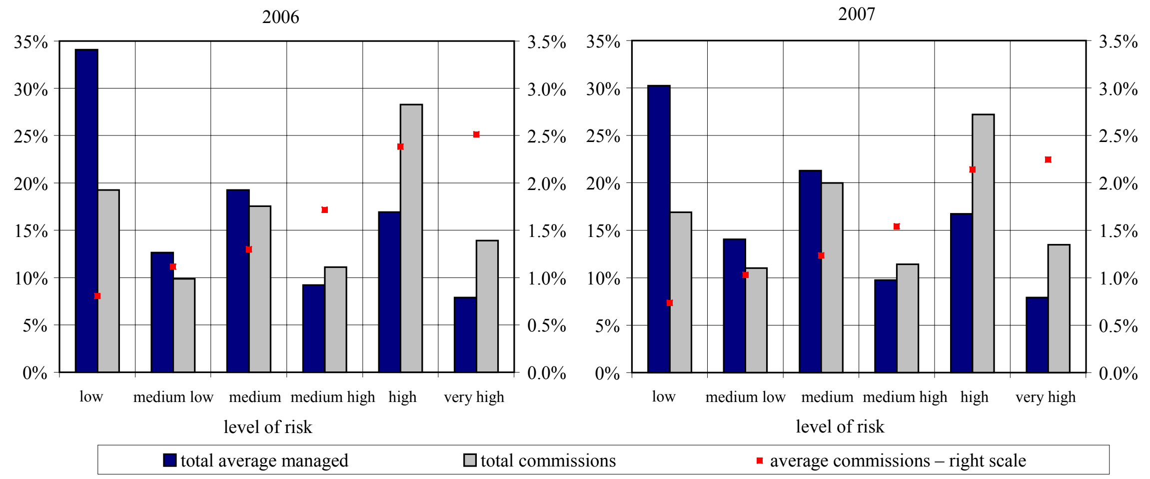
Source: Consob calculations based on cashflow statement data. [1] The total managed is calculated on the average end of month data. [2] Rounding may cause discrepancies in the last figure.

42% of the total commission income on Italian open-end funds in 2006 was generated from funds indicating a "high" or "very high" risk level in the prospectus, funds accounting for only 25% or thereabouts of the total average managed for the year (Fig. 66).

2007 saw a decrease in average commissions on "high" and "very high" risk funds. The total commission income generated from these funds fell to around 40% of the total, whereas the incidence on the total managed attributable to such funds remained constant.

Figure 66

Breakdown of total Italian open-end mutual funds managed and related commissions by level of risk



Source: calculations based on statistical supervisory indications and Consob archive on the prospectuses of mutual funds.

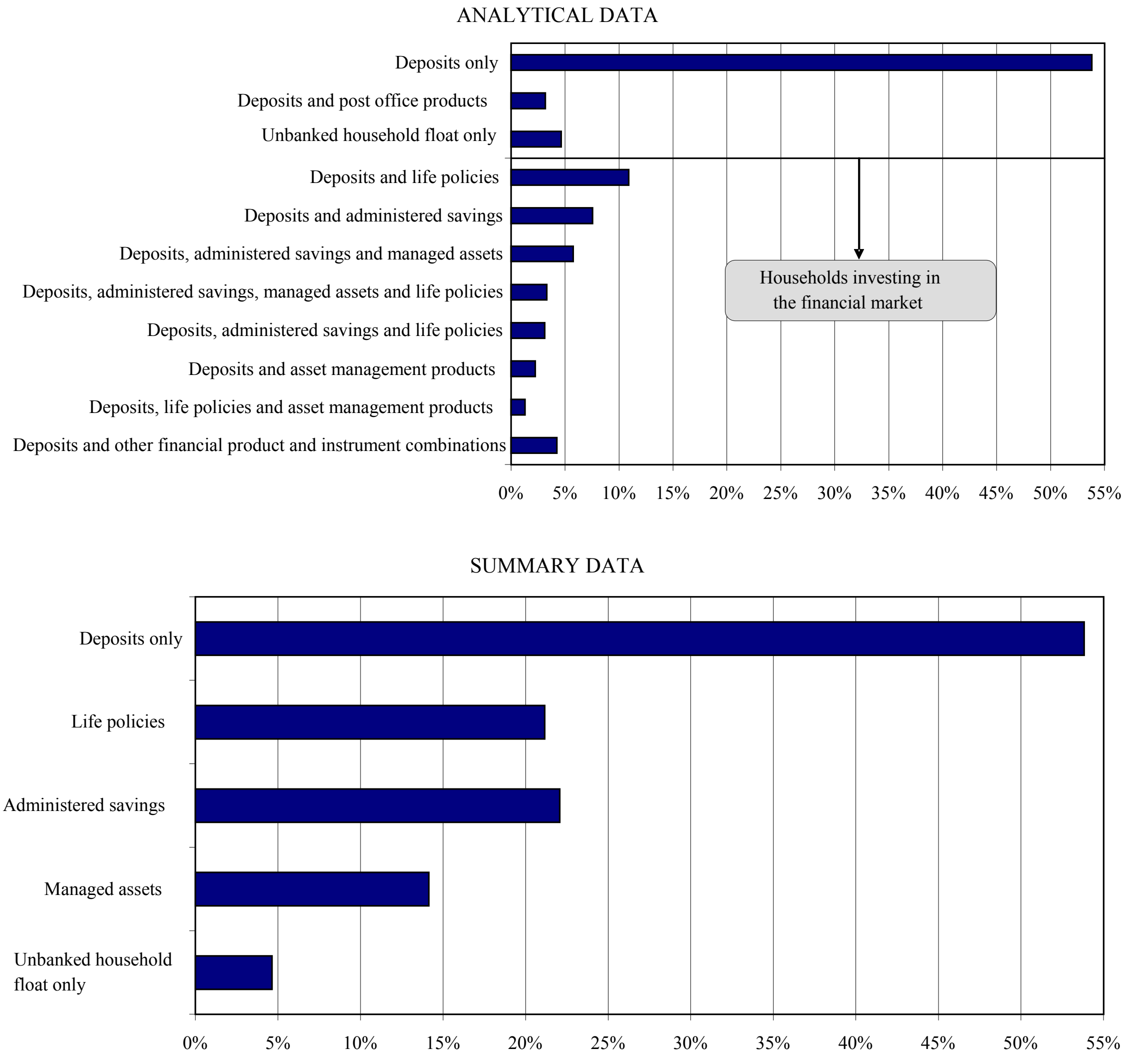
4. Households

Data obtained from sample surveys show a strong polarisation in investment decisions by Italian households: on the one hand there are households that are particularly conservative and averse to risk, which invest their savings only in deposits, repos or post office products (it can be estimated that such households account for 60% of the population). On the other hand, rather, there are households that possess at least one financial instrument or product and which therefore seek a more balanced composition of their private financial asset portfolio in terms of a risk-yield trade-off.

In particular, data as at December 2007 shows that around 54% of households possess financial assets composed solely of bank and/or postal deposits, plus a further 3% or thereabouts of households which, alongside deposits, possess only post office products (interest-bearing post office bills and similar) (Fig. 67). In addition, around 5% of Italian households have no form of contact whatsoever with financial intermediaries and hold no deposits, financial products or financial instruments (the "unbanked" households). Therefore, approximately 62% of households are not "exposed" to the financial market in that they hold no financial instruments or products.

Figure 67

Financial asset types held by Italian households
(percentage of households with financial assets or asset combinations declared as at December 2007)



Source: calculations on GfK Eurisko - Multifinanziaria Retail Market 2008 data. See Methodological Notes. "Deposits" include bank and post office current account deposits, bank and post office savings accounts, foreign currency and repo deposits. "Life policies" relates to index- and unit-linked policies, capitalisation policies, multi-branch policies, integrated pension schemes and pension funds. "Administered savings" refers to the direct possession of shares, covered warrants, futures, options, bonds and Government securities. "Managed savings" refers to Italian and foreign mutual funds and SICAVs, accumulation plans, managed real estate assets, hybrid policy-fund plans, liquidity management services. "Post office products" are interest-bearing post office bills and products other than post office current or savings accounts.

Statistics on the remaining 38% of households which instead "invest" in the financial market – in that they hold at least one financial instrument or product, including life policies – show quite a varied range of asset allocation decisions in terms of financial product macro-categories. The most popular is the combination of deposits and life policies or pension funds (the choice of around 11% of households), followed by the combination of deposits and administered savings, i.e. direct investment in shares, bonds or Government securities (the choice of approximately 8% of households).

Other financial macro-asset combinations are much rarer. For example, only around 6% of households possess (apart from deposits) administered savings and asset management products. Only 3% or thereabouts of households has a portfolio of financial assets comprising deposits, administered savings, asset management products and insurance products.

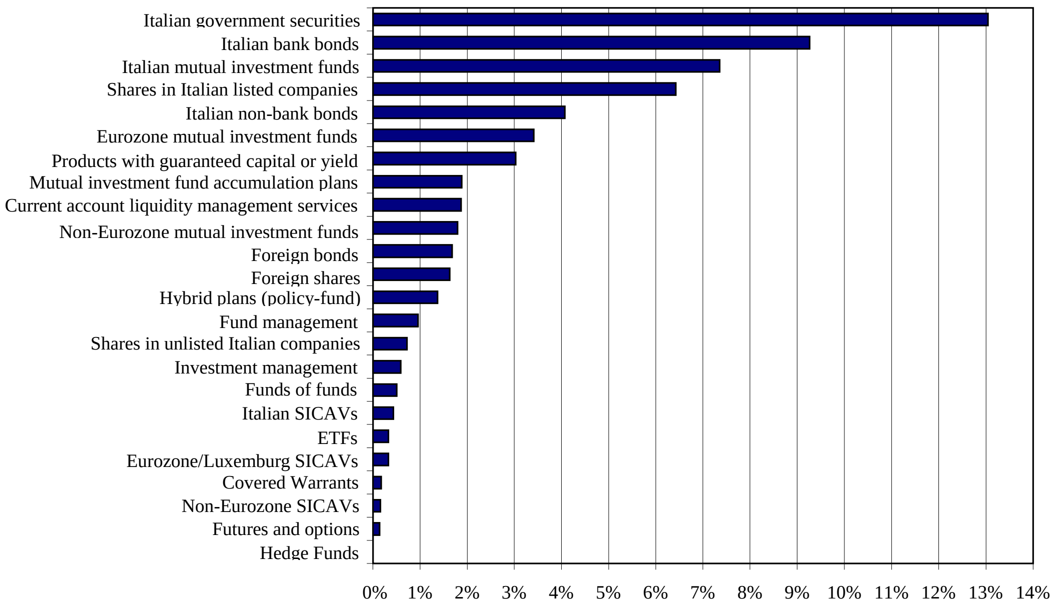
In summary, although around 55% of Italian households possess deposits only, roughly 21 out of 100 households possess at least one life policy or pension fund, 22 households out of 100 hold at least one financial instrument (shares, bonds or Government securities) and 14 out of 100 possess at least one asset management product.

Focusing attention on financial instruments and products in the strictest sense (i.e. excluding pension funds, life policies and deposits), Government securities are the most popular asset class with Italian households: around 13 out of 100 households possess Government securities (Fig. 68). Bank bonds are instead the second most popular instrument (held by roughly 9 out of 100 households), followed by Italian mutual funds (around 7 out of 100 households). Approximately 6 out of 100 households have a direct holding of Italian listed shares and 4 out of 100 hold non-bank bonds.

Figure 68

Dissemination of financial instruments and products among Italian households

(percentage of households possessing the financial instrument or product declared as at December 2007)



Source: calculations on GfK Eurisko - Multifinanziaria Retail Market 2008 data. See Methodological Notes.

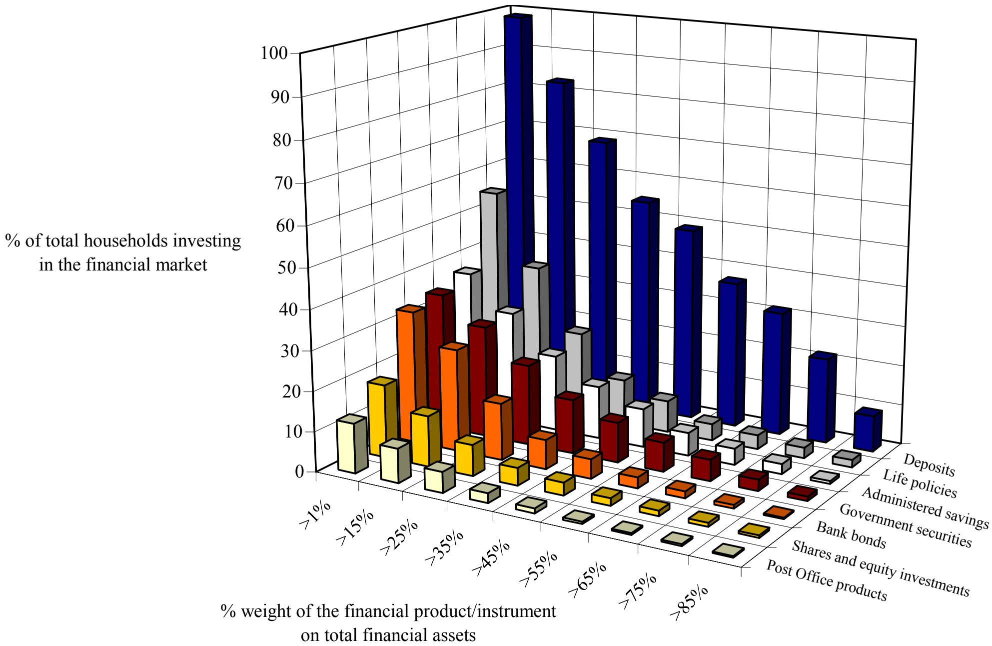
Summarising, for over half of Italian households, deposits are the only financial asset held and therefore comprise 100% of their portfolio, added to which are a further 5% of households with no contact whatsoever with the banking and financial systems.

Less than 40% of households, on the other hand, possess financial instruments or products and therefore tend to seek a more balanced portfolio composition where deposits, by far the most common, are combined with different forms of investment. For these households, in fact, the weight of deposits on the total financial assets portfolio remains high, but only in less than half of households do they exceed 45% (Fig. 69).

Figure 69

Weight of deposits and various types of financial products and instruments on the total financial assets of households investing in the financial market

(December 2007 figures)



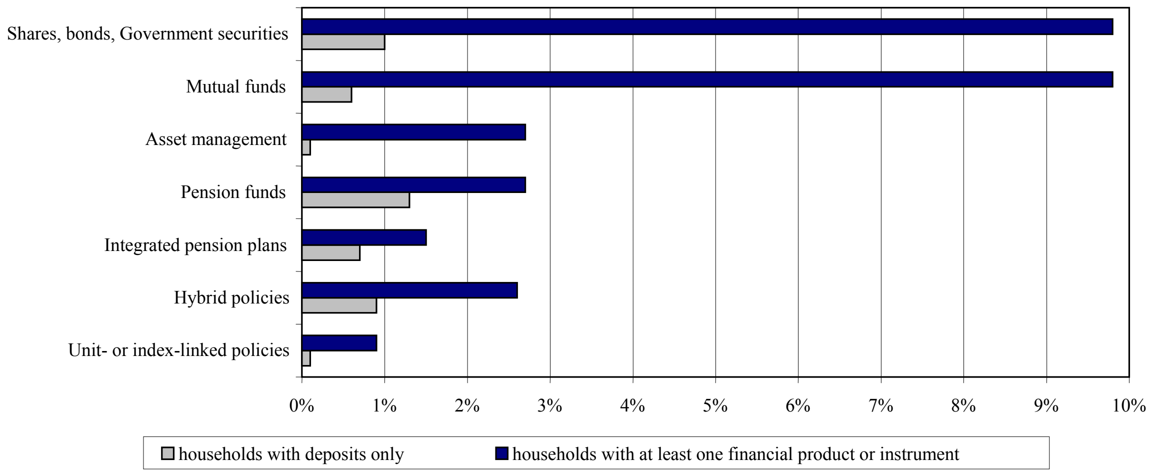
Source: calculations on GfK Eurisko - Multifinanziaria Retail Market 2008 data. See Methodological Notes. “Deposits” include bank and post office current account deposits, bank and post office savings accounts, foreign currency and repo deposits. “Life policies” relates to index- and unit-linked policies, capitalisation policies, multi-branch policies and integrated pension schemes. “Administered savings” refers to the direct possession of shares, covered warrants, futures, options, bonds and Government securities. “Managed savings” refers to Italian and foreign mutual funds and SICAVs, accumulation plans, managed real estate assets and managed funds, hybrid policy-fund plans, liquidity management services. “Post office products” are interest-bearing post office bills and products other than post office current or savings accounts.

Insurance products are the most common form of savings in terms of both the number of entities involved and their weight on the total portfolio. Over 20% of households investing in the financial market invest more than 25% of their portfolio in insurance products and around 8% invest more than 45% of the portfolio in insurance products. In second place, though almost on the same level as insurance products, are Government securities and asset management products: approximately 20% of households investing in the financial market invest over 25% of their portfolio in Government securities and asset management products. In third place we find bank bonds: households investing over 25% of their portfolio in bank bonds account for around 14% and those investing over 45% are less than 5%. After these come shares and equity investments, whilst post office products take last place.

As at the end of 2007 households possessing deposits only were placed under much less intense marketing pressure by intermediaries compared to those who, at the same date, held financial instruments or products. In the first case, around 5 out of 100 households remember receiving an investment product proposal, compared to almost 20 out of 100 households in the latter case. Households with financial instruments or products received more frequent proposals from intermediaries regarding individual securities and mutual investment funds (Fig. 70). To those with deposits only, intermediaries rarely proposed securities or mutual funds (approximately 1 out of 100 households), and likewise other types of investment product (policies, pension funds and portfolios).

Figure 70

Financial instruments and products proposed to households by intermediaries
(percentage of households receiving proposals of financial products or instruments in the period December 2006-December 2007)



Source: calculations on GfK Eurisko - Multifinanziaria Retail Market 2008 data. See Methodological Notes.

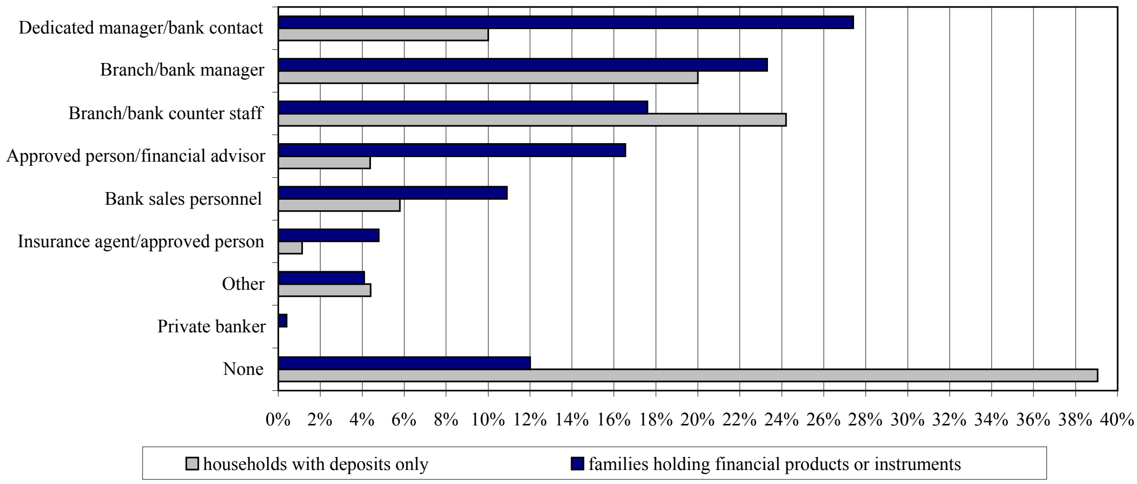
For households possessing financial products or instruments, the persons most often acting as contact for consulting services are dedicated bank personnel operating from within the branches (around 28% of households), branch managers (24%), counter staff (17%) and approved persons (17%) (Fig. 71). Approximately 12% of households instead declared that they made no use of any person linked to financial intermediaries for advice on asset management.

In around 40% of cases, households possessing deposits only declared that they had no contact whatsoever with any person for asset management consulting services within the intermediary organisations. These figures can be read in the sense that households more averse to risk and conservative in their choice of portfolio do not feel the need to make use of consulting services, or in the sense that it is the intermediaries themselves that do not offer such services, knowing that consulting services are unlikely to trigger other investment services that could generate commission income. This evidence is in line with the fact that such households are subject to a much less intense sales pressure than those investing in the financial market.

For households investing in deposits only, the more common contacts for consulting services are the bank counter staff (almost a quarter of households), followed by the branch manager (in around 20% of cases).

Figure 71

Consulting and asset management services contacts within the intermediary organisation
(percentage of households with the person indicated as contact as at December 2007)



Source: calculations on GfK Eurisko - Multifinanziaria Retail Market 2008 data. See Methodological Notes.

B

CONSOB ACTIVITY

I – SUPERVISION OF LISTED COMPANIES

1. Corporate disclosure

In 2007, supervision of issuer disclosure obligations led to the formulation of 302 requests for information to Italian listed companies pursuant to Art. 115 of the Consolidated Law on Finance, and 159 requests for the publication of data and information pursuant to Art. 114 of the Consolidated Law on Finance (Table 14).

Table 14

Supervision of corporate disclosures and ownership structures

Type of action	2002	2003	2004	2005	2006	2007
Requests for information pursuant to Article 115, subsections 1 and 2 of the Consolidated Law on Finance						
Information acquired from directors, statutory auditors, independent auditors, general managers, parent and subsidiary companies	*36*	*82*	*51*	*90*	*36*	*59*
Requests for data and information	*100*	*317*	*43*	*213*	*201*	*151*
Requests for confirmation of major holdings	*23*	*49*	*21*	*77*	*30*	*44*
Requests for information to identify the persons responsible for issue of disclosures in the event of charges of infringement	*52*	*31*	*12*	*47*	*28*	*48*
Total	*211*	*489*	*127*	*427*	*295*	*302*
Requests to companies for information on their shareholding structure pursuant to Article 115 of the Consolidated Law on Finance	31	33	39	13	12	14
Requests to publish data and information pursuant to Article 114 of the Consolidated Law on Finance						
Supplements to information for disclosure at shareholders' meetings	*69*	*18*	*15*	*6*	*11*	*5*
Supplements to periodic financial reports	*1*	*--*	*14*	*--*	*6*	*1*
Information for disclosure to the market (press releases)	*25*	*46*	*82*	*69*	*129*	*100*
Monthly disclosures	*9*	*6*	*8*	*2*	*2*	*1*
Supplements to documentation on mergers and other extraordinary transactions	*2*	*1*	*1*	*--*	*4*	*3*
Supplements to takeover bid documents	*3*	*4*	*4*	*17*	*6*	*49*
Total	*109*	*75*	*124*	*94*	*158*	*159*
Waivers of disclosure requirements pursuant to Article 114 of the Consolidated Law on Finance	5	10	11	2	25	3
Delayed disclosures pursuant to Article 114 of the Consolidated Law on Finance	—	—	—	—	12	20
Requests for immediate publication of research reports in the event of rumours	3	10	3	8	18	14
Reports to legal authorities	1	--	--	--	4	--
Investigations involving listed companies						
commenced	2[1]	4	2	2	2	4
completed	--	4	2	2	2	1
Investigations involving independent auditors						
commenced	5	7	5	4	3	5
completed	…	4	8	3	4	2
Written reprimands	3	3	--	--	1	1
Annual financial statements challenged	--	4	4	4	4	3

[1] Of which one into a company launching a takeover bid against a listed company.

Approximately 40 requests were triggered by Commission investigations conducted to verify the exposure of leading Italian listed companies in the insurance and credit sector to risks resulting from the subprime mortgages crisis.

In August the Institute requested and obtained information from listed insurance companies on risky investment activities and on the management of financial products with underlying subprime mortgages.

In the same period, Consob gathered information from 10 leading Italian intermediaries on the presence of financial instruments linked to US subprime mortgages in the portfolios managed as at 30 June and 20 August 2007, and the value of each financial instrument.

From the information obtained it emerged that the major Italian banks and insurance companies have no significant subprime risk exposure.

On completion of the survey, the Commission formulated a request, pursuant to Art. 114 of the Consolidated Law on Finance, asking banks and listed insurance companies to submit an updated report on the expected impact of exposure to subprime-linked financial instruments in their next accounting results or to disclose the results without delay via a press release, if significant compared to their financial position.

The reports published confirmed that, with regard to own and third parties' portfolios, exposure at that time was essentially limited and in certain cases inexistent.

With regard to inside information, during 2007 the Commission examined 3 justified claims from listed issuers for exemption from publication and 20 reports of delayed disclosure.

With regard to the publication of recommendations, as a normal supervisory activity the Institute verified the observance of provisions of the Regulation on Issuers in terms of accuracy of the information contained in recommendations and their disclosure method.

In 2007 the Institute's control of the flow of notices on major holdings in listed companies (approximately 2,200, Fig. 72) was again intense.

The supervision of corporate disclosures on related party transactions was also considerable. In 2007 the Commission examined 13 information documents (Table 15) and 23 press releases issued following the conclusion of such transactions (Table 16).

Information documents regarding related party transactions mainly involved the transfer of business segments, equity interests and financing agreements.

Figure 72

Notices of major shareholdings in Italian listed companies

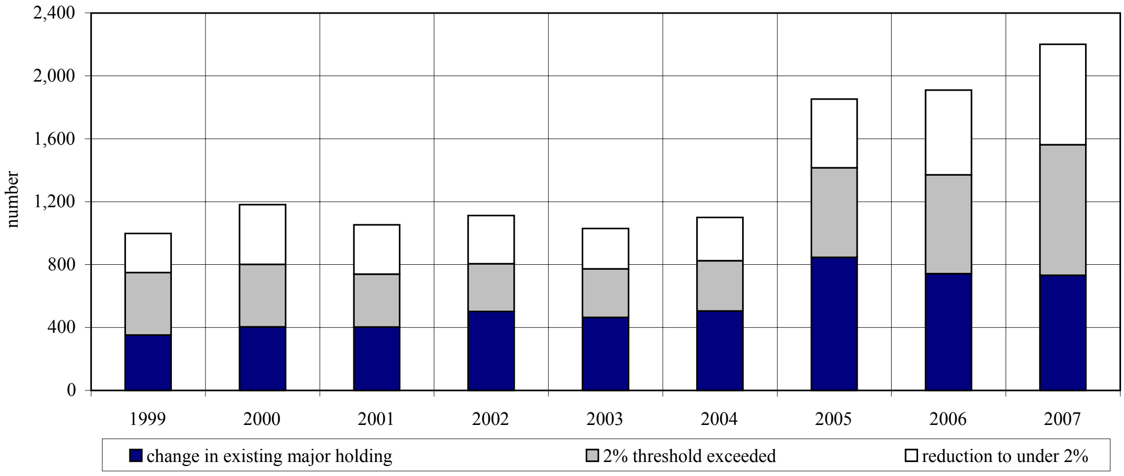


Table 15

Related party transactions disclosed to the market by listed companies in 2007 – information documents

Company	Transaction	Counterparties
ASM	Merger by incorporation	Between a listed company and a 100% controlled subsidiary
AS Roma	Business segment transfer	Between a listed company and a company with management and control by a company 50% owned by a natural person with family relationships with certain members of the board of the listed company
Bastogi	Disposal of holdings	Between a listed company and a company with a member on the board of directors of the listed company who is, respectively, the single shareholder and owner of an interest in the share capital.
Bastogi	Property purchase	Between a listed company and a company 100% owned by another company with a member on the board of directors of the listed company who is, respectively, the single shareholder and owner of an interest in the share capital.
Gemina	Bridging loan agreement, intragroup financing agreement	Between a listed company and a company party to the shareholders' agreement regulating governance of the listed company
De Longhi	Business segment transfer	Between a listed company and a 100% controlled subsidiary
Lavorwash	Business rental agreement	Between a listed company and a subsidiary of the parent of the listed company.
Ferrovie Nord Milano	Disposal of the entire holding in a company	Between a listed company and a company controlled by an entity that controls companies with holdings in the listed company.
Maffei	Business segment disposal	Between the parent of the listed company and a 100% subsidiary of the listed company
Tas	Acquisition of a holding in a company and of a business segment	Between a listed company and its parent
Poligrafici Editoriale	Transfer of a 100% subsidiary to another 100% subsidiary	Between a listed company and a subsidiary
Società Cattolica di Assicurazione	Bond loan subscription	Between a listed company and a company with a major holding in the listed company
Maffei	Financing agreement against payment	Between a listed company and its parent

Table 16

Related party transactions disclosed to the market by listed companies in 2007 – press releases

Company	Transaction	Counterparties
Nova Re	Disposal of business and holdings	A subsidiary of the listed company and a company with trade and supply relations with the listed company
Asm	Business segment disposal	A listed company and a subsidiary
Asm	Merger by incorporation	A listed company and a subsidiary
A.S. Roma	Transfer of ownership of a trademark to a newco	A listed company and a company directed by a family member of the listed company control body
Bastogi	Disposal of a controlling interest in a subsidiary to a company owned by a director of the listed company	A listed company and a company owned by a director of the listed company
Bastogi	Property purchase by a subsidiary of the listed company	A 100% subsidiary of the listed company and a company indirectly controlled by a director of the listed company
Gemina	Financing transactions	A listed company and a company party to the shareholders' agreement controlling the listed company
De Longhi	Business segment transfer	A listed company and a 100% controlled subsidiary
Lavorwash	Business rental of a subsidiary with the same parent as that of the listed company	A listed company and a sister company
Ferrovie Nord Milano	Disposal of a controlling interest	A listed company and a company indirectly controlled by a major shareholder of the listed company
Maffei	Business segment disposal	The parent of the listed company and a subsidiary of the listed company
Tas	Acquisition of a holding and business segment of a parent company group member	A listed company and its parent
Poligrafici Editoriale	Transfer of a group company to a newco	A listed company and a subsidiary
Maffei	Financing granted by the listed company to its parent	A listed company and its parent
Cattolica Assicurazioni	Subordinated bond loan subscription	A listed company and a company with considerable influence over the listed company
Datalogic	Business segment transfer to a group newco	A listed company and its subsidiaries
Uniland	Acquisition by a subsidiary of the listed company of activities disposed of by a company indirectly controlled by the parent of the listed company	A subsidiary of the listed company and a company indirectly controlled by the reference shareholder of the listed company
Mediaset	Acquisition of a company by a listed company from its parent	A listed company and its parent
Kaitech	Disposal of holdings in a subsidiary to (former) major shareholders	A listed company and its major shareholders
Juventus FC	Business segment disposal by the listed company to a subsidiary	A listed company and a subsidiary
Risanamento	Transfer of holdings in foreign subsidiaries to a subsidiary	A listed company and a subsidiary
Credito Bergamasco	Acquisition at market value by the listed company of investment portfolios of other banks in the group	A listed company and its subsidiaries
Banco Popolare	Business segment transfer by the listed company to a subsidiary	A listed company and a subsidiary

Pursuant to regulations governing stock option plans, introduced by the Italian Law on Investments, issuers supplied information on their stock option plans in existence as at 31 August 2007.

During 2007 the Commission twice updated the list of issuers of financial instruments widely distributed among the public (on 1 January and 25 October 2007). As at the end of October there were 89 issuers of widely distributed financial instruments (mainly cooperative and savings banks) (Table 17).

Table 17

Issuers of widely distributed financial instruments
(as at 25.10.2007)

Financial instruments	Number of issuers
Ordinary shares	72
Ordinary shares and convertible bonds	9
Cooperative shares	1
Ordinary and preference shares	2
Ordinary and savings shares	1
Preference shares	1
Convertible bonds	1
Non-convertible bonds	2
Total	*89*

2. Disclosure in public offerings and extraordinary finance transactions

During 2007 the Commission authorized the publication of 1,767 prospectuses, more than 420 of which concerning UCITS, and examined almost 200 reports on amendments to articles of association, purchase or disposal of own shares and share capital increases of listed issuers (Table 18).

In a number of investigations, Consob requested integration of the prospectus content with information considered useful for investment assessment purposes.

In two cases, the prospectus integration requests related to the admission to listing of investment companies (Box 2).

Table 18

Consob supervision of public offerings, admissions to listing and extraordinary finance transactions

Type	2002	2003	2004	2005	2006	2007
Number of prospectuses concerning:						
Admission to listing of shares [1]	14	14	8	19	36	38
of which: by public offering	*6*	*4*	*8*	*15*	*26*	*27*
Bond loans	21[2]	28	4	18	711	1,163
of which: base prospectuses	—	—	—	—	*535*	*870*
prospectuses	—	—	—	—	*143*	*115*
registration documents and supplements	—	—	—	—	*33*	*178*
Issue of covered warrants[3] and certificates	102	26	17	37	32	109
Admission to listing of warrants	6	8	--	10	1	3
Other offerings of listed securities [4]	1	1	1	2	--	--
Offerings of unlisted securities by Italian issuers [5]	3	2	5	7	6	18
Offerings reserved for employees [6]	39	35	28	26	--	--
Options offered to shareholders [7]	23	10	2	5	23	14
UCITS and pension funds [8]	520	268	374	374	397	422
Total	*729*	*392*	*439*	*498*	*1,205*	*1,767*
Number of reports on extraordinary finance transactions:						
Mergers	43	44	34	30	31	15
Spin-offs	6	10	5	3	--	1
Increases in share capital [9]	58	66	68	47	49	33
Purchase/disposal of own shares	78	93	90	91	44	41
Amendments to articles of association	81	85	302	79	63	101
Share conversions	1	3	4	4	1	2
Bond issues	5	9	7	6	2	2
Reductions in share capital	8	13	14	8	4	3
Total[10]	*280*	*323*	*524*	*268*	*194*	*198*

[1] The figures refer to transactions for which authorisation was granted during the year for filing of the listing prospectus. [2] In one case the public offering and admission to listing were simultaneous. [3] The number of prospectuses approved during the year, each normally concerning the issue of multiple series of covered warrants. [4] Public or private offerings other than for admission to listing. [5] Excludes offerings reserved for employees. [6] Includes stock option plans reserved for employees but excludes offerings involving the recognition of foreign prospectuses. [7] Share capital increases in listed companies (including increases with associated warrants and convertible bonds). [8] Includes public offerings of Sicav mutual fund units and shares, admissions to listing of units of Italian closed-end funds and of financial instruments issued by foreign management companies, and offerings of pension funds. For 2007, the figure does not include pension fund offerings as these are no longer supervised by Consob. [9] Includes increases in capital approved but not yet implemented (or implemented at a later stage). [10] The total number of reports does not coincide with the sum of individual transactions as certain reports related to multiple transactions.

The main concern emerging during these investigations can be attributed to the specific features of the business activities of such companies and the complex nature of the share capital.

Box 2

The listing of investment companies

During 2007 two investment companies, i.e. companies with the sole purpose of investing in majority or minority holdings in listed and unlisted companies or in financial instruments, were admitted to listing on regulated markets managed by Borsa Italiana.

After listing, the first of these companies commenced investment activity mainly in companies resulting from spin-offs or the disposal of business segments, i.e. companies in need of financial restructuring or non-performing companies controlled by private equity funds. The second instead focused its investment activities on closed-end investment and real estate funds, and in Italian or foreign listed or unlisted companies selected by the issuer management.

Both companies are characterised by high-risk activities and medium-long term return on investment cycles. The ownership structure of these companies is particularly complex in terms of both the many financial instruments issued and for the existence of agreements tied to success of the listing, decisive factors in defining overall control.

The admission to listing of this type of company is subject to specific provisions imposed by Borsa Italiana regulations. Firstly, the existence of specific minimum requirements of the issuer, which necessitate an indication of special provisions in the articles of association concerning: (i) investment limits necessary to avoid the concentration of risk in a single entity; (ii) limits to the acquisition of units of speculative funds; (iii) high-percentage quorums for decision-making meetings (over 90% for all meetings called) regarding amendments to the corporate purpose.

Other business requirements must also be met, i.e.: (i) board members and managers in possession of qualified experience in the strategic investment management sector; (ii) inclusion of the issuer in one of the lists for financial sector operators, pursuant to articles 106, 107 and 113 of the Consolidated Law on Banking.

In 2007 the Commission approved 1,272 prospectuses concerning public offerings and/or admissions to listing of financial products other than shares, including 1,163 regarding bond loans and 109 issues of covered warrants and certificates. The documents approved related to 261 different banks (Table 18).

With regard to the approval of bond loans, 870 documents were base prospectuses, 115 prospectuses and 178 were registration documents and supplements.

Most of the authorisations given related to public offerings only (around 93% of the total), whereas those relating to admission to listing only or a public offering plus admission to listing counted for 2% and 5% of the total, respectively.

In addition, 1,988 simplified prospectuses – not subject to prior examination as they concerned placements of plain vanilla bonds valued at less than 50 million euro – were filed with Consob.

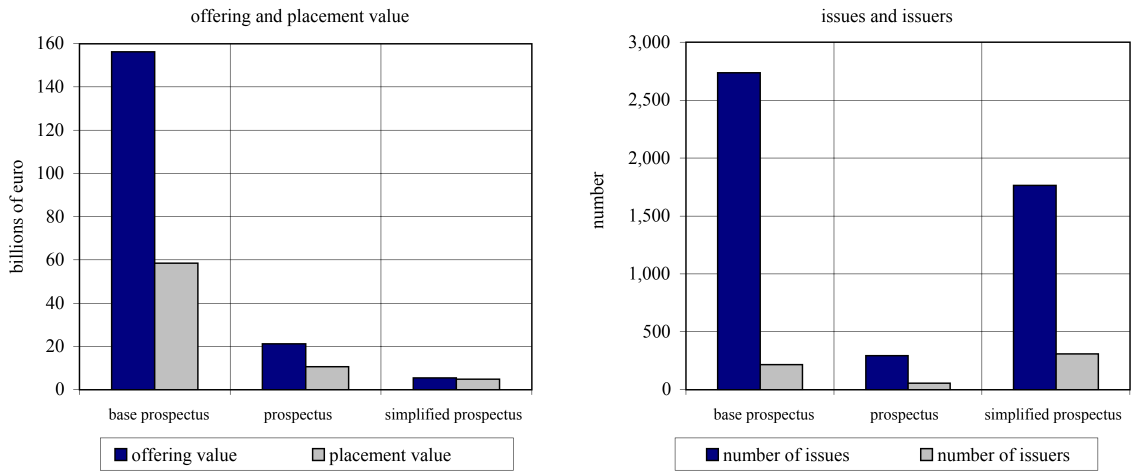
A further 600 documents (prospectuses and supplements) were received accompanied by the European Passport. Use of the European Passport for placements in Italy decreased compared with figures for the previous year.

Based on the total prospectuses filed with the Institute, in 2007 banks placed products for a total value of approximately 75.6 billion euro. The bond segment made up 98% (74 billion euro) of the total products placed. Specifically, placements of ordinary bonds reached just over 55 billion euro.

A breakdown of the figures shows 58.5 billion euro in bonds placed via the base prospectus, 10.6 billion via a prospectus and 4.9 billion in bonds placed via the simplified prospectus. The total number of issues was approximately 4,800, of which over half by means of a base prospectus and over a third by simplified prospectus (Figure 73).

Figure 73

Bond issues by Italian banks subject to public offering regulations
(2007 figures)

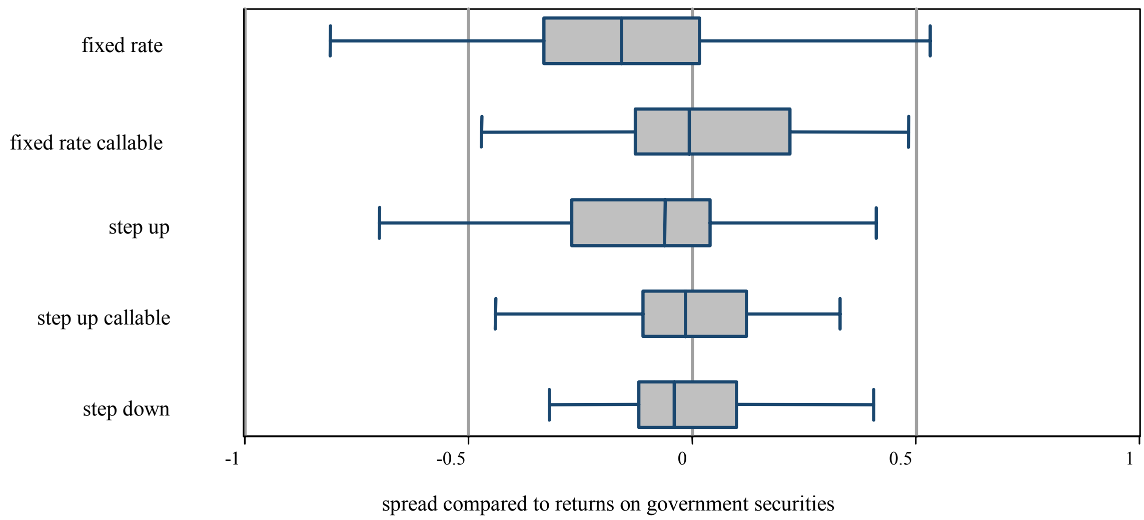


Source: supervisory report statistics.

The data included in the prospectuses and final terms indicate that the returns on bank bonds at the time of issue are on average lower than the returns on government securities with a similar residual life. Almost 75% of ordinary fixed rate bonds and step up bonds issued in 2007 offered a yield to maturity less than that of Italian BTP bonds with a similar residual life (Fig. 74). On average the returns on bonds offering early redemption to the issuing bank (callable bonds) are in line with those of BTP bonds, but only if the bank does not exercise the right of redemption over the life of the bond.

Figure 74

Spread distribution frequency between yield to maturity on fixed coupon bank bonds and the yield to maturity on BTP with a similar residual life
(annual percentages)



Source: figures from data included in the final terms. The segment in each box identifies the mean spread, whereas the outer markers of each box indicate quartiles I and III of the spread distribution; the absolute extremes indicate the minimum and maximum spread values. Data relate to a sample of bank bonds issued in 2007 for non-professional investors, comprising 652 ordinary fixed rate bonds, 26 fixed rate callable bonds, 174 step up bonds, 28 step up callable bonds and 39 step down bonds. For callable bonds the yield to maturity calculation is based on the assumption that the option is not exercised by the issuing bank.

A number of important extraordinary finance transactions and corporate reorganisations involving listed companies took place in 2007.

With regard to the supervision of takeover bids, in 2007 the Commission approved the publication of bid documents involving 30 financial instruments (Table 19).

Table 19

Financial instruments subject to takeover bids and/or equity swaps on which documentation was authorised for publication in 2007

	Listed shares			Bonds and warrants	Unlisted shares	*Total*
	Ordinary	Savings	Preference			
Voluntary	5	2		1	4	12
Unsolicited						
Mandatory	12					12
Residual	3					3
On own shares					2	2
Total	20	2		1	6	30[1]

[1] In 2007 the Commission also allowed publication in Italy of the takeover bid-equity swap launched by Rfs Holdings on 100% of ordinary Abn Amro Holding shares.

Following the entry into force of the Takeovers Directive (2004/25/EC), at the request of Consob in relation to mandatory takeover bids, the bidders applied the fair pricing rule envisaged in the directive, taking into consideration only the highest price paid by the bidder for purchases of issuer shares.

It was only in specific cases, therefore, that the price was established as the arithmetic mean between the weighted average market price over the previous twelve months and the highest price agreed in the same period. This decision was justified by the fact that, in these cases, the average share price was higher than the highest paid by the bidder to purchase issuer shares, and therefore application of the criterion pursuant to Art. 106, subsection 2 of the Consolidated Law on Finance (in the text valid at that time) did not result in the application of a takeover bid price lower than that envisaged by the Directive.

In the period May-August 2007, the first ever takeover bids on units of closed-end mutual investment funds were implemented.

Given that this form of transaction was new and there being no specific legal provisions on the subject, the regulations applied were those generally indicated for voluntary takeover bids pursuant to the text, valid at that time, of article 102 et seq of the Consolidated Law on Finance, adapted as appropriate and where necessary to take into account the specific features of the case.

3. Disclosure to shareholders' meetings and financial reporting

In several cases in 2007 Consob issued requests for the disclosure of information to shareholders' meetings.

Consistent with measures already launched in 2006, Consob also imposed monthly reporting obligations on the company to ensure the market received constant updates on developments in the key variables of the crisis situations. Special attention was focused on any initiatives taken to rebalance the ratio between own funds and third parties' funds, on the nature and amount of debt outstanding and on related party transactions.

As part of its supervision of the financial reports of listed companies, during 2007 the Commission intervened on several occasions to obtain information and data from corporate control bodies. Such action specifically consisted in requests to directors, the board of statutory auditors and independent auditors for accounting clarification of the financial statements items.

In three cases the Commission exercised its right of challenge pursuant to Art. 157, subsection 2 of the Consolidated Law on Finance.

In 2007 Commission activity continued regarding the requirement for monthly disclosure of the main economic and financial data of companies for which auditors have expressed a negative opinion or have been unable to express opinion, or in cases where the provisions of articles 2446 and 2447 of the Italian Civil Code apply (losses leading to a reduction in share capital by over a third or to below the legal minimum). Taking into account all similar action taken in previous years, at the end of 2007 a total of 15 listed companies were subject to such obligations.

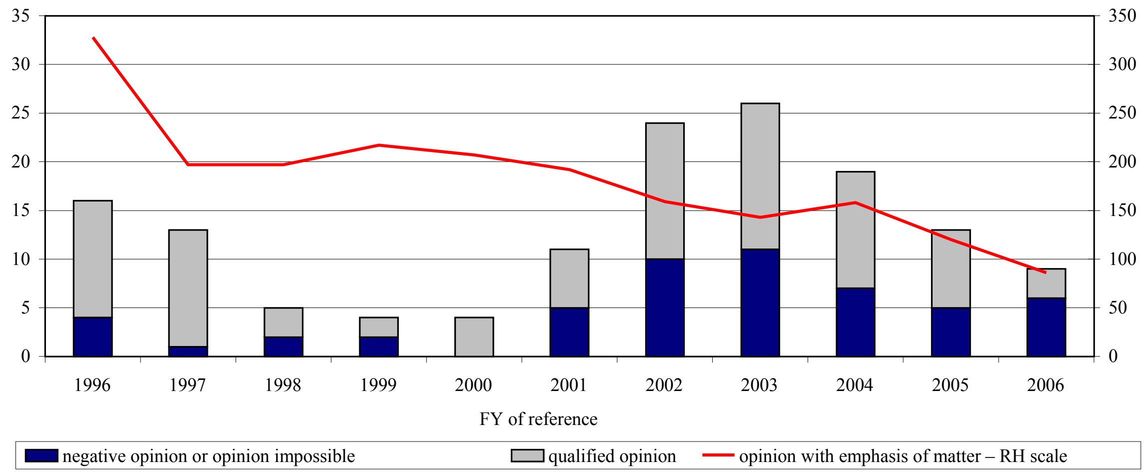
4. Independent auditors

Independent auditors entered on the special list held by Consob examined 283 company financial statements and 264 consolidated financial statements for FY 2006 of issuers listed on Italian regulated markets.

In 6 cases, the auditor expressed a negative opinion or declared expression of an opinion impossible, whereas in 3 cases a qualified opinion was expressed. The number of opinions with emphasis of matter reduced slightly (Fig. 75).

Figure 75

Independent auditor opinions on financial statements of companies listed on Italian regulated markets



Source: independent auditor reports. Data refer to different types of opinion or query that can also relate to the same issuer. See Methodological Notes.

The cases in which the auditing companies declared expression of an opinion on the financial statements to be impossible are essentially attributable to the existence of uncertainties as to whether the companies could remain in business, relating in most cases to doubts regarding the companies' capacity in the short term to raise sufficient funds to match the outlay required to guarantee business continuation.

In other cases, the independent auditors limited themselves to expressing qualified opinion only, due to disagreement on the assessment of specific accounting items or on limitations in the auditing procedure applied.

With regard to Commission supervision of independent auditors, in 2007 activity developed along the new guidelines dictated by the investment law later transposed in the Consolidated Law on Finance. Specifically, the new article 162 of the Consolidated Law on Finance assigns Consob the task of performing systematic “quality controls” on independent auditors entered on the special list.

Also in the light of opinions emerging at international level from auditor supervisory authorities, the Commission has defined strategies and operational plans in line with the new approach. The focus of supervision has shifted from the individual auditing assignment to the overall organisation of the company, particularly the procedures adopted by the company to guarantee compliance with the main auditing principles.

These procedures must govern significant matters, such as personnel professional and experience requirements, customer acceptance and retention, the assignment of tasks to personnel of the correct level, and the control and supervision of audits. The procedures have to be monitored by the company by means of stringent controls to verify operational adequacy and efficacy.

Based on the new supervisory model, in the second half of 2007 investigations were launched on three independent auditors – one large company, one medium-sized and one small – to confirm compliance of their organisational procedures with auditing principle no. 220, recommended by Consob, on “Quality control of independent auditing”.

As at 31 December 2007, there were 22 auditing companies registered on the special list, one more than in the previous year. During 2007 Consob received two applications for inclusion in the special list from companies on the Auditors’ Register, both of which ended with withdrawal of the application by the companies concerned.

With regard to audit assignments completed for the 2006 audit, a slight increase was recorded in the number of companies subject to audit obligations (from 1,989 for the 2005 audit to 2,008), whereas the distribution of assignments to independent auditors on the special list remained unchanged. The four leading companies in order of turnover (PricewaterhouseCoopers Spa, Reconta Ernst & Young Spa, Deloitte & Touche Spa and Kpmg Spa) together cover 93.6% of the Italian auditing market.

II − MARKETS SUPERVISION

1. Market abuse

In 2007 Consob concluded 13 investigations as part of its duties to supervise market abuse, and submitted 10 reports of alleged offences to the Legal Authorities. These reports concerned 3 alleged cases of misuse of inside information and the remaining 7 involved market manipulation (Table 20).

Table 20

Results of investigations into market abuse

	Reports of alleged offences [1]	- of which alleged insider trading	Investigations without reports of alleged offences[2]	*Total*
1997	19	16	33	*52*
1998	21	17	15[3]	*36*
1999	30	22	8	*38*
2000	21	17	5	*26*
2001	18	14	10	*28*
2002	16	7	9	*25*
2003	16	13	10	*26*
2004	11	4	8	*19*
2005	4	2	4	*8*
2006	7	2	6	*13*
2007	10	3	3	*13*

[1] In 1997 and in 10 cases in 1998 the reports were submitted under Article 8.3 of Italian Law 157/1991, later repealed by the Consolidated Law on Finance. [2] The figures for 1997, 1998 and 1999 include the respective outcomes of 18 investigations, 3 investigations and 1 investigation concluded without submission of a report to the public prosecutor. Following the entry into force of the Consolidated Law on Finance and until May 2005, Consob was in any event required to submit reports to the public prosecutor on every investigation and assessment performed. As of May 2005, Consob is no longer obliged to submit reports for cases in which no alleged offence is formulated. [3] Of which 9 cases where investigations were closed before the entry into force of the Consolidated Law on Finance.

The alleged offences involving abuse of inside information mainly refer to events concerning extraordinary finance transactions (Table 21).

In one case, certain members of one family, to whom control of a listed company was attributed, sold shares prior to disclosure of the decision of the board of directors to propose that the company be placed in liquidation. In another case the chairman of a listed company and the company itself sold shares in that company prior to the public disclosure of a second listed company’s withdrawal from a previously announced merger. In the third case, a natural person acquired shares in a listed company on a German market prior to the announcement of an equity swap by an Italian company.

Of the 7 reports for alleged market manipulation, 5 involved information based manipulation and 2 involved action based manipulation.

The alleged information based manipulations regarded: (i) the credit opinion disclosed by an Italian lead manager for the placement of a bond loan issued on a Luxemburg market by an Italian listed company; (ii) the quarterly report of a listed company; (iii) a number of disclosures by a listed company regarding its possible recapitalisation; (iv) a press article reporting details of a false document regarding a takeover for a company listed in Italy by a foreign company; (v) the extent of a bank's holding in another listed bank.

The 2 reports on alleged manipulation of transactions regarded: (i) pegging of the price of a listed bank, continued for many months by the bank and other parties; (ii) a number of price-rigging attempts on the shares of a listed company by means of false cross orders.

Table 21

Type of inside information involved in reports of alleged insider trading submitted to the Legal Authorities

	Change of control – Takeover bid	Financial performance Financial position	Share capital transactions. Mergers – Spin-offs	Other		*Total*
					of which alleged cases of front running	
1997	7	4	2	3	--	*16*
1998	13	1	3	--	--	*17*
1999	13	4	3	2	--	*22*
2000	6	1	3	7	1	*17*
2001	9	--	2	3	2	*14*
2002	1	1	2	3	1	*7*
2003	5	2	1	5	2	*13*
2004	2	1	--	1	--	*4*
2005	--	1	--	1	1	*2*
2006	--	--	--	2	--	*2*
2007	1	1	1	--	--	*3*

In the other 3 investigations completed by Consob in 2007 (one relating to abuse of inside information, one market manipulation and one involving both offences) no offence allegations were formulated.

The total parties reported to the Legal Authorities for alleged abuse of inside information and market manipulation were 12 and 7 respectively (Table 22).

In one case reported to the Legal Authorities, relating to events occurring after the entry into force of the new regulations on market abuse (12 May 2005), Consob also launched disciplinary proceedings against a total of 3 parties: 2 natural persons and 1 legal person (proceedings against the latter were instigated pursuant to provisions governing corporate administrative liability, art. 187-*quinquies* of the Consolidated Law on Finance. In one case, Consob also instigated disciplinary proceedings against a natural person for alleged abuse of inside information which, though referring to events prior to the entry into force of the new regulations on market abuse, was subject to financial penalties only following the decriminalisation of secondary insider conduct.

Table 22

Alleged market abuse offenders reported to the Legal Authorities

	Authorised intermediaries [1]	Institutional insiders [2]	Others [3]	Foreign operators	*Total*
			Insider trading		
1997	11	12	41	17	*81*
1998	17	31	34	32	*114*
1999	21	26	56	48	*151*
2000	24	11	149	34	*218*
2001	20	6	53	30	*109*
2002	14	1	69	21	*105*
2003	2	12	35	20	*69*
2004	--	8	7	4	*19*
2005	--	1	2	--	*3*
2006	--	7	--	--	*7*
2007	--	11	1	--	*12*
			Market manipulation		
1997	3	21	--	--	*24*
1998	7	2	--	2	*11*
1999	10	5	34	2	*51*
2000	1	2	1	1	*5*
2001	4	1	1	2	*8*
2002	18	2	--	4	*24*
2003	6	--	1	--	*7*
2004	4	2	6	1	*13*
2005	--	1	7	--	*8*
2006	--	6	2	--	*8*
2007	1	4	2	--	*7*

[1] Banks, investment firms, asset management companies and stockbrokers. [2] Shareholders, directors and executives of listed companies. [3] Secondary insiders and “tippees” (pursuant to Article 180, subsection 2 of the Consolidated Law on Finance).

A further 3 disciplinary proceedings were instigated with regard to 3 natural persons, against whom, as at the date of entry into force of the new regulations, criminal proceedings for abuse of inside information were pending. These proceedings related to 3 reports submitted by Consob to the Legal Authorities in past years and which, following decriminalisation of the conduct of secondary insiders, concluded with sentences of acquittal, with subsequent forwarding of proceedings papers to Consob for investigation into possible administrative liability (as envisaged under art. 9, subsection 6 of Italian Law 62/2005, the transposition law of the Market Abuse Directive). None of the aforementioned disciplinary proceedings was closed in 2007.

Consob issued over 300 requests for data and information from intermediaries, listed companies, government departments and foreign Authorities as part of their supervisory activities on market abuse (Table 23). Requests issued in support of foreign Legal Authorities in their investigations into cases of alleged market abuse recorded a significant increase compared to the previous year.

Table 23

Requests for data and information on market abuse

	Requests addressed to:							
	Authorised intermediaries[1]	Listed companies and their parent companies or subsidiaries	Private individuals	of which hearings	Government departments	Foreign authorities	*Total*	*of which on behalf of Foreign Authorities*
1997	220	37	49	--	22	11	*339*	—
1998	324	14	50	--	10	17	*415*	—
1999	416	22	48	10	--	21	*507*	—
2000	492	33	11	--	4	30	*570*	—
2001	247	30	93	7	10	33	*413*	*156*
2002	154	28	52	19	1	24	*259*	*36*
2003	185	15	55	29	3	27	*285*	*38*
2004	146	13	23	7	2	11	*195*	*101*
2005	140	9	47	42	--	23	*219*	*63*
2006	161	11	44	31	4	7	*227*	*38*
2007	176	12	93	51	5	16	*302*	*70*

[1] Banks, investment firms, asset management companies and stockbrokers.

During 2007 Consob instituted a civil action in 13 criminal proceedings (3 for insider trading, 9 for market manipulations and one for obstruction of supervisory duties only; Table 24). In most cases the Commission had arranged the submission of special reports to the relevant Legal Authorities on the results of investigations conducted. The charges formulated by the Public Prosecutor in the indictments outline the events ascribed to the alleged offenders in terms that generally coincide with the results of investigations undertaken by Consob.

Also in 2007, three sentences pronounced by the Court of Milan in 2006 on market abuse, in relation to proceedings with parallel civil proceedings brought by Consob, were upheld at appeal.

Table 24

Consob intervention in criminal proceedings for insider trading and market manipulation offences

	Number of cases	Offence [1]	Outcome as at 31 December 2007
1996	1	Insider trading	Plea bargain
1997	1	Insider trading	Dismissal due to limitation of actions [2]
	1	Insider trading	Acquittal
	1	Insider trading	Plea bargain
1998	1	Insider trading and market manipulation	Dismissal due to limitation of actions
1999	1	Insider trading and market manipulation	Plea bargains for 4 defendants; conviction for 2 defendants
2000	1	Insider trading and market manipulation	Dismissal due to limitation of actions [3]
	1[4]	Market manipulation	Dismissal due to limitation of actions
2001	3	Market manipulation	1 conviction; plea bargains in the other 2 cases
	2	Insider trading	1 conviction; 1 dismissal due to limitation of actions
2002	2	Insider trading	2 dismissals due to limitation of actions
2003	1	Insider trading	1 dismissal due to limitation of actions
2004	1	Insider trading	1 acquittal [5]
	2[4,6]	Market manipulation	1 plea bargaining
2005	9[7]	Insider trading and market manipulation	3 convictions[8] 2 plea bargaining; 3 non-suits
2006	11[9]	Insider trading, market manipulation	2 convictions[10] 6 plea bargains 2 acquittals[11] 1 dismissal due to limitation of actions
2007	12[12,13]	Insider trading, market manipulation	1 conviction 2 plea bargains[14] 1 dismissal due to limitation of actions 1 non-suit[15]

[1] Insider trading: Article 2 of Italian Law 157/1991, then Article 180 of the Consolidated Law on Finance, now Article 184 of the Consolidated Law on Finance; market manipulation: Article 5, Italian Law No. 157/1991, then Article 2637 of the Italian Civil Code, now market manipulation under Article 185 of the Consolidated Law on Finance. [2] Proceedings are still pending for other alleged offences. [3] The proceedings were already proposed in 1998, but following re-opening of the preliminary investigation phase it was necessary to resubmit the case in 2000. [4] In these proceedings Consob brought parallel civil proceedings. [5] The sentence was issued by the Supreme Court to the effect that "according to law the fact is no longer a crime". [6] One of these proceedings was also initiated for false corporate disclosure and obstruction of the duties of public supervisory authorities (Article 2638 of the Italian Civil Code). [7] In 2005 Consob always brought parallel civil proceedings, except in one case. [8] Appeal was submitted against the convictions, one of which is still pending. Two convictions were upheld at appeal. Recourse to the Court of Cassation is proposed against one conviction issued at appeal. [9] In 2006 Consob always brought parallel civil proceedings, except in 2 cases. [10] One conviction was upheld at appeal. One conviction was pronounced following fast-track proceedings; proceedings are still pending against the other offenders. [11] In once case, the judge also ordered forwarding of papers for the application of any administrative sanctions possible under the terms of art. 187-*bis* of the Consolidated Law on Finance. In another case, the sentence was acquittal due to lack of evidence pursuant to art. 530, subsection 2 of the Italian Penal Code. [12] In 2007 Consob always brought parallel civil proceedings, except in one case. In another case, intervention had already been proposed in 2006, but on re-opening of the proceedings at preliminary investigation stage intervention had to be re-submitted in 2007. [13] In four cases, proceedings were also instigated for the offence of obstruction of supervisory duties. [14] The sentences were issued in two separate proceedings, one of which is still pending against other offenders. [15] As part of the sentence in question, the Judge ordered that proceedings papers be forwarded to Consob for possible charging of administrative offences pursuant to art. 187-*bis* of the Consolidated Law on Finance. Proceedings are still pending against other offenders.

In 2007, sentences pronounced included 2 convictions for market abuse, 3 plea bargains, 2 non-suits and 1 acquittal (Table 25).

Table 25

Outcome of reports submitted to Legal Authorities on insider trading and market manipulation

	Dismissal	Partial dismissal	Indictment	Plea bargaining	Conviction	Acquittal	Non-suit	Dismissal due to limitation of actions	*Total*
1991-1997	7	--	5	2	2	--	--	--	*16*
1998	4	--	1	1	--	--	--	--	*6*
1999	10	1	2	1	--	1	1	--	*16*
2000	6	4	2	3	--	--	--	1	*16*
2001	12	1	3[1]	2	1[1]	--	--	--	*19*
2002	10	--	2	--	2[2]	--	--	2	*16*
2003	16	--	--	--	--	--	--	1	*17*
2004	2	1	3	--	1	--	--	--	*7*
2005	4	1	9	3	3	1[3]	3[3,4]	1	*25*
2006	--	--	16[5]	7	6[6]	2[7]	2[8]	--	*33*
2007	3	2	14[9]	3	2[10]	1	1[11]	2	*28*

[1] An appeal was lodged against the first instance sentence. [2] A number of the accused were acquitted. Appeal was lodged against one sentence, but upheld by the Supreme Court. [3] One sentence acquitted one of the accused and ordered that papers be forwarded to Consob for possible application of financial penalties pursuant to Article 187-*bis* of the Consolidated Law on Finance, as introduced by Italian Law No. 62/2005. [4] In one case, the non-suit ruling for a number of the accused also ordered that papers be forwarded to Consob for possible application of financial penalties pursuant to Article 187-*bis* of the Consolidated Law on Finance. [5] In 2 cases Consob did not bring civil proceedings. [6] Appeal was lodged in four cases, one of which is still pending. Two convictions were upheld at appeal. Recourse to the Court of Cassation is proposed against one conviction issued at appeal. In 1 case, sentence was pronounced by the Supreme Court. [7] The judge pronounced sentence of acquittal as no criminal offence had been committed and also ordered that papers be forwarded to Consob for possible application of financial penalties pursuant to art. 187-*bis* of the Consolidated Law on Finance. Another sentence was issued by the Supreme Court to the effect that according to law the fact was not a crime. [8] The sentences were issued to the effect that no criminal offence had been committed and as the fact did not constitute an offence. [9] In one case Consob did not bring civil proceedings. In another case civil proceedings were brought after 31 December 2007. [10] The sentences were pronounced as a result of fast-track proceedings. [11] The sentence was issued to the effect that "according to law the fact is no longer a crime".

2. Management of regulated markets and alternative trading systems

On several occasions during the year, pursuant to Article 63, subsection 2 of the Consolidated Law on Finance, the Commission approved amendments to the Regulation on markets organized and operated by Borsa Italiana and related Instructions.

In February Consob approved amendments to the Borsa Italiana regulations passed during the meeting of 21 December 2006. The main amendments concerned: (i) regulation of the sponsor and the listing for extraordinary transactions; (ii) review of corporate governance requirements to obtain Star qualification; (iii) unification of the MTA and MTAX markets; (iv) the new ETFplus segment; (v) own transactions by specialist operators; and the Borsa Italiana listing project.

In the same month, the Institute also approved amendments to Instructions to the Borsa Italiana Regulations, particularly with regard to conflict of interest deriving from relations of an equity and credit interest between the sponsor group and parties with significant holdings of issuer share capital, along with the independence criteria of directors of Star companies.

During June and July, the Commission approved further amendments to the Regulation on markets organised and managed by Borsa Italiana, which in summary concerned: (i) shares issued by Real Estate Investment Companies; (ii) the requirements of adequate distribution among the public of financial instruments; (iii) the establishment of a the IDEX segment of the IDEM derivatives market, dedicated to the trading of electricity derivatives; (iv) the code of conduct on the settlement of contracts. In addition, Consob agreed with the amendments to the Instructions which integrated technical provisions regarding the IDEX segment of the market and, specifically, the characteristics of electricity futures contracts traded on that segment, and provisions regarding market makers.

In June 2007, the boards of directors of Borsa Italiana Spa and the London Stock Exchange Group plc announced an agreement for the acquisition of Borsa Italiana by the London Stock Exchange Group plc.

The bid assessed the total value of Borsa Italiana as approximately 1.6 billion euro, the equivalent of 100.70 euro per share. Borsa Italiana shareholders accepting the bid represent around 99.92% of the share capital.

Among the new elements resulting from the merger is Borsa Italiana's adoption of the London Stock Exchange "TradeElect" technology platform. Migration is due for completion by the end of September 2008. This event will require updating of the market regulations adopted by Borsa Italiana and subject to Consob approval.

In August 2007, pursuant to article 73, subsection 3 of the Consolidated Law on Finance, Consob approved amendments to the articles of association of Borsa Italiana, resolved by the shareholders' meeting of 8 August 2007 with the aim of completing the merger with the London Stock Exchange.

The amendments to Borsa Italiana articles of association concerned: (i) the transfer of shares and pre-emption rights; (ii) attendance and representation at shareholders' meetings; (iii) appointment of the board of directors, the chairman and the deputy chairman of the board of directors; (iv) the calling of board of directors meetings; (v) the incompatibility ruling regarding the managing director and the general manager; (vi) the consulting committee term of office; (vii) amendment of the closing date of the financial year and the appointment of independent auditors.

The regulatory amendments that characterised the markets managed by TLX Spa at the start of 2007 were the result of a development and promotion agreement for such markets concluded in October 2006 between UniCredit Banca Mobiliare (single shareholder of TLX Spa) and Banca IMI.

As normal, the Institute's supervisory activities also included Alternative Trading Systems (ATS). With regard to the launch of new systems, 15 applications for inclusion in the ATS list were received in 2007.

The supervisory duties were performed as part of standard controls on individual ATSs and on their observance of legal obligations for the sector.

3. Clearing, settlement and central depository services

Within the scope of its supervision of clearing and central depository services for financial instruments, in July Consob confirmed to the Bank of Italy its intention to approve amendments to the Cassa di Compensazione e Garanzia operating rules. Such amendments are consistent with the new role of Cassa di Compensazione e Garanzia as central counterparty to the IDEX electricity derivatives market.

According to the provisions of the joint Bank of Italy and Consob measures of 8.9.2000 (valid also for all of 2007), in March Consob agreed with the Bank of Italy upon certain amendments to the Regulation on settlement service operations (Express II) and related activities adopted by Monte Titoli Spa.

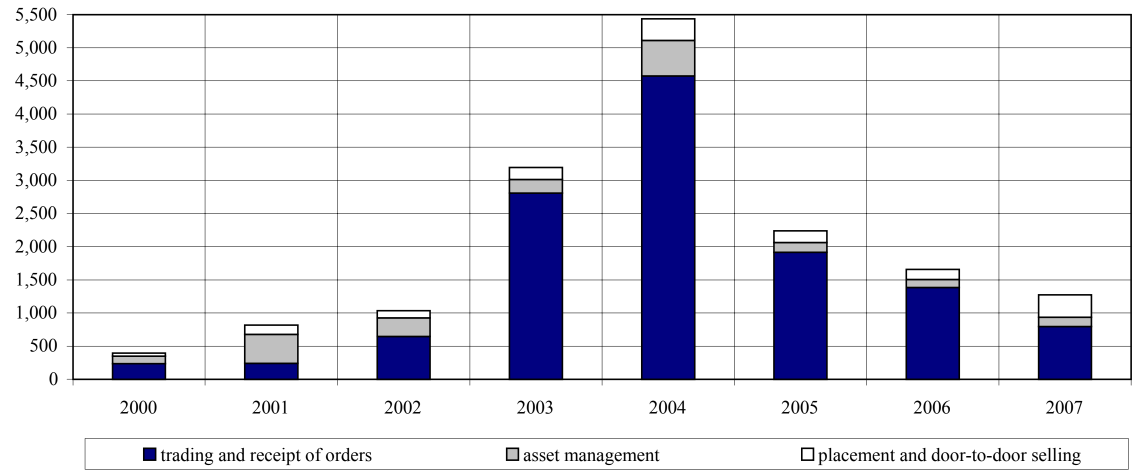
III – SUPERVISION OF INTERMEDIARIES

1. Banks, investment firms and stockbrokers

In 2007 the complaints received by Consob regarding the provision of investment and asset management services continued to fall compared to previous years, though they remain an important signal for supervisory task organisation. Complaints regarding trading and order collection have decreased strongly, whereas the increase in complaints regarding placement and door-to-door selling are linked to a persistent dispute concerning products placed over previous years (Fig. 76).

Figure 76

Number of investment service complaints received by Consob



Among supervisory actions taken in 2007, the Commission launched 9 investigations against 2 banks and 4 investment firms. A further 3 concerned asset management companies (see paragraph 2 below) (Table 26).

Table 26

Investigation of intermediaries

	Investigations		Investigations launched					Investigations concluded				
	Launched	Concluded	Investment firms [1]	Banks	Asset Management co.s \SICAVs	Stockbrokers	Approved persons	Investment firms [1]	Banks	Asset Management co.s \SICAVs	Stockbrokers	Approved persons
2003	10	14	1	9	--	--	--	5	8	1	--	--
2004	3	6	--	2	1	--	--	--	5	1	--	--
2005	12	9	4	2	6	--	--	1	4	4	--	--
2006	5	9	3	2	--	--	--	5	2	2	--	--
2007	9	9	4	2	3	--	--	2	4	3	--	--

[1] Includes trust companies.

Since the significant changes in the regulatory framework, due to transposition of the MiFID in November 2007, Consob launched – already several months earlier –intense liaison with the industry in order to facilitate the process of adapting corporate systems and structures to the new regulatory setup.

With regards to intermediaries, Consob formulated operational guidelines and issued "level 3" interpretation guidance (see Chapter V, "Regulatory and interpretative activity and international developments").

The supervision of intermediaries operating in the OTC derivatives segment continued in 2007 with non-financial companies and public authorities. This supervisory action began in 2007 with a sector analysis and concluded with the definition of a number of sanction proceedings (see Chapter IV below, "Sanctions and precautionary measures"). Based on Bank of Italy inspections performed in 2007, further sanction proceedings were launched.

The Commission's investigations have revealed that the more common contracts among companies and public authorities were interest rate swaps, often with a complex or "exotic" structure. Also particularly widespread were non-par swap contracts which, from the time of their stipulation, envisage a negative market value for customers. The financial balance of the transaction was in certain cases achieved by a cash payment up front by the intermediary.

The intermediaries offered OTC derivatives through direct counterparty relations with the customers, which were very often classified as "professional investors". As a result of this classification, the intermediaries were only required to observe general obligations of transparency, fairness and diligence, but not the more prescriptive and detailed obligations on assessment of full adequacy of the instruments offered or recommended and on the propensity towards risk, financial position and financial knowledge of customers.

The results of the investigation led the Commission to begin specific supervisory action, analysing the operations of leading banking groups operating on the OTC derivatives market.

Hence, also with support from the Bank of Italy, several investigations were launched into the "engineering" of OTC derivative products and their distribution to non-financial customers.

These investigations revealed that OTC derivatives are normally proposed to customers as a risk-hedging instrument. Nevertheless, they often revealed the lack of organisational and procedural supervision to guarantee that the proposed transactions could actually be defined as hedges, according to indications provided by the Commission in a special communication. Instead, investigations showed that the derivatives were often, by nature, particularly unsuited to satisfying the hedging requirements of non-financial companies and public authorities.

Given the general shortcomings revealed in the OTC derivatives sales sector, the Commission launched a supervisory initiative on a much wider scale, calling upon management of the leading intermediaries active in the this sector to develop measures to adapt their operational structures to meet regulatory obligations.

Specifically, it was recommended that intermediaries assess the real hedging needs of customers and suggest the most suitable products, also taking into account the costs of alternative options.

Based on the results of the investigations, enforcement action was taken during the year against one stockbroker.

The Commission submitted its proposals to the Ministry of the Economy and Finance on amendments to the articles of association and operating regulations of the National Investor Compensation Fund resolved by the Fund's management committee in 2007. In this case the Commission emphasised the need to adapt the compensatory system provisions to the new reference regulatory scenario deriving from transposition of the MiFID (Table 27).

Table 27

National Investor Compensation Fund intervention
(as at 31 December 2007; amounts in thousands of euro)

	Insolvencies [1]		
	Investment firms	Stockbrokers	*Total*
1997	4	1	*5*
1998	2	3	*5*
1999	1	1	*2*
2000	1	--	*1*
2001	1	--	*1*
2002	--	2	*2*
2003	2	1	*3*
2004	--	--	--
2005	--	--	--
2006	4	--	4
2007	1	--	1
Total insolvencies	*16*	*8*	*24*
of which: with statement of liabilities filed	*14*	*8*	*22*
Number of creditors admitted	1,888	878	*2,766*
Amount of claims admitted [2]	21,910	34,956	*56,866*
Fund intervention [3]	6,004	9,801	*15,805*

Source: Consob calculations based on National Investor Compensation Fund data. [1] For which the statement of liabilities was filed after 1 February 1998. [2] Net of partial allotments made by the bodies responsible for the bankruptcy proceedings. [3] Intervention for claims entered in the statement of liabilities, of which around € 47,000 set aside for claims challenged.

In 2007, for the first time since 1992, there was an increase in the number of investment firms entered in the List held by Consob (from 106 as at 31 December 2006 to 108) (Fig. 77). The number of cancellations from the List was significantly less than in previous years (Table 28).

Figure 77

Number of registered investment firms

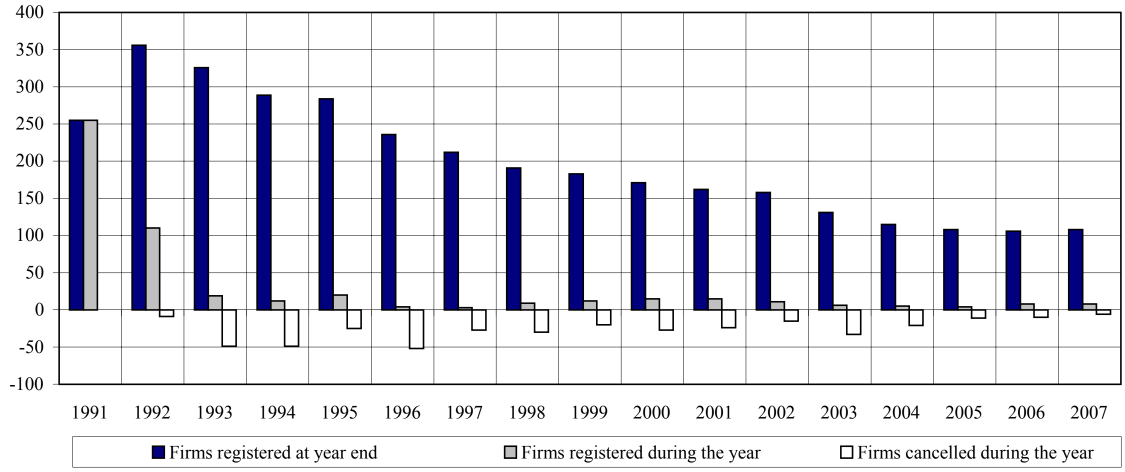


Table 28

Investment firms: cancellations from the List [1]

	Reasons								
	Crisis of the intermediary [2]	Mergers and spin-offs	Voluntary liquidation – Change in activities	Transformation into a bank	Transformation into an asset management co.	Transformation from a trust company into an investment firm	Non-operational[6]	Failure to provide authorised services	*Total*
1992-1997	37	29	100	5	—	2	38	--	*211*
1998	2	7	16	4	--	--	—	1	*30*
1999	1	9[3]	4	--	4	2	—	--	*20*
2000	1	3	11	3	7	1	—	1	*27*
2001	1	3	6	10[4]	3[5]	--	—	--	*23*
2002	--	3	5	4	--	1	—	2	*15*
2003	2	21	8	1	1	--	—	--	*33*
2004	--	10	8	2	--	1	—	--	*21*
2005	--	3	6	1	--	--	1	--	*11*
2006	4	3	2	--	--	--	--	1	*10*
2007	1	2	1	1	1	--	--	--	*6*

Source: Consob. [1] The figure refers to the total number of delisting resolutions, and also includes measures relating to the special trust companies section of the List. [2] Includes Ministry of the Economy and Finance decrees, Consob measures, bankruptcies and companies placed in compulsory administrative liquidation. [3] Includes one investment firm that transferred business to another company in the same group. [4] In 3 cases the investment firm was merged into a bank. [5] In all 3 cases the investment firm was merged into an asset management company. [6] As at the time of enforcement of Italian Legislative Decree No. 415/1996 (Article 60).

The number of banks authorised to provide investment services also increased (from 736 in 2006 to 742 in 2007).

In 2007 the Commission exercised its new supervisory powers regarding the placement and distribution of financial products issued by insurance companies (class III and V life policies) as envisaged in the Law on Investments.

444 prospectuses concerning insurance products were examined (161 unit-linked, 187 index-linked and 96 capitalisation products), 182 of which were subjected to specific supervisory action. Such action often involved a more in-depth quantitative study to confirm the accurate representation of the risk profile of the products.

2. Asset management companies

The supervision of asset management companies responsible for open-ended funds focused, as in previous years, on aspects that on the one hand concern the organisational and procedural mechanisms adopted by the companies to ensure correct implementation of its managerial tasks and, on the other hand, on the consistency between operations applied in managing open-ended mutual funds and the actual management mandate.

As part of the analysis of the organisational and procedural mechanisms adopted by the asset management companies, companies already subjected to inspection in the period 2004-2006 (8 medium-sized companies and 9 large) and companies involved in mergers were also taken into consideration. The investigative supervision involved the issue of requests for data and information, extended in certain cases to the independent auditors, meetings called with the control bodies, meetings with asset management company members and their related independent auditors.

The Commission then analysed the operations of over 1,000 open-ended funds operational as at 30 June 2007 with regard to their management style (active/passive/flexible) and the commissions, in reference to the period 1 January 2006-30 June 2007.

From the management style profile it emerged that the asset management companies adopt a prudent approach, for benchmarked funds characterised by aligning management options with the benchmark and, for flexible funds, by assuming a risk level significantly lower than that declared. In more general terms, it emerged that flexible funds are firmly invested in specific asset classes, assuming a high level of correlation with specific reference markets.

In terms of costs, it emerged that many funds with a passive management style have considerably higher commissions than similar products, such as the listed passive funds (ETFs).

Supervisory action on the transparency of prospectuses concerning Italian UCITs and foreign UCITs listed in Italy continued during 2007.

Special attention was focused on disclosure of the commissions remitted to placement agents. Receiving information on the per cent commissions remitted to placement agents, the investor realizes that the service/advisory activities provided during the “selling” phase do not end on payment of the subscription fee, but continue during the period of investment in the fund with the retrocession of a predominant portion of the management and/or incentive commission fees by the asset management company.

Though placement agent fees continue to represent the more consistent portion of costs to the investor, in 2006 this portion reduced slightly, from approximately 75% (in 2005) to 70%.

The Commission also continued its market supervision of closed-end investment funds given the continued increase in this sector of asset management. Supervision mainly concerned the criteria adopted in investment or disinvestment decisions regarding assets held in portfolio.

Supervision of the correct conduct of asset management companies also involved the management of closed-end investment funds, specialised in shares of unlisted small/medium-sized companies (private equity funds) for which access to the risk capital market is difficult.

Examination of the structure of asset management company boards of directors also continued in 2007.

The composition of the boards of directors of the top 20 banking and insurance asset management companies as at 31 December 2007 (representing 86% of the total Italian harmonised funds managed) shows that the total number of directors has fallen by 35 compared to 2006, from 214 to 179. This decrease mainly concerned non-executive directors (Table 29). The number of independent directors was low, with an average of around one independent director for every 6 board members in 2007, against the 1:3 ratio suggested by the Codes of Conduct for listed companies. Nevertheless this is an improvement over the previous year, when the ratio was approximately 1 independent director for every 7 board members.

As seen in previous years, 2007 again confirmed the partial non-application of requisites contained in the trade association independence protocols concerning the qualification of independence (the absence of operating authority of the company, of business or professional dealings with the asset management company or group company). Specifically, there were: i) 16 cases (compared to 11 in 2006) in which independent directors held other offices in the group companies; ii) 4 cases of independent directors covering management roles in other companies in the asset management company’s group. There were also 6 cases (7 in 2006) in which no directors were reported as independent.

Lastly, the analysis showed an increase in the number of asset management company directors that cover roles of a managerial nature in the parent company or in other companies in the group.

Table 29

Office held by directors of asset management companies in other companies of the same group
(number of directors)

		Office held in the asset management company							
		Managing director	Director	Executive director	Independent director	Chairman	Chairman, executive director	Chairman, independent director	*Total*
					2007				
Office held in the parent company	Chairman		2						*2*
	Deputy Chairman		1					1	*2*
	Managing director		2						*2*
	Director		7	1	2	2			*12*
	Executive director		3			1			*4*
	Independent director								*--*
	Director General		4				1		*5*
	Deputy Director General	1	2	1					*4*
	Manager	1	12			2			*15*
Office held in other group companies		10	44	9	14	6	3		*86*
No office held in other group companies		1	25	3	14	1		3	*47*
	Total	*13*	*102*	*14*	*30*	*12*	*4*	*4*	*179*
					2006				
Office held in the parent company	Chairman		2						*2*
	Deputy Chairman		2		1	2		1	*6*
	Managing director		2			1			*3*
	Director		6		2	3			*11*
	Executive director			1		2	1		*4*
	Independent director								*--*
	Director General	2	6			1			*9*
	Deputy Director General		2	1					*3*
	Manager	1	8			1			*10*
Office held in other group companies		8	56	12	8	9	2		*95*
No office held in other group companies		2	37	4	19	5		4	*71*
	Total	*13*	*121*	*18*	*30*	*24*	*3*	*5*	*214*

Source: prospectuses. Figures relating to the top 20 banks and insurance company-owned asset management companies by portfolios managed. Period end data.

In 2007 the Commission issued 82 opinions to the Bank of Italy on the establishment or winding-up of asset management companies, on extraordinary capital transactions and on outsourcing of certain asset management company operations (44 in 2006).

As at the end of 2007, 211 asset management companies were entered on the register held by the Bank of Italy (196 at the end of 2006). Most of the new asset management companies established in 2007 manage closed-end or speculative funds.

3. Approved persons

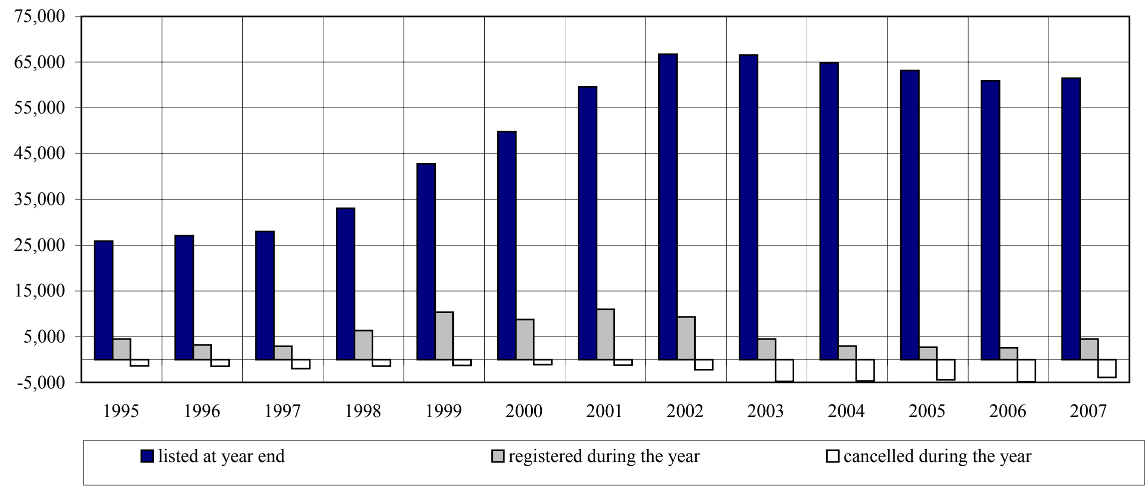
The supervision of approved persons was driven by complaints from investors, investigations conducted on intermediaries, communications received from legal authorities or the police, and reports from the intermediaries themselves.

In 2007, Consob imposed numerous precautionary suspensions from business activities and issued 24 reports to the Legal Authorities with regard to alleged offences related to the business activities of approved persons (see Chapter IV "Sanctions and precautionary measures").

Albeit only slightly, the number of approved persons entered on the List held by Consob increased in 2007. As at 31 December 2007 the number of approved persons on the List was 61,541, compared to 60,920 in 2006 (+1%) (Fig. 78).

Figure 78

Changes in the List of approved persons



IV − SANCTIONS AND PRECAUTIONARY MEASURES

1. Disciplinary measures

The numerous legislative changes in recent years have drastically changed the previous sanctioning system in both substantial and procedural legal terms.

With regard to the efficiency of the sanctioning system, the power to inflict financial penalties, of particularly significant amounts where necessary, deterred conducts classified as market abuse; moreover additional prohibitive sanctions and sanctions involving confiscation of assets, together with fines inflicted as corporate liability on the offender's company, have been provided by art. 187-*quinquies* of the Consolidated Law on Finance.

In procedural terms, the more important aspect was the direct powers granted to Consob to inflict penalties, on completion of a procedure which – as required specifically by law – must safeguard the principle of separation of investigative powers and decision-making powers: the instigation and implementation of the former are included in Institute's official duties, whereas on the latter the Commission has complete independence.

According to this regulatory measure – introduced by Italian Law no. 62/2005, which transposed the EU regulations on market abuse, later reconfirmed in December 2005 by Law no. 262 (Law on Investment) - in June 2005 procedural rules were defined to guarantee observance of the precept and full coverage of defence rights for the parties concerned. The numerous sanction proceedings launched and completed to date were conducted in accordance with these rules.

In 2007 the Commission adopted final decisions on 227 sanction proceedings (116 in 2006). Of these, 200 ended with the infliction of penalties for confirmed infringement of provisions of the Consolidated Law on Finance and related enforcement regulations.

The total fines inflicted amounted to 43.7 million euro, compared to approximately 8 million euro in 2006. In addition, assets were first seized and later confiscated for a total value of 39.9 million euro following confirmation of findings on insider trading. Additional prohibitive sanctions (loss of good repute, prohibition from any office of a directorship, management or control nature) were inflicted for a total 117 months upon confirmed market abuse offenders.

2. Disciplinary measures on market abuse

The considerable increase in sanctioning activities and, in this context, in the volume of sanctions inflicted is primarily due to the new EU-derived market abuse regulations (Italian Law 62/2005), from the outset involving important corporate and market affairs.

In 2007 the Commission inflicted sanctions for market abuse offences in a total of 11 cases, including 3 cases of market manipulation and 8 cases of insider trading (Table 30).

Table 30

Disciplinary measures for market abuse offences
(amounts in thousands of euro)

	Insider trading	Manipulation	*Total*
Number of cases	8	3	*11*
Number of persons involved	8	9	*17*
Number of persons involved in additional penalties	8	5	*13*
Additional penalties (months)	63	54	117
Amount of fines	5,358	30,207	*35,565*
Amount of confiscated assets	39,893	--	*39,893*

In one case a measure was also applied for obstruction of supervisory duties pursuant to article 187-*quinquiesdecies* of the Consolidated Law on Finance.

The financial penalties inflicted – totalling approximately 35.6 million euro (of which almost 5.4 million euro for insider trading and a little over 30.2 million for market manipulation) – involved a total of 17 persons, 13 natural and 4 legal, the latter sanctioned pursuant to art. 187-*quinquies* of the Consolidated Law on Finance (corporate liability).

Furthermore, the additional mandatory prohibitive measure was imposed upon the natural persons pursuant to art. 187-*quarter* of the Consolidated Law on Finance (temporary loss of good repute and temporary prohibition from office of a directorship, management or control nature in listed companies and in companies of the same group as the listed companies) for a total of 117 months. With regard to the confirmed cases of insider trading the mandatory confiscation of assets pertaining to offenders was also applied for a total of approximately 39.9 million euro.

Moreover, in two cases financial penalties were inflicted upon 3 natural persons for confirmed infringement of art. 187-*quinquiesdecies* of the Consolidated Law on Finance (delay caused to the exercise of Consob supervisory duties) for a total of 430 thousand euro.

Appeals were made against all the measures indicated. Only one case has been decided, albeit not finally, which, though confirming the series of accusations brought by Consob, partially reduced the extent of the sanction inflicted.

In 2007, 8 disciplinary measures regarding insider trading were inflicted upon 8 different persons.

In 7 cases the insider trading involved persons categorised as “tippees”, which includes any person in possession of insider information received from third parties. In addition to financial penalties for infringement of art. 187-*bis* and additional prohibitive measures pursuant to art. 187-*quater* of the Consolidated Law on Finance, all the measures also involved confiscation of the illegal profits or profits plus the assets used to commit the offences, identified by equivalent value where necessary.

3. Measures regarding intermediaries and approved persons

16 proceedings referring to the violation of the rules concerning investment services were completed in 2007 with the infliction of sanctions: 7 proceedings related to investment firms, 6 to banks and 3 to asset management companies (Table 31, Figure 79).

Table 31

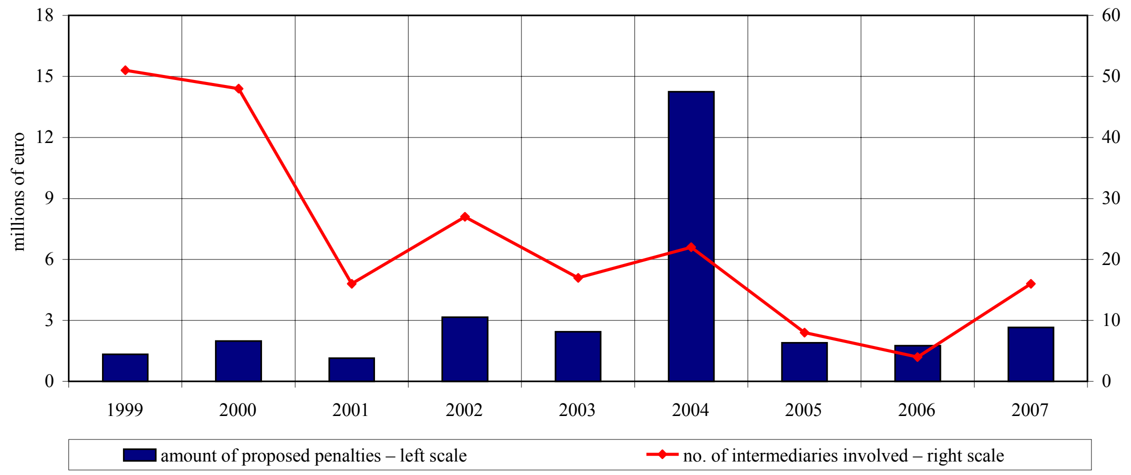
Financial penalties proposed to the Ministry of the Economy and Finance or imposed directly by Consob on intermediaries[1]
(amounts in thousands of euro)

	Number of intermediaries involved					Number of persons fined					Total penalties[2]				
	Banks	Investment firms	Stockbrokers	Asset management companies	*Total*	Banks	Investment firms	Stockbrokers	Asset management companies	*Total*	Banks	Investment firms	Stockbrokers	Asset management companies	*Total*
1999	23	25	3	--	*51*	71	71	3	--	*145*	647	566	120	--	*1,333*
2000	13	21	14	--	*48*	71	88	14	--	*48*	986	901	100	--	*1,987*
2001	5	10	1	--	*16*	31	52	1	--	*84*	252	860	39	--	*1,151*
2002	5	12	5	5	*27*	90	161	6	61	*318*	557	1,319	136	1,147	*3,159*
2003	7	3	1	6	*17*	114	25	3	73	*215*	1,847	172	54	369	*2,441*
2004	18	3	1	--	*22*	504	11	1	--	*516*	14,087	108	55	--	*14,250*
2005	7	1	--	--	*8*	126	11	--	--	*137*	1,849	61	--	--	*1,910*
2006	1	1	--	2	*4*	32	16	--	48	*96*	680	296	--	787	*1,763*
2007	6	7	--	3	*16*	79	62	--	55	*196*	1,035	814	--	809	*2,659*

[1] From 2006 the figures refer to sanctions inflicted directly by Consob. For previous years the figures refer to sanctions proposed to the Ministry of the Economy and Finance. [2] Rounding may cause discrepancies in the last figure.

Figure 79

Financial penalties proposed to the Ministry of the Economy and Finance or imposed directly by Consob on intermediaries[1]



[1] From 2006 the figures refer to sanctions inflicted directly by Consob. For previous years the figures refer to sanctions proposed to the Ministry of the Economy and Finance.

The financial penalties concerned – totalling approximately 2.7 million euro – were inflicted upon 196 company members based on the corporate office held (members of the board of directors and/or board of statutory auditors of the intermediary), i.e. taking into account the corporate division for which they were responsible.

With regard to approved persons, 116 disciplinary measures were imposed in 2007, including 64 disqualifications from the register, 44 fixed-term suspensions (from a minimum one month to a maximum four months), 3 financial penalties for a total of 3,096 euro and 5 written reprimands (Table 32). The Commission also issued 51 reports to the Legal Authorities for criminal offences emerging during the course of investigations.

Table 32

Disciplinary sanctions and precautionary measures regarding approved persons

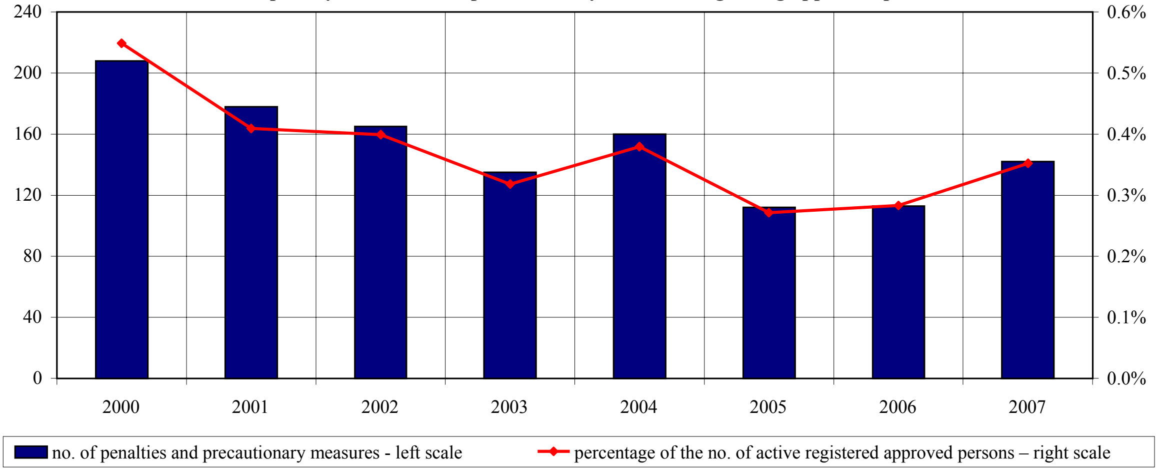
	Type of measure						
	Disciplinary sanctions					Precautionary measures	Reports to legal authorities
	Reprimand	Disqualification from the register	Fixed-term suspension from the register	Financial penalty	*Total*	Fixed-term suspension from business activities[1]	
1997	8	39	5	--	*52*	64	58
1998	11	86	73	--	*170*	76	137
1999	2	70	51	4	*127*	74	106
2000	21	49	73	26	*169*	39	134
2001	29	36	48	15	*128*	50	72
2002	33	58	37	6	*134*	31	72
2003	1	56	47	5	*109*	26	77
2004	3	68	46	7	*125*	35	78
2005	1	42	41	4	*88*	24	59
2006	6	49	22	5	*82*	31	60
2007	5	64	44	3	*116*	26	51

[1] The figures for 1997 and 1998 include measures adopted under Article 45, subsection 4 of Italian Legislative Decree 415/1996 and, from 1 July 1998 onwards, under Article 55 of the Consolidated Law on Finance.

The number of disciplinary measures increased from the previous year (116 compared to 82 in 2006) and, in particular, suspension doubled (from 22 in 2006 to 44 in 2007). However, the number of precautionary measures fell (from 31 to 26). The disciplinary and precautionary measures concerned a limited number of approved persons in proportion to the overall active total (Fig. 80).

Figure 80

Disciplinary sanctions and precautionary measures regarding approved persons



4. Measures regarding issuers and independent auditors

Disciplinary measures for infringement of regulations on issuers imposed in 2007 totalled 54 (13 in 2006). These involved 83 infringements by 70 persons (61 in 2006), a number of which received sanctions for multiple violation of regulations on corporate disclosure, significant investments and shareholders' agreements, takeover bids and public offerings (Table 33).

Table 33

Administrative sanctions proposed by Consob to the Ministry of the Economy and Finance or imposed directly by Consob on public offerings, corporate disclosure and voting proxy[1]
(amounts in thousands of euro)

	Number of cases						Number of persons fined					Amount of the penalties					
	Public offerings	Takeover bids	Corporate disclosure	Major holdings and shareholders' agreements	Voting proxy	*Total*	Public offerings	Takeover bids	Corporate disclosure	Major holdings and shareholders' agreements	Voting proxy	Public offerings	Takeover bids	Corporate disclosure	Major holdings and shareholders' agreements	Voting proxy	*Total*
2001	27	--	6	3	--	*36*	35	--	5	4	--	545	--	160	238	--	*943*
2002	14	--	12	11	--	*37*	24	--	18	43	--	1,404	--	400	300	--	*2,104*
2003	3	1	5	22	--	*31*	7	5	7	13	--	702	464	216	359	--	*1,741*
2004	4	--	2	1	--	*7*	7	--	2	1	--	1,023	--	57	10	--	*1,090*
2005	5	--	3	2	--	*10*	13	--	9	1	--	1,120	--	52	20	--	*1,192*
2006	2	3	4	4	--	*13*	20	22	14	5	--	2,071	2,995	817	445	--	*6,328*
2007	3	1	11	39	--	*54*	20	2	18	43	--	2,417	40	976	1,641	--	*5,074*

[1] From 2006 the figures refer to sanctions inflicted directly by Consob. For previous years the figures refer to sanctions proposed to the Ministry of the Economy and Finance.

The total amount of penalties inflicted by the Commission (approximately 5.1 million euro) and the total reduced payments (around 1.4 million euro) decreased compared to the previous year, in which the respective totals were 6.3 and 5.4 million euro (Table 34, Figure 81).

Table 34

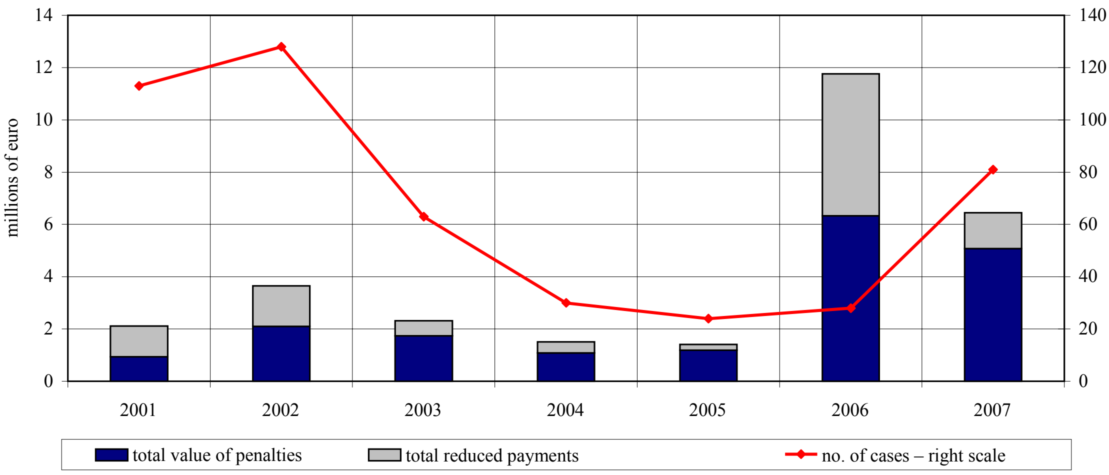
Reduced payments to settle charges of infringement of regulations on public offerings, corporate disclosure and voting proxy
(amounts in thousands of euro)

	Number of cases						Number of persons						Amount of reduced payments					
	Public offerings	Takeover bids	Corporate disclosure	Major holdings and shareholders' agreements	Voting proxy	*Total*	Public offerings	Takeover bids	Corporate disclosure	Major holdings and shareholders' agreements	Voting proxy	*Total*	Public offerings	Takeover bids	Corporate disclosure	Major holdings and shareholders' agreements	Voting proxy	*Total*
2001	13	2	11	51	--	*77*	19	3	20	53	--	*95*	344	31	258	537	--	*1,170*
2002	6	1	6	78	--	*91*	6	1	6	77	--	*90*	207	103	392	845	--	*1,547*
2003	1	3	6	22	--	*32*	8	4	6	29	--	*47*	83	41	155	300	--	*579*
2004	4	6	7	6	--	*23*	31	6	7	6	--	*50*	203	62	72	83	--	*420*
2005	5	1	1	7	--	*14*	9	2	5	7	--	*23*	80	20	52	70	--	*222*
2006	4	4	2	5	--	*15*	6	72	2	16	--	*96*	124	4,714	144	449	--	*5,431*
2007	4	1	1[1]	21	--	*27*	21	4	1	23	--	*49*	217	42	10	1,105	--	*1,374*

[1] This figure refers to one payment made in 2007 but regarding an infringement confirmed in 2006. For sanction proceedings instigated in 2007 the reduced payment formula is no longer envisaged.

Figure 81

Administrative sanctions regarding public offerings and corporate disclosure[1]



[1] From 2006 the figures refer to sanctions inflicted directly by Consob. For previous years the figures refer to sanctions proposed to the Ministry of the Economy and Finance.

Consob again supervised in order to prevent illegal public offerings in 2007. Unlike in previous years, this activity resulted in the adoption of precautionary and prohibitive measures in one case only (Table 35).

Table 35

Precautionary measures and prohibition orders in relation to public offerings

	Precautionary suspension	Prohibition order	Annulment	*Total*
2001	3	3	--	*6*
2002	2	6	--	*8*
2003	9	2	2	*13*
2004	9	7	3	*19*
2005	5	6	--	*11*
2006[1]	2	3	1	*6*
2007	--	1	--	*1*

[1] In 2006 one precautionary suspension was adopted that was later withdrawn.

This result is partly attributable to the extension of exemption options introduced following transposition of the prospectuses directive (regarding the total value of the offering or minimum investment required by an individual investor), and partly to collaboration of the market, also following Consob and Bank of Italy instructions to the organising committees of cooperative banks.

Also in 2007, a disciplinary measure was inflicted in one case against a partner of independent auditors Deloitte & Touche Spa regarding audit of the separate and consolidated financial statements as at 31/12/2001 of Giorgio Vincent Sim Spa.

V – REGULATORY AND INTERPRETATIVE ACTIVITY AND INTERNATIONAL DEVELOPMENTS

1. Regulation of issuers

The Law on Investment (Italian Law no. 262 of 28 December 2005) and the provisions coordinated with the Consolidated Law on Finance (Legislative Decree no. 303 of 29 December 2006) assigned new regulatory powers to Consob with regard to corporate governance and administrative and control bodies of listed issuers.

One of the more important aspects concerned regulation of the election of minority interest representatives to administrative and control bodies. In this respect, the main elements of Consob regulatory action involved: (i) establishing the minimum investment threshold that articles of association must envisage for the presentation of lists to elect members of the board of directors; (ii) the method for election of a control body member by minorities who are neither directly or indirectly linked to shareholders that have presented or voted on the list achieving most votes.

According to the investment law reform, Consob has also to establish limits for the directorship or control offices of share-based companies that members of control bodies of listed issuers (and of issuers of widely distributed financial instruments) can be charged with. Moreover, the Commission has to set the reporting terms and conditions regarding office held by such persons in other companies.

Another important area, in which investment reform has opened up opportunities for action on both corporate and supervisory transparency, regards payment plans to company members based on shares or other financial instruments. The new regulations introduce mandatory shareholders' meeting approval for the adoption of such plans, and detailed transparency obligations regarding their characteristics and reasons behind them. The Commission implemented these provisions when amendments to the Regulation on Issuers, approved in May 2007, entered into force.

Further regulatory action linked to enactment of the Law on Investment regarded transparency of listed issuers' adoption of codes of conduct promoted by regulated market management companies or by related trade associations.

Other regulatory tasks on corporate reporting, assigned to Consob by the Law on Investment, relate are aimed at reinforcing transparency regulations for mergers of an unlisted company into a listed company, where the assets of the former are significantly stronger than those of the listed company.

New regulatory measures were also introduced for mergers: art. 57 of the Regulation on Issuers – in enactment of art. 4, subsection 2 of the Prospectives Directive – allows exemption from the publication of a prospectus on the condition that a document is published, containing information considered by the relevant authority to be equivalent to that of a prospectus, and taking into account the EU regulatory requirements.

With regard to international developments, Consob's participation in the CESR's Contact Group on Prospectuses continued in 2007.

This group proceeded to integrate the summary document – published on the CESR web site in FAQ format – of the joint decisions made in reference to application of EU regulations on prospectuses. Following a special market consultation, it also incorporated comments from market operators on the practical implementations of the Prospectuses Directive given its forthcoming reform by the European Commission.

Work is also in progress to identify a special prospectus format for share placements reserved for employees, taking into account the European Commission requirement to adopt a more flexible approach towards mandatory prospectuses for share plans for employees: according to the Prospectuses Directive, a format simpler than that of the standard prospectus has to be identified.

2. Regulation of ongoing corporate disclosure

The Directive on issuers' reporting obligations (2004/109/CE, the Transparency Directive) envisages specific regulatory action to guarantee public regulated information retrieval, at European level. In particular, the system is founded on two means of support, that of dissemination of information to the media, and that of storage of information, allowing the investors easy access to archived information.

The system outlined by the directive envisages the filing of reports with competent authorities so that the authorities can supervise the observance of issuer reporting obligations. The directive also contemplates the creation of a network linking the various national regulated disclosure archives to facilitate interaction of the various systems, allowing investors access to regulated disclosures at European level.

EU regulations on issuer reporting obligations was completed in 2007 with the European Commission's issue of related "level 2" implementation measures.

Italian Legislative Decree no. 195 of 6 November 2007, transposing the Transparency Directive, introduced article 113-*ter* to the Consolidated Law on Finance containing regulatory measures for the dissemination, storage and filing systems with regard to: dataflow recipients (i.e. supervisory authorities, market management companies and the public at European level); the information management model; general regulations on the dissemination of information and its storage. With regard to the information management model, the Institute is expected to authorise third parties to provide dissemination and storage services for regulated disclosures on behalf of the issuers.

Pursuant to the law, Consob has to define the regulatory terms and conditions for dissemination of regulated information and its filing with the competent authorities, the requirements for third parties responsible for dissemination and/or storage of information, procedures and timing relating to their authorisation, measures regarding the provision of such services, and any exemptions from dissemination, storage and filing obligations in compliance with EU law. The Commission is obliged to issue enactment instructions for art. 113-*ter* of the Consolidated Law on Finance within six months of the entry into force of the directive enforcement decree.

Of particular note among the regulatory action performed in 2007 on corporate disclosures is the amendment of art. 69-*decies* of the Regulation on Issuers, which governs the provisions applicable to credit ratings, produced and disseminated by various entities in enactment of the provisions of art. 114, subsections 8 and 9 of the Consolidated Law on Finance.

The amendment to the Regulation on Issuers was adopted following changes, resulting from reform of the Law on Investment, to art. 114, subsection 8 of the Consolidated Law on Finance which, in its new format, excludes rating agencies from application of the measures concerning the accurate presentation of information and indications of conflict of interest.

3. Regulation of independent auditors and financial reporting

The Law on Investment granted Consob the power to dictate enactment regulations with regard to the various audit-related profiles. Specifically, the Commission has to take action regarding regulation of the appointment and dismissal of audit assignments, criteria to establish auditing fees, auditor independence and incompatibility situations, audit of the parents of listed companies and companies subject to their joint control.

At the time of issue of regulations regarding independence, the Commission took into account the latest European guidelines and indications given in the European Commission recommendation of 16 May 2002 (“The independence of legal auditors in the EU: a set of basic principles”), the principles of which were transposed to the document “Principles on the independence of the auditor” issued by the Italian accounting profession and recommended by Consob in 2005.

With regard to auditing principles, in November 2007 the Commission established that, from the audit of separate and consolidated financial statements for the year ending 31 December 2007, independent auditors included on the Special Register and independent auditors entered on the Auditors’ Register (the latter for audit assignments conferred by issuers of financial instruments widely distributed among the public) should adopt the new audit principles of the Italian accounting profession with regard to “Audit documentation” (document no. 230), “Audit of fair value assessments and related information” (document no. 545) and "Business continuity" (document no. 570). The first two principles partly replace and partly integrate those previously issued by the accounting profession and recommended by Consob in December 2006.

Joint CESR and European Commission initiatives continued in 2007 with a view to improving and harmonising financial reporting at European level.

In this context, Consob continued to study topics relating to the application of international accounting standards to the financial statements of Italian listed companies and, in particular, the separate company reports and the problems of coordinating the standards with Italian Civil Code provisions.

Consob also played an active role in tasks relating to the electronic database established by IOSCO, which became operative on 19 January 2007 and contains enforcement decisions.

4. Regulation of markets

In 2007 the Commission amended the Regulation on Markets in enactment of the law for the protection of investments and the related legislative decree coordinated with provisions of the Consolidated Law on Finance, and again on transposition to Italian law of the MiFID Directive (2004/39/CE) and related enactment measures.

In compliance with the Law on Investment, in May 2007 the Institute made amendments concerning: (a) accounting transparency criteria and the adequacy of the organisational structure and internal control system that must be observed by non-EU subsidiaries so that their parent company shares could be listed on an Italian regulated market; (b) the conditions hindering the listing of the shares of subsidiaries subject to management and control of another company; (c) transparency criteria and the limits for admission to listing on the Italian securities market of finance companies whose assets are comprised entirely of equity investments.

According to the new MiFID regulations, the Commission issued a Communication on 24 May 2007 containing initial guidance on implementation of the transaction reporting system, envisaged by art. 25 of the Directive, and the enactment measures pursuant to art. 12 of EU Regulation no. 1287/2006.

The Consob Communication covers matters on requirements for the reporting channels for financial instrument transactions and the related documents to be submitted to Consob, the content and format of reports and the technical and IT characteristics of the persons submitting the reports. In September 2007, in enactment of that Communication and following verification of the requirements indicated, Consob published a first list of reporting channels for transactions on financial instruments admitted to trading on an EU regulated market. This list was updated again in October 2007.

In October, necessary amendments were made to the Regulation on Markets in order to enforce the MiFID transposition measures. The new basic changes regard elimination of the requirement to concentrate trading on regulated markets and the introduction of new regulations on pre- and post-trading transparency and on trading venues (regulated markets, multilateral trading facilities and systematic internalisers).

In the new framework outlined by MiFID, transparency regulations are of particular importance albeit only applied to share-based instruments. Transparency was defined for all share-based transactions, regardless of whether they are implemented by an investment firm on a bilateral basis through regulated markets or through multilateral trading facilities.

The Regulation on Markets generally refers to level 2 EU regulations (Regulation no. 1287/2006/EC) in terms of obligations to be met by regulated market management companies, multilateral trading facility managers and approved persons. The amendments made to the Regulation on Markets mainly relate to areas in which there is some flexibility in transposition of the EU regulations.

MiFID offers member states the option to apply pre- and post-trading transparency on shares also to transactions on other types of financial instruments. Italian law has appointed Consob with the task of deciding whether to extend all or part of the transparency regulations to transactions on financial instruments other than shares admitted to trading on regulated markets, where this proves necessary to ensure regular trading and investor protection. Pending a European approach on the matter, also in consideration of the current level of transparency available in Italy on financial instruments other than shares, the Commission decided to:

a) allow the regulated markets and multilateral trading facilities to identify adequate transparency requisites, taking into account the structural characteristics of the market, the type of financial instrument traded, the amount of the transaction and type of operators involved, with particular regard to the extent of retail investor participation in the relevant market;

b) allow persons intending to provide systematic internaliser services, on financial instruments other than shares admitted to trading on regulated markets, to identify the benchmark transparency rules for such financial instruments, in this case also taking into account the structural characteristics of the market, the type of financial instrument traded, the amount of the transaction and type of operators involved, with particular regard to the extent of retail investor participation in the relevant market;

c) require that, for transactions concluded on financial instruments admitted to trading on Italian regulated markets, approved persons disclose certain information (date and time of trading, identification of the financial instrument and the price and quantity of the transaction concluded) by the end of the trading day following that of the transaction. These obligations also apply to transactions concluded outside a regulated market, multilateral trading facility or systematic internaliser, if the total amount involved is equal to or less than 500,000 euro. For transactions exceeding this threshold, authorised persons disclose at least information regarding the time and date of the transaction, financial instrument details and the price, together with confirmation that the transaction exceeds the threshold.

With reference to trading venues, one of the most important new aspects is the regulation of systematic internaliser activities. The Regulation on Markets requires that persons intending to provide systematic internaliser services submit all relevant documents to Consob in order to clarify that: (i) the activity performed plays an important commercial role in the firm and is conducted according to non-discretional rules and procedures; (ii) the activity must be performed by personnel, or via a dedicated automated system, regardless of whether the personnel or system in question are used solely for this purpose; (iii) the activity must be accessible to customers on a regular or continuous basis. The Regulation on Markets therefore governs the start-up and winding-up of systematic internaliser activities, regardless of the financial instrument involved. In particular, it is envisaged that Consob will receive certain information, i.e. a document containing information regarding the possession of systematic internaliser requisites, the type of financial instruments on which the activity is performed, the start-up date for each financial instrument and the reporting channel used to publish information on prices and contracts concluded.

Transposition of the MiFID has led to suppression of alternative trading systems. Alternative trading systems may operate as systematic internalisers, multilateral trading facilities or as independent traders. The Regulation on Markets sets 31 March 2008 as the deadline by which managers of alternative trading systems on financial instruments other than shares may evaluate whether or not their business activity can be considered as a systematic internaliser.

The Regulation also dictates the measures necessary for implementation of the new transaction reporting system.

On transaction reporting, the Regulation on Markets transposes the EU measures and provides necessary clarification regarding application of the new system. Specifically, it clarifies whether approved persons are exempt from reporting obligations for transactions on financial instruments admitted to trading on regulated markets and concluded on the same markets. In substance, it takes up the option allowing exemption from transaction reporting obligations provided the authority receives the information through other channels and for other supervisory purposes.

Further clarifications, provided in a Communication issued on 21 January 2008, concern the application of regulations on transaction reporting, the publication and consolidation of pre- and post-trading information, the start-up and winding-up of systematic internaliser activities and the transition rules for alternative trading systems.

Specifically, in line with the CESR paper on the consolidation and publication of information, Consob – in the above-mentioned Communication – provided guidelines on the quality of data, publication methods, availability of information and data formats. In addition, persons subject to reporting obligations must inform Consob of the channel used to publish pre- and post-trading information.

5. Regulation of intermediaries

Transposition of the MiFID has led to intense regulatory action also with regard to the regulation of intermediaries. The new Regulation on Intermediaries, approved in October, transposes EU legal requirements founded, amongst other things, on the general principle according to which intermediaries, in providing their investment services, must always act, in order to serve the best interests of the customers. This principle is developed in a set of provisions that are, to a certain degree, even more detailed than the previous regulations.

One of the main innovations introduced by the MiFID concerns the rules of conduct to be observed in performing investment services and activities. Specifically, there is now a clear differentiation between rules regarding the services provided and the type of customers involved. The directive introduces the separation of "value added" investment services (consulting and portfolio management) from "executive" services (placement, trading on own account, execution of orders, receipt and transmission of orders). Customers are also given three categorisations: professional customers (by law and on request), qualified counterparties (financial intermediaries, institutional investors and non-financial companies exceeding at least two of the three pre-established dimensional parameters in the company financial statements) and retail customers (in this case "all others").

The qualified counterparty category is a new element in Italian law, unlike the dichotomy between retail and professional customers, which reflects the former distinction between "qualified investors" and "retail investors". Nevertheless, the MiFID is innovative in that it introduces a more precise and articulated concept of "professional customer" and attributes new protective measures to such customers.

For value-added investment services, and in any event for cases in which consulting is the focal point of the intermediary-customer relationship, a more precise and complex system of protection is envisaged compared to that for executive services, based on a different level of importance given to the obligation to obtain information to assess transaction compatibility with the investor profile (referring to "suitability" rather than the over-simplified "appropriateness"). The provision of trading services or order collection services to qualified counterparties instead envisages an almost total disapplication of all the main rules of conduct (suitability, best execution, reporting and order management obligations).

In the new regulatory framework introduced by the MiFID it will no longer be possible to provide consulting services classed as "incidental", or "incorporated" with other investment services as before. All intermediaries recommending specific financial instruments and present such recommendations as suitable to the customer profile or characteristics must be authorised to provide consulting services and must observe the suitability regulations envisaged for such services.

In line with CESR recommendations, as a result of the consultation that preceded adoption of the new Regulation on Intermediaries, the Commission provided clarification on a number of the operating methods on which consulting may be based, defining the conditions calling for application of the suitability rule with reference to three aspects in particular: the extent of the set of products involved in the service; when the service may be provided; association of placement services or order receipt and transmission.

Another important innovation introduced by the MiFID regards regulations on "inducements". Level 2 EU regulations state that, as part of the investment and accessory services provided, the intermediary may claim commissions (or non-monetary services) from third parties only if the customer is informed, clearly and completely, of the existence, nature and amount (or calculation method) of such commissions before the service is provided, and if the aim of the related payment is to improve the quality of service provided to the customer and is not an obstruction to fulfilment of the firm's obligation to serve the best interests of the customer. The EU regulations, with a position reiterated in both the level 2 directive and the CESR recommendations of May 2007, specifically encompasses the question of "inducements" as part of the duty of the intermediary to act "honestly, fairly and professionally", rather than within the framework of "conflict of interest".

In order to facilitate application of the regulations, also in the light of comments emerging from the consultation, Consob provided a number of guidelines. The Commission clarified conditions justifying the receipt of inducements from third parties with reference to two main cases in point involving the Italian market: the payback of "company-product" commissions (e.g. the asset management company issuing UCIT units) to the distributor intermediary (particularly for placement services); the payback of commissions from target UCIT management companies to the portfolio manager (usually equity fund management) operating on behalf of his own customers (in certain circumstances in turn transferring commissions to the distributor intermediary for that equity fund).

In addition to the MiFID enactment measures, the new Regulation on Intermediaries includes provisions pursuant to the Law on Investment regarding the distribution of financial products issued by banks and insurance companies.

The new Regulation on Intermediaries, consistent with the requirements adopted by Italian law, governs the individual and organised marketing of dissimilar types of products of differing legal nature but with a common financial content, according to an approach involving the definition of standardised rules and regulations on fairness and transparency (the "level playing field"). This regulatory model guarantees investors the same level of protection and creates the conditions necessary for intermediaries to achieve scope economies and optimise the resources used in providing the services.

As required by law, Consob and the Bank of Italy defined joint regulations on intermediary organisational and procedural requirements and have signed a memorandum of understanding, pursuant to the Consolidated Law on Finance, containing provisions for the coordination of supervisory duties, also with regard to the exchange of information on irregularities discovered and the measures adopted.

VI – INTERNATIONAL AFFAIRS

1. International cooperation

In 2007, Consob continued its intense international cooperation activity with the supervisory authorities of EU member states and of other countries.

Requests for information submitted to Consob by foreign authorities decreased (to 64 compared with 89 in 2006) and mainly concerned the assessment of integrity and professionalism requisites in insider trading investigations. The number of requests issued by Consob, as part of its duties, to other supervisory authorities remained stable; over half the requests referred to market abuse investigations and approximately one third to integrity and professionalism requirements (Table 36).

Table 36

Exchange of information between Consob and foreign Supervisory Authorities

Subject	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Information requests issued to foreign Authorities										
Insider trading	17	43	32	24	24	11	8	12	16	18
Market manipulation	2	--	1	4	--	4	8	6	12	9
Unauthorised public offerings and investment services	7	4	3	10	9	5	2	4	5	1
Transparency and corporate disclosure	--	--	1	--	--	6	9	10	5	1
Major holdings in listed companies and authorised intermediaries	--	--	--	1	1	3	1	2	4	3
Integrity and professionalism requirements	12	10	19	14	34	21	7	4	--	9
Infringement of rules of conduct	--	--	2	--	--	1	2	--	1	--
Total	*38*	*57*	*58*	*53*	*68*	*51*	*37*	*38*	*43*	*41*
Information requests from foreign Authorities										
Insider trading	2	3	5	20	13	17	18	18	17	18
Market manipulation	1	3	--	1	1	2	3	4	14	2
Unauthorised public offerings and investment services	3	3	1	2	7	4	3	9	9	3
Transparency and corporate disclosure	1	--	2	--	--	--	--	4	3	--
Major holdings in listed companies and authorised intermediaries	--	--	--	--	2	1	--	4	--	1
Integrity and professionalism requirements	30	44	53	49	80	70	44	31	46	37
Infringement of rules of conduct	--	--	--	--	--	--	--	--	--	3
Total	*37*	*53*	*61*	*72*	*103*	*94*	*68*	*70*	*89*	*64*

In December, Consob signed a memorandum of understanding with the FSA (Financial Services Authority), the UK supervisory authority, on cooperation regarding supervision of Borsa Italiana and the London Stock Exchange.

The understanding followed the takeover of Borsa Italiana Spa by the London Stock Exchange Group. Both stock markets continue to be regulated by their respective national regulations. The agreement defines the context within which Consob and the FSA will cooperate in fulfilling their duties and in exercising their supervisory powers over the two regulated markets, taking into account possible developments deriving from their future integration.

As part of the bilateral agreement on technical support, signed with the National Securities Commission of the Republic of Moldova, special study meetings were organised with members of the Moldavian authority personnel on the standards set by the main EU directives on financial services.

2. Activities within the European Union

In 2007 Consob's participation continued in meetings of the European Commission and European Council for the formulation and approval of directive proposals.

Among the directives and regulations on financial markets given final approval during the year were: i) Directive 2007/44/EC of the European Parliament and Council on procedural regulations and executive criteria for the prudential assessment of takeovers and increased investments in the financial sector; ii) Directive 2007/36/EC of the European Parliament and Council on the exercise of certain shareholder rights in listed companies; iii) Directive 2007/16/EC of the European Commission on implementation of the UCIT (Undertakings for Collective Investment in Transferables) Directive with regard to the clarification of certain definitions; iv) Directive 2007/14/EC of the European Commission which establishes the application method for certain provisions of the Transparency Directive (Directive 2004/109/EC); v) EC Regulation no. 211/2007 which amended Regulation no. 809/2004 with regard to information contained in prospectuses in cases in which the issuer has a complex financial position or has undertaken significant financial commitments.

Following the November 2006 publication of the White Paper on enhancing the single market framework for investment funds, the European Commission began a review of the UCITS Directive (Directive 85/611/EEC). However, the proposed directive could not be formalised by the Commission in 2007.

Through the publication of consultation papers, the European Commission launched a number of activities to improve the regulation of financial services for retail investors and announced possible initiatives on competing products, i.e. financial products with the same economic investment aims but, as they have different issuers (banks, insurance companies or other intermediaries), are subject to different rules at European level.

Consob provided technical support to the Ministry of the Economy and Finance for its participation in ESC (European Securities Committee) and other international group meetings, and for the transposition of EU directives to Italian law.

During 2007, Consob continued to attend meetings of the EGAOB (European Group of Auditors' Oversight Bodies), the group of experts established by the European Commission composed of representatives from authorities responsible for the supervision of auditors.

The group's task is to facilitate coordination between the public organisations for the control of legal auditors and independent auditors at European level. It provides support to the European Commission in the technical preparation of executive measures for Directive 2006/43/EC by assessing the public control systems of non-EU countries, analysing the problems of international cooperation and examining international accounting standards.

3. Activities within the Committee of European Securities Regulators (CESR)

In 2007 the Group of Experts on Asset Management, chaired by the Consob Chairman, has worked intensively to define guidelines on investments permitted in harmonised mutual investment funds and the conditions necessary for investments in hedge fund indices.

This work relates to level 3 measures to facilitate a standardised approach, by the supervisory authorities, to criteria established by Directive 2007/16/EC and to ensure their consistent application. Furthermore, Directive 2007/16/EC was prepared by the European Commission according to CESR opinions, developed by the Group of Experts and approved in January 2006, with regard to the clarification of certain definitions on investments permitted in harmonised funds.

On mandate from the European Commission, the CESR has also drafted an opinion on the format and content of the information document to be provided to harmonised fund investors. Two consultations were completed, the results of which were published on the CESR web site. In 2008 the European Commission is due to launch user testing of the new information document.

The MiFID work groups concentrated their activity on the issue of level 3 guidance and on initiatives to encourage coordination between supervisory authorities.

Specifically, the CESR adopted level 3 guidance facilitating the coordinated transposition of rules on inducements and a number of common positions on best execution.

The CESR also issued recommendations on the publication and consolidation of market data, and guidance on transaction reporting.

In July the CESR opinion on the transparency of financial instruments other than shares was published.

The CESR mandate is linked to European Commission obligations to report to Parliament and the Council on any extension to the field of application of MiFID provisions on pre- and post-trading transparency obligations regarding transactions involving categories of financial instruments other than shares. From the CESR opinion it emerges that, though there is no sign of market shortcomings calling for an extension of these obligations, in certain situations investors could benefit from expansion of the level of transparency.

In May the CESR issued a number of recommendations on use of the European Passport, pursuant to the MiFID Directive, complete with publication of the Protocol defining a framework for cooperation between the supervisory authorities of EU member states in supervising branches of investment firms and banks.

In October the CESR published a declaration guaranteeing continued operation of the passports released pursuant to the ISD Directive (Directive 93/22/EEC) in the event of late enforcement of the MiFID Directive and related executive measures.

In October 2007 a limited number of EU member states had still not completed the MiFID transposition process. CESR members are committed to ensure that companies in such EU member states, authorised under the ISD Directive, can continue to operate on a cross-border basis provided that certain investor protection conditions are observed. Specifically, EU member states unable to transpose the MiFID Directive by 1 November 2007 were asked to demonstrate the comparability of their existing national rules to the authorisation rules pursuant to articles 9-14 of the MiFID and to rules of conduct established by the directive and by CESR standards.

Concerning market abuse, in July the CESR published a second set of guidelines.

These guidelines define a common approach to the identification of insider information, the circumstances that could justify a delay in disclosing such information and the cases in which information concerning customer orders, pending implementation, can be classed as insider information.

With regard to prospectuses, it should be mentioned that the CESR published a Report on the application of Directive 2007/31/EC and Regulation no. 809/2004, and that new common positions and the question and answer format of the regulation were defined.

The CESR was strongly committed to rating agency matters. Specifically, in January it published a first Report to the European Commission on the agencies' implementation of the IOSCO Code of Conduct. The CESR later received a request from the Commission to prepare a new Report (for publication by the end of May 2008).

The new request from the European Commission, albeit issued prior to the subprime mortgage crisis, already included the request to focus attention on an analysis of structured financial instrument ratings. In April 2007, the European Commission indicated the topics relating to conflict of interest and the quality of the rating process on which attention should be focused. In order to meet these requests the CESR Work Group published a questionnaire for completion by rating agencies and issuers. The replies, analysed and discussed at hearings with the leading rating agencies, formed the basis of the draft consultation paper published by the CESR. The paper also suggests possible measures of a regulatory nature.

4. Activities within the International Organization of Securities Commissions (IOSCO)

In 2007 Consob continued to participate in the IOSCO standing committees on issuers, markets, intermediaries, international cooperation and collective investment undertakings. The Institute also attended meetings of the Screening Group, the group set up to assess applications submitted by financial market supervisory authorities who are members of IOSCO to become signatories to the MMOU (the IOSCO Multilateral Memorandum of Understanding).

Among the most important documents published by IOSCO were: (i) Principles for the assessment of hedge fund portfolios; (ii) Principles for the governance of mutual investment funds; (iii) Final report on soft commissions.

Also of note are the publication of the Report on the independence of directors of listed companies, and the International transparency principles for public offerings and the admission to listing of debt securities by foreign issuers.

During the year, the work of the Implementation Task Force continued to promote and implement IOSCO Principles establishing common standards for the execution of supervision and international cooperation.

Task Force work on rating agencies continued also, analysing the problems linked to rating agency activities and the adoption of initiatives to improve integration of the credit rating process.

Lastly, it should be mentioned that two new IOSCO Task Forces have been established: the first examines problems, also of a regulatory nature, emerging from the subprime mortgages crisis, and the second was appointed to identify and assess regulatory risks associated with the private equity market and any new problems that sector development could pose for the supervisory authorities.

VII – CONSOB'S INTERNAL MANAGEMENT AND EXTERNAL RELATIONS

1. Financial management

Net of surplus from the previous year, the Institute's total revenues in 2007 amounted to €90.8 million (Table 37), including €72.0 million (79.3%) from fees (mainly in reference to the public offering, approved person, issuer and financial intermediary categories; Table 38).

Table 37

Summary table of revenues and expenditure
(millions of euro)

Items	2000[1]	2001[1]	2002[1]	2003[1]	2004[1]	2005[1]	2006[1]	2007[2]
Revenues								
Previous year surplus[3]	50.7	74.0	12.3	11.6	11.7	15.3	12.8	24.0
State funding	31.0	31.0	23.7	23.3	26.7	24.4	13.1	11.0
Own revenues								
Investigation fees [4]	3.0	1.5	–	–	–	–	–	–
Examination fees [4]	3.0	1.5	–	–	–	–	–	–
Supervisory fees	31.8	27.4	39.9	41.6	49.2	46.9	75.2	72
Trading fees [4]	5.2	3.6	–	–	–	–	–	–
Sundry revenues	4.2	11.6	3.8	4.9	3.5	3.7	7.5	7.8
Total revenues	*128.9*	*150.6*	*79.7*	*81.4*	*91.1*	*91.3*	*108.6*	*114.8*
Expenditure								
Current expenditure								
Members of the Commission	1.2	1.4	1.4	1.3	2.2	2.0	2.2	2.8
Staff	33.7	45.8	42.2	43.2	44.6	48.0	55.1	67.6
Goods and services	14.2	16.4	18.7	18.9	19.4	19.4	20.8	26.5
Renovation and expansion of fixed assets	2.4	3.8	4.7	4.6	4.3	4.3	4.1	4.5
Unclassified expenditure	0.1	4.9	1.1	0.4	5.2	4.6	0.1	0.8
Total current expenditure	*51.6*	*72.3*	*68.1*	*68.4*	*75.7*	*78.3*	*82.3*	*102.2*
Capital expenditure	3.6	66.8	2.8	1.7	2.6	1.5	1.9	12.6
Total expenditure	*55.2*	*139.1*	*70.9*	*70.1*	*78.3*	*79.8*	*84.2*	*114.8*

[1] Annual accounts. [2] Final budget. [3] The surplus is the difference between total revenues and total expenditure plus differences deriving from management of residual amounts and value adjustments to investments (not shown in the table). The 2006 surplus is included in 2007 revenues. [4] Further to the amendment of Article 40, subsection 3 of Italian Law 724/1994, as from 2002 only one type of fee is envisaged, the "supervisory fees".

Table 38

Fees by category of supervised person
(millions of euro)

	Investment firms and stockbrokers	Banks	Independent auditors	Approved persons	Market entities [3]	Issuers	UCITS [4]	Supervision of public offerings	Trading on the MTA and Expandi markets	Other	*Total fees*
2000[1]	0.5	2.9	2.3	10.3	1.2	8.4	3.0	9.2	5.2	0.0	*43.0*
2001[1]	0.5	2.8	2.1	8.7	1.4	7.9	3.1	3.5	3.6	0.4	*34.0*
2002[1]	1.2	7.5	2.0	6.4	2.8	8.9	5.3	4.9	–	0.9	*39.9*
2003[1]	1.0	7.4	2.5	8.0	3.1	9.0	6.1	3.4	–	1.1	*41.6*
2004[1]	0.9	7.7	3.7	9.5	3.9	8.8	6.2	7.1	–	1.4	*49.2*
2005[1]	0.8	8.1	3.7	9.3	4.0	10.8	5.8	2.7	–	1.7	*46.9*
2006[1]	1.2	12.5	6.0	13.6	5.2	14.7	9.2	10.0	–	2.8	*75.2*
2007[2]	1.0	10.4	5.5	12.9	4.8	12.9	8.4	13.2	–	2.9	*72.0*

[1] Annual accounts. [2] Final budget. [3] Includes Borsa Italiana Spa, Tlx Spa, MTS S.p.A., Cassa di Compensazione e Garanzia S.p.A. and Monte Titoli S.p.A.. [4] Includes the supervisory fees paid by asset management companies for individual portfolio management services.

With regard to expenditure, current expenditure increased compared to the previous year, primarily linked to staff costs and costs for the purchase of goods and services. Capital expenditure (€ 12.6 million) also increased, fully attributable to IT equipment purchases.

The 2008 budget was approved in December. Total revenues for the year are forecast as € 89.5 million, including € 10.7 million State funding for that year, € 72 million in fees and € 6.8 million in sundry Commission revenues. In addition to the above are € 28.3 million from the estimated surplus for 2007.

The total expenditure forecast for 2008 (net of commitments brought forward from 2007 and included in capital account expenditure) is €116.2 million, comprising €107.2 million current expenditure and €9 million capital expenditure.

In December 2007, Consob established the fees for 2008, identifying the categories of supervised persons required to pay fees and the fee amounts, pursuant to Article 40 of Italian Law 724/1994.

The related measures contain certain amendments to the previous manual, forced by new regulations on financial markets introduced in 2007. In particular, the manual now includes: (i) the introduction of a supervisory contribution to the charge of managers of multilateral trading facilities; (ii) the introduction of a supervisory contribution to the charge of systematic internalisers; (iii) the introduction of a supervisory contribution to the charge of the financial consulting organisation.

2. Human resource management

During 2007, 96 members of staff were recruited, of which 72 permanent and 24 with fixed-term contracts. In the same year, staff leaving comprised 18 permanent staff and 2 with fixed-term contracts. Therefore, compared to 2006, the Commission's actual staff numbers increased by 76 (Tables 39 and 40).

Table 39

The staff [1]

	Permanent employees				Fixed-term employees	*Total*
	Managerial staff	Operations staff	General services staff	*Total*		
1990	91	63	16	*170*	67	*237*
1993	134	72	16	*222*	96	*318*
1996	128	152	16	*296*	108	*404*
1997	125	161	21	*307*	96	*403*
1998	122	156	17	*295*	88	*383*
1999	116	205	19	*340*	24	*364*
2000	110	246	20	*376*	13	*389*
2001	110	241	19	*370*	15	*385*
2002	126	250	15	*391*	17	*408*
2003	129	245	15	*389*	19	*408*
2004	131	236	15	*382*	20	*402*
2005	182	218	15	*415*	25	*440*
2006	195	214	14	*423*	36	*459*
2007	200	266	13	*479*	56	*535*

See Methodological Notes. [1] As at 31 December.

Table 40

Breakdown of staff by grade and organizational unit [1]

	Managerial staff		Operations staff	General services staff	*Total*
	Senior managers	Junior managers			
Divisions					
Issuers	13	59	37	--	*109*
Intermediaries	2	19	40	--	*61*
Inspectorate	2	12	18	--	*32*
Markets	5	19	31	--	*55*
Legal Studies	2	5	2	--	*9*
Economic Studies	2	14	12	--	*28*
External Relations	3	3	9	--	*15*
Legal Services	4	18	14	--	*36*
Administration and Finance	3	8	36	14	*61*
Resources	6	10	20	--	*36*
Computer Systems	4	7	12	--	*23*
Other offices [2]	13	17	40	--	*70*
Total	*59*	*191*	*271*	*14*	*535*

See Methodological Notes. [1] As at 31 December 2007. Fixed-term employees are classified according to the equivalent permanent grades. [2] Includes offices not coordinated by the Divisions.

Consob staff training was considerably expanded due to the marked changes in the reference regulatory framework.

The radical changes to the regulatory framework and financial market developments meant that in 2007 the adoption of a new organisational setup was crucial.

The guidelines followed in the organisational reform were: i) the maintaining the existing three-way partitioning of the supervisory departments, according to areas of competence defined by the Consolidated Law on Finance (intermediaries, issuers and markets), and the setting up of new units dedicated to other tasks attributed under recent regulatory reforms; ii) the development of increased market development analysis capacity so as to rapidly identify the presence of new phenomena and interpret their likely impact on supervisory strategies; iii) the development of increasingly sophisticated tools, according to a model (the risk-based approach) that allows identification of the tasks on which to focus supervisory action, optimising the use of human resources and tools available; iv) greater participation in international regulatory activity with the aim of increasing the capacity to influence the regulatory process, in order to pursue Italian market protection requirements and to encourage the convergence of standards of conduct at European and international level.

3. External relations and investor education

In 2007, Consob dedicated considerable energy to external relations and investor education. The important regulatory changes during the year called for enhancements to the means of communication with the public and investors.

The Commission's web site was confirmed as the central communications tool for Consob activities. The high number of visitors to the web site confirms how important this tool has become for market operators, who consult the site frequently to obtain information on regulations, Consob rulings and on approved intermediaries (Table 41).

During the year, Consob participated as always in the Public Administration Forum, an event offering direct contact with the public, and in the COM-PA (the European expo on communication with the public on services to citizens and businesses) to familiarise visitors on the role of the Institute and the tools used, and to capture indications regarding the expectations and information needs of investors.

In addition, meetings and seminars were organised with the aim of raising the level of investors' financial awareness and their ability to make reasoned decisions among the many investments available.

In 2007 a number of meetings were held between Consob and the leading Italian associations representing the CNCU (Italian national consumer council). During these meetings, information support was given to encourage the participation of consumer associations in consultations launched by EU organisations and Consob regarding the adoption of regulatory measures.

Table 41

Visitors to Consob's website

Sections	2002	2003	2004	2005	2006	2007
Home page (What's new)	829,385	953,900	1,563,957	2,040,414	2,674,672	2,130,146
Investors	102,159	144,333	156,023	158,124	303,315	343,988
Market operators [1]	—	70,573	69,071	101,098	358,795	367,472
Consob	121,688	118,407	157,075	229,123		846,986
Issuers	1,014,943	2,214,855	2,567,876	2,811,214	3,936,630	2,791,044
Intermediaries and markets	262,218	189,417	234,561	289,627	889,495	1,690,854
Consob Decisions/Bollettino[2]	416,423	387,879	421,345	519,469	596,785	695,790
Legal framework	555,583	430,937	501,071	727,141	955,965	2,116,752
Publications and press releases	438,993	451,318	495,005	521,198	634,400	750,300
Links	30,148	27,122	29,087	14,098	17,980	9,716
Site search engine	242,315	223,459	245,013	275,192	276,195	313,236
Help and site map	63,927	64,543	72,354	89,210	25,125	26,300
English version	200,237	132,605	136,357	141,498	428,925	296,892

[1] Section included in 2003. [2] In 2007 the *Bollettino* became electronic and the name of the section concerned was changed.

Action taken in response to requests for documentation and information on the Commission's activities was particularly intense (Table 42).

Table 42

Applications for documentation and information on Consob's activities

	Applicants			Subject of applications				
	Institutional investors and market operators	Investors, students etc.	*Total*	Resolutions, communications, prospectuses	Integrated texts of laws and regulations	Data and information	Other	*Total*
1997	673	441	*1,114*	451	367	286	10	*1,114*
1998	597	448	*1,045*	427	300	300	18	*1,045*
1999	540	475	*1,015*	310	290	300	115	*1,015*
2000	1,460	1,158	*2,618*	588	379	1,261	390	*2,618*
2001	782	1,407	*2,189*	365	112	1,259	453	*2,189*
2002	655	922	*1,577*	182	79	1,092	224	*1,577*
2003	365	1,114	*1,479*	149	6	1,007	317	*1,479*
2004	247	1,277	*1,524*	182	48	1,024	270	*1,524*
2005	298	1,542	*1,840*	192	53	1,397	198	*1,840*
2006	153	1,306	*1,459*	145	20	1,216	78	*1,459*
2007	185	1,463	*1,648*	50	470	995	133	*1,648*

Two important investor education projects were carried out during the year.

The first concerned existing relations between intermediaries and customers in the provision of investment services given the new regulatory framework imposed by the EU MiFID directive. The aim of this initiative was to present new regulations in a simple, direct format, with a strong focus on the required level of investor protection and, in particular, on the obligations to be met by investment firms and banking intermediaries. The initiative was presented in time for the entry into force (November 2007) of the new EU regulations, confirming Consob's commitment to implement efficient means of communication with investors alongside its traditional supervisory duties.

The second initiative concerned investing and the basic rules on investment. The aim of the initiative was to emphasise that the implementation of an investment must be the result of an analysis of preferences and financial needs, via the understanding of information, establishing correct relations with the intermediary and taking appropriate precautions. The path towards the investment consists of a series of steps with simple, direct rules forming a kind of checklist to work through before investing.

4. Developments in information technology

During 2007, the upgrading of hardware platforms and software to the most recent technological standards continued.

Implementation and startup of the Transaction Reporting system was completed in 2007. The system allows Italian intermediaries to notify Consob (pursuant to the MiFID Directive) of transactions on financial instruments admitted to listing on an EU regulated market.

Lastly, special attention was paid to business continuity via an extended disaster recovery plan, now allowing data duplication between remote Institutes involved in the supervision process.

C

METHODOLOGICAL NOTES

METHODOLOGICAL NOTES

Instructions

Symbols used in tables in the Report and the Appendix have the following meanings:

-- quantity identified as nil;

— the phenomenon does not exist;

.... the phenomenon exists but the figures are unknown;

.. the figures are below the significance threshold.

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

Figures 1, 3, 4, 5, 7 and 8

Major listed groups are represented by a "closed" sample of 30 groups for which a complete series of financial statements from 1998 to 2007 is available and assessed in Mediobanca's R&S yearbook. This analysis therefore covers almost the entire share list panorama of the Stock Exchange with regard to the services and industry sectors. The groups considered are as follows (with the main listed companies consolidated as of the 2007 financial statements indicated in brackets): Enel (from 2005 Terna is considered separately as it is no longer consolidated with Enel), Eni (Snam Rete Gas, Saipem), Atlantia (formerly Autostrade), Telecom, IFI (Ifil, Juventus; from 2004 Fiat is considered separately as it is no longer consolidated with IFI), Edizione Holding (Autogrill, Benetton), Aurelia (Autostrada TO-MI, Sias), Italmobiliare (Italcementi), Luxottica, Alitalia, AEM, Fininvest (Mondadori, Mediaset), Edison, Erg, Acea, Pirelli & C., Cofide (Cir, L'Espresso, Sogefi), Buzzi Unicem, Tenaris (until 2000 data referred to Dalmine, delisted in 2003), Impregilo, Intek (until 2006 data referred to Gim, in 2007 merged into Intek, which acquired control of the KME Group, formerly SMI), RCS MediaGroup, Finmeccanica, Caltagirone (Cementir, Vianini Industrie, Vianini Lavori, and from 2004 Caltagirone Editore), Indesit Company (formerly Merloni), Bulgari, Davide Campari, SNIA (from 2004 Sorin is considered separately as the result of a spin-off from SNIA). In order to maintain consistency in the time series of the Telecom Group financial statements, the Seat Pagine Gialle group was also considered (the first consolidated into Telecom). In some cases, Mediobanca takes into consideration the consolidated financial statements of the holding parent company even if not listed (particularly Edizione Holding and Aurelia, for Fininvest).

Tables 1, 2, 3, 4 and Figure 20

The following criteria are adopted in dealing with public offerings for admission to listing:

- offerings made by foreign companies are excluded;
- data regarding the amounts of offerings refer to the results of placements, including any shares allotted to institutional investors as part of an overallotment at the close of the public offering. Note, therefore, that data are independent of the fact that, after stabilisation by the

placement agents, the greenshoe option may not be exercised, either wholly or in part, in the 30 days following the public offering;

- the overall total of the offering also takes into account shares sold under agreements in force prior to the listing;
- data on ownership structure development are taken from the prospectuses and takes account of the results of offerings, including the exercise of greenshoe options. If the number of shares offered for sale is lower than that envisaged in the prospectus, and in the absence of accurate information in this respect, the calculation of each selling shareholder's post-offering quota is based on proportional distribution of the shares sold in accordance with that specified in the prospectus;
- determination of the percentage held by the controlling shareholder is based on a substantial approach which takes into account all shares held by members of the same family, those held by companies owned by the same person and those not conferred to any shareholders' agreements by parties to such agreements. In the absence of a controlling shareholder, the largest shareholder is indicated;
- own shares are deducted from the share capital of the issuer for the purpose of calculating percentages held by major shareholders and for capitalisation.

Table 4

Data include the holdings of sponsors and placement agents handling the operation, or persons controlling or controlled by them, in listed companies and/or their controlling companies.

Also included are credit relations existing as at the public offering date between the sponsors or placement agents handling the operation, or persons controlling or controlled by them, in listed companies or their subsidiaries.

The credit relations do not include transactions relating to trade receivables, or any for which determination of the credit actually allocated is not possible. Only in certain particularly important cases was account taken of the figures for credit facilities granted but not used.

The equity relations do not include options held by the above-mentioned persons for the purchase or subscription of shares.

Figures 48, 49, 50, 51, 52, 53, 54, 55, Tables 11 and 12

Data refer to the following Italian banking groups: Intesa SanPaolo, UniCredit, MPS, BNL, Mediobanca, UBI, Banco Popolare and Banca Antonveneta. This sample essentially represents 2/3 of the entire Italian banking system in total assets terms. For years prior to 2007 the figures include the leading Italian banks later becoming part of the banking groups considered (for 2003-2004 the German group HVB is therefore excluded, consolidated with the UniCredit Group as from 1 November 2005).

Figure 48

Net interest income includes the balance of interest rate hedge transactions, dividends on holdings and profits and losses of holdings carried as equity. Revenues from investment services include profit on financial transactions (i.e. from the 2005 financial statements, prepared according to IAS/IFRS standards, the net result from trading, hedging, assets and liabilities carried at fair value and profit/loss from the disposal or buyback of loans and financial assets and liabilities) and net commissions from investment services and collective management (including foreign currency trading, consulting, security depository and management services, bank depository services and the placement of insurance products and services). Net commissions from banking services include net commissions on guarantees issued and credit derivatives, collection and payment services, and net commissions on current accounts, credit cards and ATM cards. "Other net commissions" include net commissions for securitisation transaction servicing, factoring and tax collection services.

Revenues from asset management comprise net commissions from individual and collective asset management and depository bank commissions. Revenues from placement services comprise net commissions from the placement of securities and other financial and insurance products (including door-to-door sales). Revenues from trading for customers comprise the net commissions from securities and foreign exchange trading and from the acceptance of orders. Other revenues essentially comprise net commissions from advisory services and from the safekeeping and administration of securities.

Figures 62, 67, 68, 69, 70 and 71

Multifinanziaria Retail Market 2007 is a sample survey conducted by GFK Eurisko Srl, which at the end of 2007 gathered questionnaires from a sample of 2,525 households in which the financial head of the household was aged between 18 and 74 (bank employees, insurance company employees and financial advisors were excluded from the survey). The financial head of the household was the person with the highest earnings (if no earners the most senior male, and if no males the most senior female). The statistics indicated in the figures are estimates relating to the entire sample population as inferred by the sample data after the application of weights established by GFK Eurisko Srl.

Figure 75

The types of opinion issued by independent auditors are described below.

1) *Qualified opinion*. Auditors are required to express a qualified opinion where they find: significant failures to comply with rules governing financial statements; significant disagreement with directors regarding accounting standards; errors in their application or inadequate information; significant limitations in performing the audit due to technical obstacles or restrictions imposed by the directors; a situation of significant uncertainty not adequately described in the financial statements or of seemingly unacceptable action taken by the directors.

2) *Adverse opinion.* Auditors are required to express an adverse opinion where the effects of their findings concerning significant failures to comply with the rules governing financial statements, significant disagreement with the directors regarding accounting standards, errors in their application or inadequate information, are such as to cast doubt on the reliability and information content of the financial statements as a whole.

3) *Disclaimers due to serious limitations to the audit* Auditors must issue a disclaimer where the possible effects of limitations encountered in performing the audit are sufficient to deprive them of elements needed to express an opinion.

4) *Disclaimers due to uncertainty* When faced with one or more situations of uncertainty such as to cast doubt on the reliability of the financial statements as a whole or on business continuity,

auditors must issue a disclaimer when they consider that the action taken by the directors is based on highly questionable assumptions.

Tables 39 and 40

Senior management comprises the following grades: Director-General, Chief Executive Officer, Central co-manager, General Manager, Manager and Co-manager. Junior management comprises the following grades: First officer, Grade 1 officer and Grade 2 officer. The operational staff comprises the following grades: Chief deputy, Deputy, Senior assistant, Assistant and Deputy assistant.

CONTENTS

B. *CONSOB ACTIVITY* 87