Annual Report 2010

Rome, 31 March 2011

CONSOB

COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA

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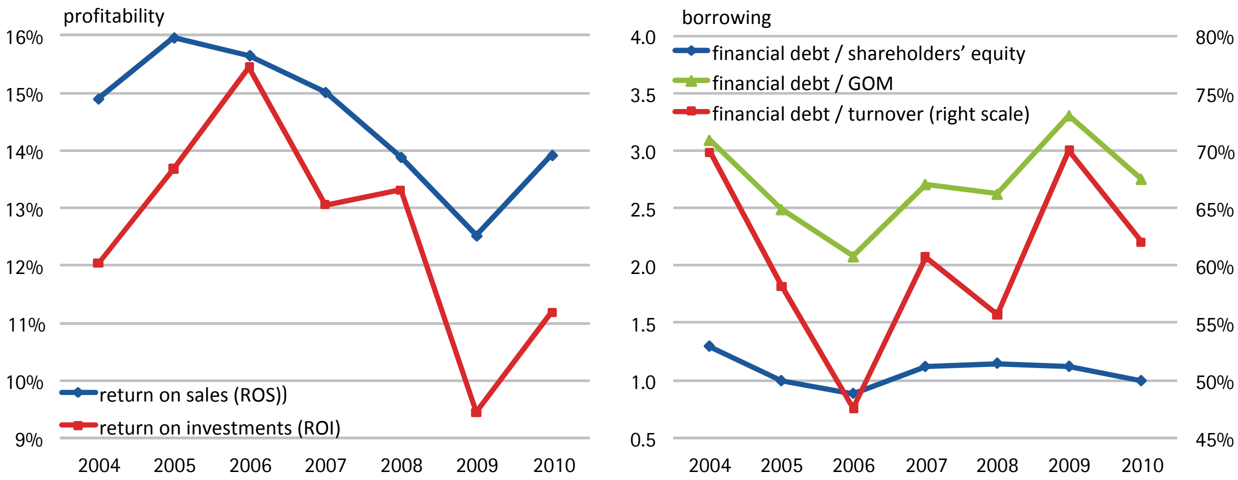
Financial market developments A

1 Financial structure and profitability

The preliminary accounting data for 2010 of the major Italian non-financial listed groups show a recovery of profitability and revenues, associated with the cyclical inversion and with an improvement in the economic situation.

The return on invested capital went up from 9.4 per cent in 2009 to approximately 11.2 per cent in 2010, while the return on sales went up from 12.5 to approximately 14 per cent. The level of indebtedness remained, instead, quite stable: the ratio between financial debts and shareholders' equity came out at about one; the ratio between financial debts and GOM, instead, came down (from 3.3 to approximately 2.7) as did that between financial debts and turnover (from 70 to 62 per cent; Fig. 1).

Fig. 1 Profitability and indebtedness indicators for major Italian listed non-financial groups



Source: calculations based on R&S restated financial statements. The source for 2010 figures was Worldscope. See Methodological Notes.

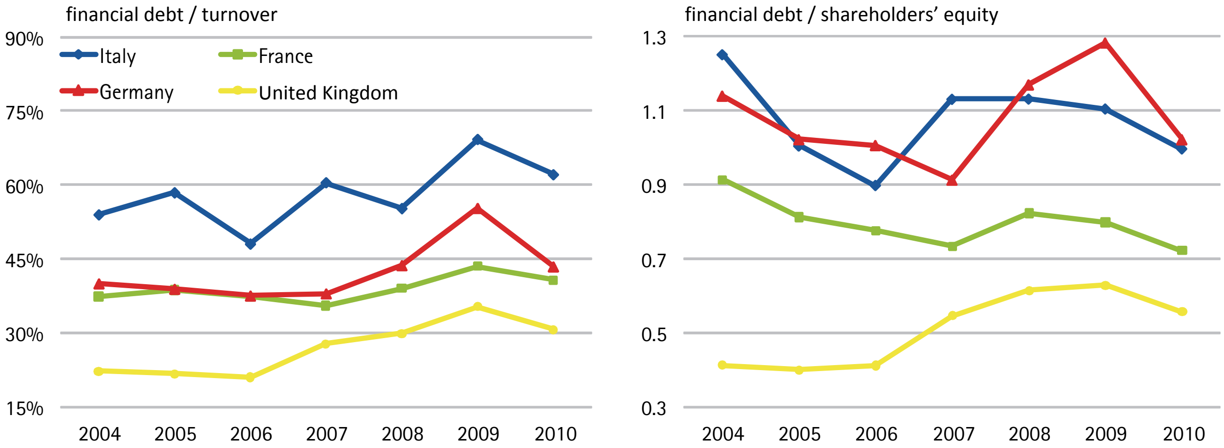
Approximately three quarters of large listed groups recorded growth in revenues and in net operating income compared with 2009; the growth in revenues was however more marked for major American and Eurozone non-financial listed groups (Fig. 2).

Fig. 2 Operating income and growth of turnover of non-financial listed companies

Source: calculations based on Worldscope data on companies in the S&P 100 index (USA), Dow Jones Euro Stoxx 50 index (Eurozone) and on major Italian listed groups (sample as per Fig. 1). The annual change in net operating income was calculated only when the amounts were both positive; the annual change in turnover was calculated with respect to the restated data of the previous year.

Reclassified accounting data, to make a uniform comparison between different countries, indicate that Italian companies continue to have a higher level of indebtedness compared with that of the listed companies of other advanced European countries. In fact, in 2010 the financial debts/turnover ratio, although down compared with 2009, remained much higher than that recorded in France, Germany and the United Kingdom. The ratio between debts and shareholders' equity, instead, was in line with that observed for German companies, but still much higher than that of French and British companies (Fig. 3).

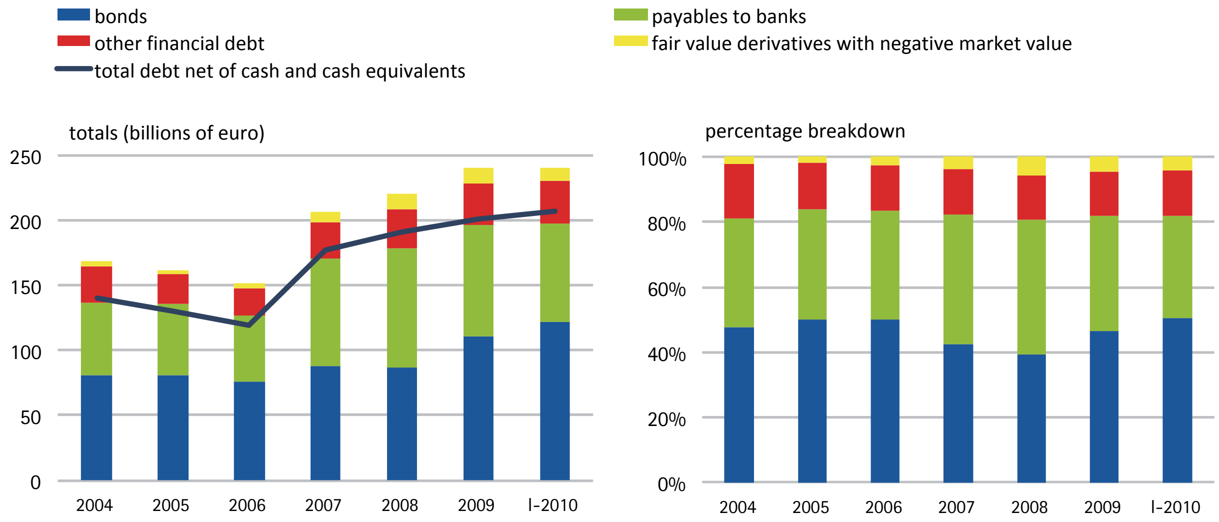
Fig. 3 Indebtedness indicators for major listed non-financial groups of certain EU countries



Source: calculations on Worldscope data. For France, Germany and the United Kingdom the figures relate to the top 30 non-financial companies by capitalisation as at March 2011; for Italy the figures refer to the sample of major listed groups indicated in Fig. 1. The 2010 figures are provisional.

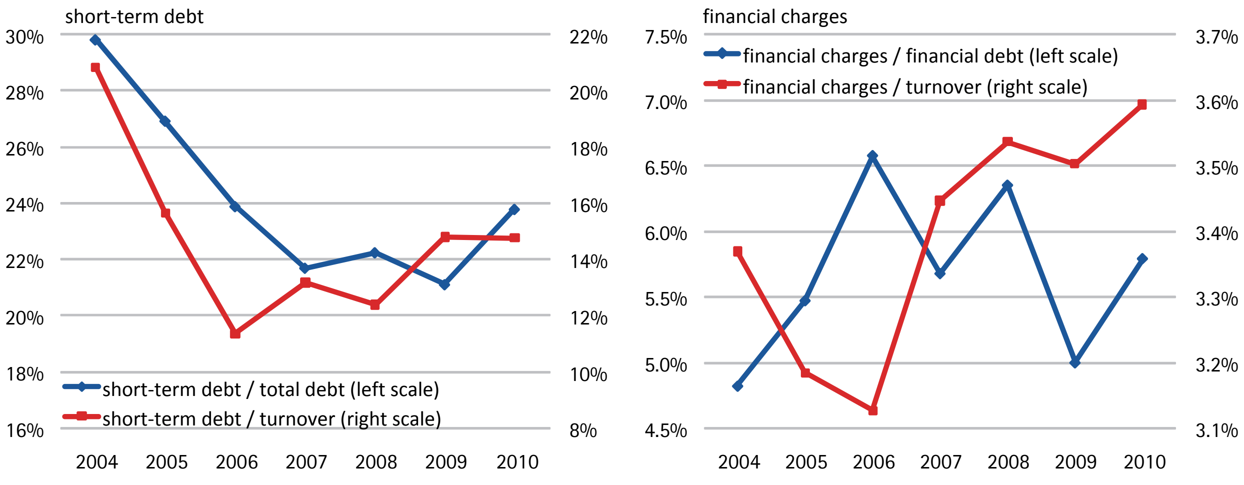
A breakdown of financial debts at June 2010 shows a further increase in the proportion of bonds compared with December 2009 (from 46 to 50 per cent), against a reduction in the proportion of bank debts (from 35 to 31 per cent). The proportion of other financial debts remained stable (approximately 14 per cent) as did the fair value of derivatives with negative market value (a little less than 5 per cent; Fig. 4). Net of cash and cash equivalents, the amount of financial debts increased slightly, going up from 201 to 207 billion euro (+3 per cent approximately; Fig. 5).

Fig. 4 Breakdown of financial debt of major Italian listed non-financial groups



Source: calculations on consolidated and interim financial statements prepared in accordance with IAS/IFRS. See Methodological Notes.

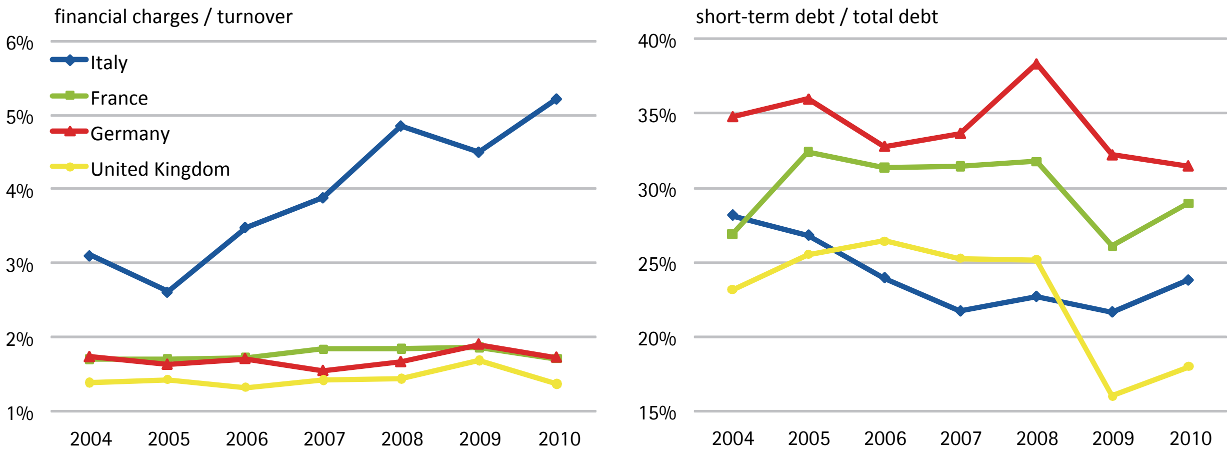
Fig. 5 Proportion of short-term debts and borrowing costs for major Italian listed non-financial groups



Source: calculations based on R&S restated financial statements. The source for 2010 figures was Worldscope. See Methodological Notes.

For large Italian listed companies the proportion of borrowing costs to turnover is much more than that found in the other major European countries. The proportion of short-term indebtedness remains, instead, higher only than that of British companies (Fig. 6).

Fig. 6 Proportion of borrowing costs for major listed non-financial groups in certain EU countries

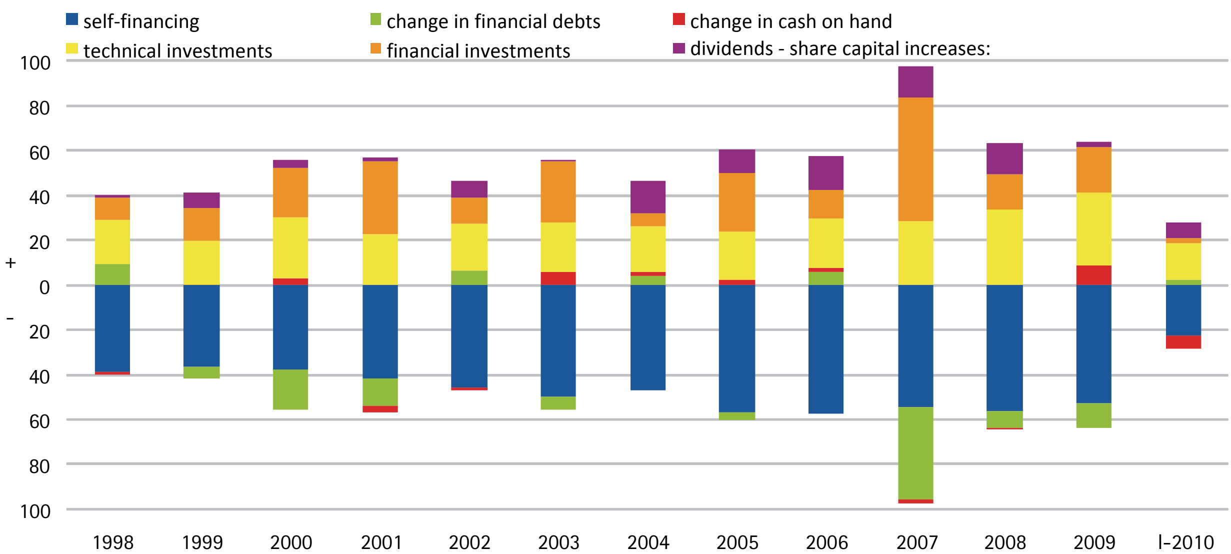


Source: calculations on Worldscope data. For France, Germany and the United Kingdom the figures relate to the top 30 non-financial companies by capitalisation as at March 2011; for Italy the figures refer to the sample of major listed groups indicated in Fig. 1. The 2010 figures are provisional.

In the first half of 2010 self-financing accounted for approximately 80 per cent of the total incoming cash flows of major Italian listed non-financial groups (Fig. 7); dividends distributed net of capital increases amounted to 7.3 billion euro, compared with 2 billion euro in 2009.

The financial resources were used to make technical investments (16 billion euro) and financial investments (approximately 2 billion euro).

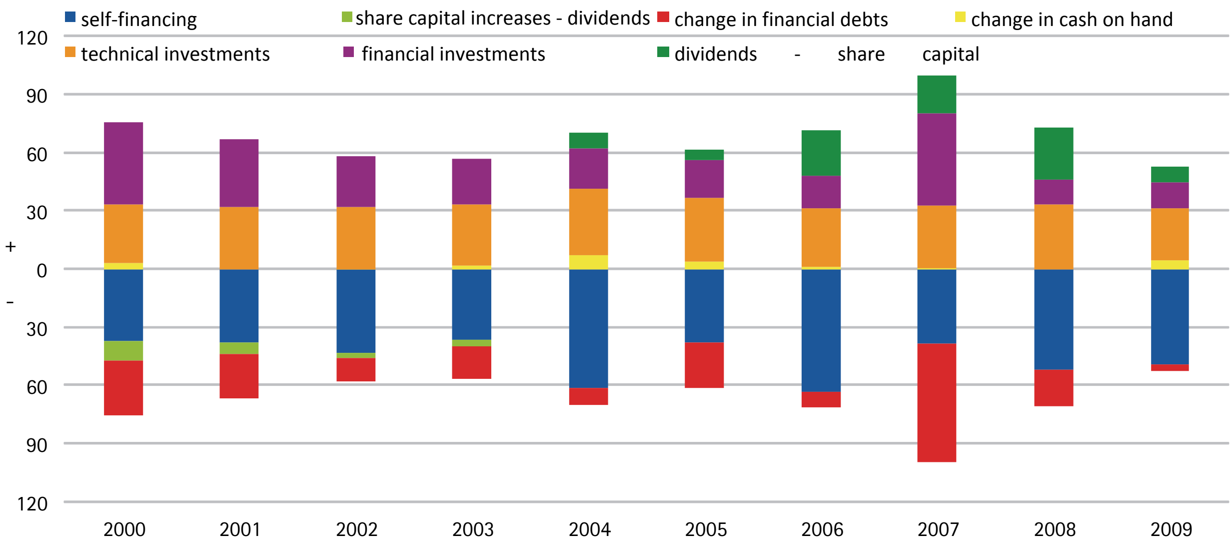
Fig. 7 Uses (+) and sources (-) of financial resources of major Italian listed non-financial groups
(billions of euro)



Source: calculations on financial reports and R&S data. Self-financing is net of investments in net working capital. See Methodological Notes.

In 2009 self-financing was the predominant source of financial resources (approximately 90 per cent of total cash flows) for a sample of approximately 2,000 companies surveyed by Mediobanca, in part coinciding with that of large listed groups. On the side of uses, the amount of technical investments decreased significantly (from 33 to 27 billion euro; approximately -19 per cent), while the amount of financial investments increased, although only slightly (from 12.5 billion euro in 2008 to 13.4 billion euro in 2009; approximately +7 per cent). Financial resources returned to shareholders (dividends net of capital increases) fell sharply (from 27 to 8 billion euro; -70 per cent; Fig. 8).

Fig. 8 Uses (+) and sources (-) of financial resources for large Italian non-financial companies
(billions of euro)



Source: Mediobanca, "*Dati cumulativi di 2.025 società italiane*" (Cumulative data on 2,025 Italian companies), 2010 edition. Self-financing is net of investments in net working capital.

2 Ownership structures and corporate governance of listed companies

The data on ownership structures of Italian listed companies show how the most widespread model is sole control (Table 1). At the end 2010, almost 2 out of 3 companies were in fact de jure or de facto controlled by a single shareholder, holder of the majority of voting rights or capable of exercising dominant influence at ordinary shareholders' meetings. From a comparison in the medium term, it emerges that the proportion in terms of capitalisation of de jure controlled companies has dropped sharply in the last three years compared with 1998, although the numerical proportion of companies characterised by this model of control has not changed to a substantial degree.

The comparison between the data of the last three years and 1998 highlights the growing importance of companies controlled by a coalition, the governance of which is defined by a shareholders' agreement concerning the share capital of the listed or unlisted company that controls it. The proportion of companies controlled by agreements has grown both in terms of number, as their number almost doubled between 1998 and 2010, and of proportion of capitalisation, which went up from 8 to 12 per cent.

For companies with diffused shareholding (not controlled) the time comparison also shows a positive trend; despite the number of such companies increasing only slightly, their proportion of capitalisation grew significantly, rising from 16 per cent in 1998 to 20 per cent in 2010.

The phenomenon of listed cooperatives, instead, shows no significant changes. The 8 cooperatives listed at the end of 2010, all operating in the financial sector, account for less than 4 per cent of market capitalisation.

Overall, the data on ownership structures show the preponderance of centralised models of control, although they reveal a greater diffusion with respect to the past of more open ownership structures (companies controlled by a shareholders' agreement and non-controlled companies), which characterise at the end of 2010 approximately one third of the market.

Table 1 Models of control of Italian companies listed on the Stock Exchange
(situation at 31 December)

	De jure controlled companies		De facto controlled companies		Companies controlled by a shareholders' agreement[2]		Company companies		Non-controlled companies[3]		Total	
	number	proportion[1]	number	proportion[1]	number	proportion[1]	number	proportion[1]	number	proportion[1]	number	proportion[1]
1998	122	31.2	34	40.8	28	8.3	10	3.1	22	16.6	216	100.0
2008	137	17.4	55	48.8	57	13.4	8	5.2	32	15.2	289	100.0
2009	135	16.5	50	38.3	57	15.1	8	4.4	29	25.7	279	100.0
2010	129	20.6	49	43.2	53	12.1	8	3.4	32	20.7	271	100.0

Source: Consob archive on ownership transparency. [1] Percentage ratio between capitalisation of the ordinary share capital of companies referable to each model of control and capitalisation of the ordinary share capital of all companies listed on the Stock Exchange. [2] The following are classified in this category: (i) listed companies, not controlled by a single shareholder, in which as of 31 December there was a shareholders' agreement involving at least 20 per cent of the share capital; (ii) listed companies which are controlled by an unlisted company, not controlled by a single shareholder, in the share capital of which there was, as of 31 December, a shareholders' agreement involving the majority of the share capital. [3] Residual category which includes companies not assimilable to any of the previous models of control.

In line with our observations on models of control, the data on significant shareholdings show high ownership concentration, which has remained substantially stable over the entire period considered (Table 2).

The average equity interest held by the leading shareholder is approximately 45 per cent of the ordinary share capital with voting rights, in line with the figures recorded in the last 3 years and a little less than the figure of 46.7 per cent recorded in 1998.

Table 2 Ownership concentration of Italian companies listed on the Stock Exchange[1]
(situation at 31 December)

	Leading shareholder	Other significant shareholders	Market[2]
1998	46.7	14.1	39.2
2008	45.5	18.3	36.2
2009	45.7	17.0	37.4
2010	44.9	18.0	37.1

Source: Consob archive on ownership transparency. [1] Average interest in ordinary share capital with voting rights of all Italian companies listed on the Stock Exchange. [2] Average interest in ordinary share capital not held by significant shareholders.

In an opposite direction and of a more appreciable intensity is the evolution of the total equity interest held by other significant shareholders, which shows an increase in the last three years with respect to the figures recorded in 1998, going up from 14 to 18 per cent.

Widespread shareholding, measured by the proportion of shareholders holding equity interests of less than the threshold of ownership transparency of 2 per cent, was approximately 37 per cent of share capital in 2010, in line with the figures recorded in the last few years and just less than the figure for 1998.

As regards interests in the share capital of Italian listed companies held by significant institutional investors, the data show a slight increase in the percentage of companies in which these subjects are present, up from 41 per cent in 1998 to 44 per cent in 2010 (Table 3). The average equity interest held seems quite stable over the years considered.

Table 3 Interests in the share capital of significant institutional investors[1]
(situation at 31 December; percentage figures)

	1998	2008	2009	2010
Companies with Italian or foreign institutional investors with significant shareholdings[2]	41	49	51	44
Average interest of significant Italian or foreign institutional investors[3]	7.1	7.2	6.8	7.0
Companies with Italian institutional investors with significant shareholdings[2]	26	14	12	8
Average interest of significant Italian institutional investors[3]	3.9	5.7	4.4	5.1
Companies with foreign institutional investors with significant shareholdings[2]	25	42	44	39
Average interest of significant foreign institutional investors[3]	7.5	6.6	6.6	6.8

Source: Consob archive on ownership transparency. [1] Institutional investors holding at least 2 per cent of the ordinary share capital with voting rights. [2] Ratio between number of companies in which institutional investors hold a significant interest and total Italian listed companies in each of the years considered. [3] Average interest in ordinary share capital held by institutional investors in companies in which they are present.

Dividing institutional investors on the basis of their nationality (Italian or foreign), no uniform figures emerge. In particular, the data show a sharp reduction in the number of companies in which Italian institutional investors are present. In 1998 Italian investors were present in approximately one company out of four, while in 2010 they are present only in 8 per cent of listed companies. However, the average equity interest held in companies in which they invest is growing.

On the contrary, the presence of significant foreign institutional investors in the share capital of listed companies has increased. In 1998 foreign institutional investors were present in one company out of four, while at the end of 2010 companies with at least one significant institutional investor in the share capital were almost 40 per cent of all listed companies. The average equity interest, instead, fell slightly during the period considered, although it has been quite stable in the last three years.

The data on the participation of institutional investors at shareholders' meetings confirm differences of conduct between Italian and foreign investors (Table 4). The average interest of institutional investors that attended shareholders' meetings in 2009 was 3.7 per cent of the share capital represented at the meetings, with an interest pertaining to foreign investors of 3 per cent. The mean figure is instead zero for both categories of institutional investors. On average , 68 shareholders intervened at shareholders' meetings, of which 30 were institutional investors. However, the mean figure for the number of institutional investors, zero, indicates that in more than half of Italian listed companies no institutional investors intervened.

Table 4 Participation at shareholders' meetings of Italian companies listed on the Stock Exchange by institutional investors

		Number of participants		Interest in the share capital represented at shareholders' meetings		
		total	institutional investors	proportion of Italian institutional investors	proportion of foreign institutional investors	proportion of institutional investors
All listed companies	average	68	30	0.7	3.0	3.7
	min	1	0	0.0	0.0	0.0
	max	1,889	689	25.7	67.0	71.5
	mean	15	0	0.0	0.0	0.0
FTSE MIB and Mid Cap	average	167	84	1.0	6.6	7.5
	min	3	0	0.0	0.0	0.0
	max	1,889	689	14.9	67.0	71.5
	mean	51	31	0.0	3.1	3.6

Source: Minutes of the shareholders' meetings for approval of the financial statements held in 2009. Cooperatives are excluded.

Examining larger companies (companies listed on the FTSE MIB and Mid Cap indices), the data show greater activism on the part of institutional investors, in particular those that are foreign. On average institutional investors held 7.50 per cent of the share capital present at the shareholders' meeting, with an interest of 6.55 per cent belonging to foreign investors. The mean figure of the proportion of foreign investors to capital present is 3.10 per cent, while it is zero for Italian institutional investors. As regards the number of participants, the data show that on average 167 shareholders and 84 institutional investors attended the shareholders' meetings of larger companies. The mean figure of the number of institutional investors present is 31.

As regards boards of directors, a correlation can be found between the business segment and the composition of the body (Table 5). Companies working in the financial sector (38 companies with a capitalisation of 36 per cent of the market) have larger boards of directors (with on average 13.53 members) and with a greater presence of independent directors (as defined by the Consolidated Law on Finance and by the Code of Self-Discipline of listed companies) and of minority directors. On the contrary, in industrial companies boards of directors are smaller (the average number of members is 9) and with less representation of both independent directors (on average, 31 per cent of directors are independent according to the definition in the Consolidated Law on Finance; 40 per cent are independent according to the definition in the Code) and minorities (0.44 on average). The services industry is in an intermediate position, with the exception of the figure for the average number of minority directors, which is the same as that of financial companies (0.76). This result can probably be explained considering that among companies belonging to the services industry there are many privatised companies, to which for some time the list voting system has been applicable, as provided for in the law on privatisations.

Table 5 Composition of the boards of directors of Italian companies listed on the Stock Exchange in 2009 in relation to the business segment
(situation at 31 December 2009)

Segment	Number of companies	Proportion[1]	Average number of members of the board of directors	Percentage of independent directors as per Consolidated Law on Finance[2] (average figure)	Percentage of independent directors as per Code of Self-Discipline[3] (average figure)	Average number of minority directors
Financial	38	36	13.53	53	56	0.76
Holdings	22	2	10.50	44	47	0.59
Industrial	155	38	9.05	31	40	0.44
Services	63	25	9.71	37	48	0.76
Total	278	100	9.93	37	44	0.57

Source: Corporate governance reports of listed companies. [1] Percentage ratio between capitalisation of the ordinary share capital of companies belonging to each segment and capitalisation of the ordinary share capital of all companies listed on the Stock Exchange. [2] Reference is made to the definition of independence as per Art. 148, sect. 3, of the Consolidated Law on Finance. [3] Reference is made to the definition of independence of the Code of Self-Discipline of listed companies, application criterion 3.C.1.

As regards the remuneration paid by listed companies to chief executive officers, there was a reduction in fees during the three years 2007-2009 of approximately 27 per cent (Table 6). The declining trend involves all items of remuneration, with the exclusion of non-monetary benefits, and is particularly evident for the items "Bonuses and other incentives" and "Other fees" (which fell, respectively, by approximately 48 per cent and 38 per cent). In all the years analysed, the most significant items are "Emoluments for the office" and "Other fees", which account on average, respectively, for 43 per cent and 33 per cent of all remuneration.

Table 6 Fees paid to chief executive officers of a sample of Italian companies listed on the Stock Exchange[1]
(monetary amounts in millions of euro)

	Emoluments for the office		Non-monetary benefits		Bonuses and other incentives		Other remuneration		Total remuneration	
	total[2]	proportion[3]	total[2]	proportion[3]	total[2]	proportion[3]	total[2]	proportion[3]	total[2]	proportion[3]
2007	134.8	39	2.8	1	87.3	25	123.9	35	349.7	100
2008	128.9	43	5.3	2	65.9	22	99.6	33	299.6	100
2009	129.2	51	3.6	1	45.6	18	77.1	30	255.4	100

Source: Information provided by issuers in the notes to the financial statements under the terms of Art. 78 of the Issuers Regulations, using the specific forms provided for in the Annex to Regulation 3C. [1] There were 267 companies in 2007, 263 in 2008, 258 in 2009. When companies have no chief executive officer, reference was made to subjects who, by virtue of the powers conferred, carry out similar tasks to those of the chief executive officer. [2] Sum of remuneration paid. [3] Percentage calculated with respect to total remuneration paid in the year.

As in the past, the phenomenon of interlocking continues to characterise the structure of boards of directors of listed companies (Table 7). Approximately 74 per cent of listed companies have a board made up of at least one member who holds positions in other listed companies. The phenomenon of interlocking is particularly significant in 45 companies, where more than 50 per cent of board members hold positions in other listed companies. Among financial companies, only 12 per cent are not affected by the phenomenon of interlocking, while, among non-financial companies, this proportion rises to 29 per cent.

Table 7 Companies listed on the Stock Exchange affected by interlocking[1]

Proportion of members of board of directors with more than one position	Non-financial companies		Financial companies	
	number	proportion[2]	number	proportion[2]
< 25%	60	27	18	37
from 25 to 50%	63	28	16	33
from 50 to 75%	30	13	8	16
> 75%	6	3	1	2
Total	159	71	43	88

Source: Consob. [1] Data relating to all companies listed on the Stock Exchange at 31 December 2010. [2] Percentage of total capitalisation of the segment.

As regards administration and control systems adopted by Italian companies listed on the Stock Exchange, there is a clear predominance of the traditional model, adopted by 261 companies out of 271, followed by the two-tier model, adopted by 7 companies, and by the one-tier model, a system implemented in only 3 listed companies (Table 8).

Table 8 Models of administration and control of Italian companies listed on the Stock Exchange
(situation at 31 December 2010)

Model	Number of companies	Proportion[1]
Traditional	261	91.7
Two-tier	7	8.2
One-tier	3	0.1
Total	271	100.0

Source: Consob. [1] Percentage ratio between capitalisation of the ordinary share capital of companies belonging to each model and capitalisation of the ordinary share capital of all Italian companies listed on the Stock Exchange.

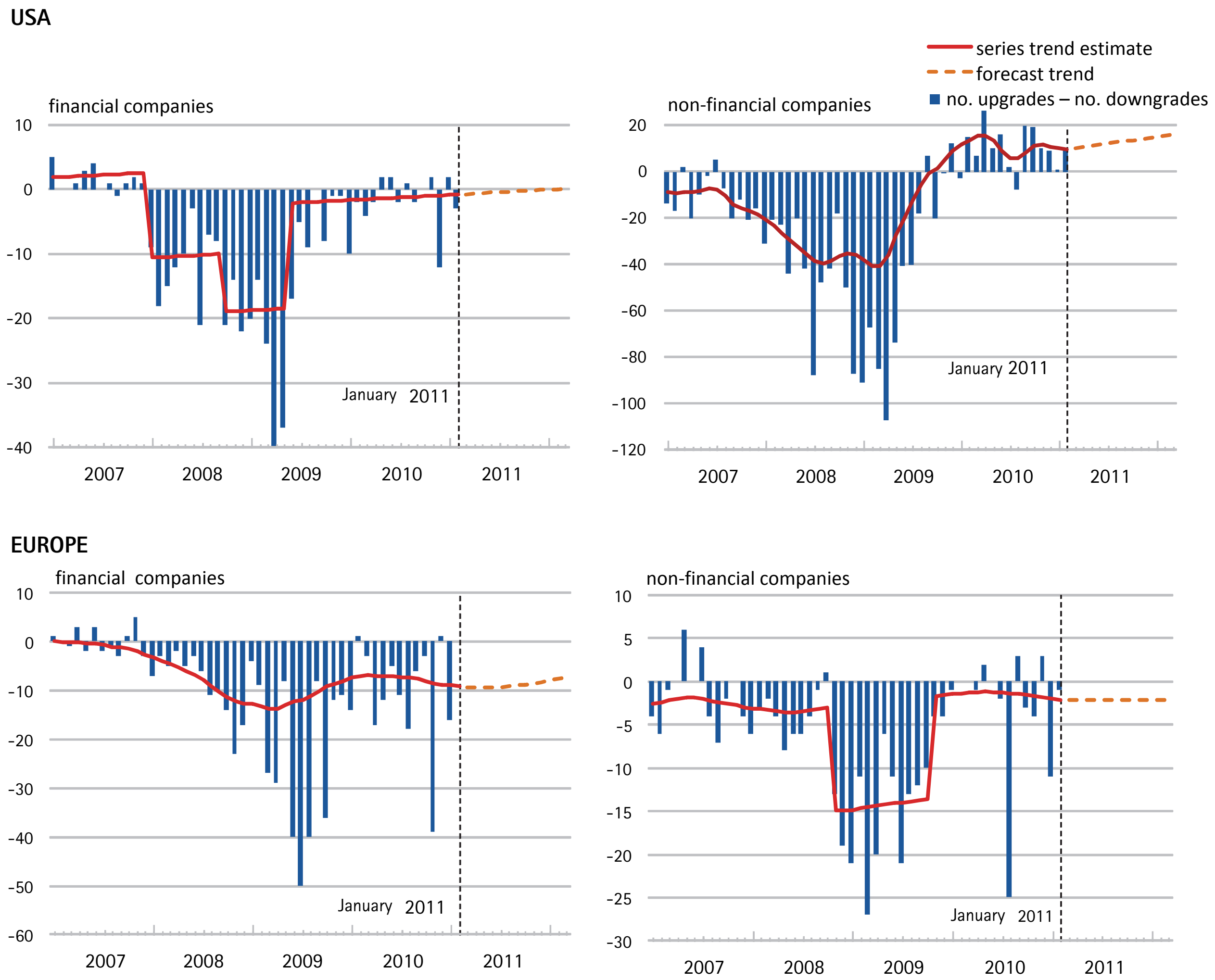
3 Credit quality

The different credit quality indicators (revisions of ratings, insolvency rates, CDS prices and probability of default estimates) show a generally positive development of the situation of companies in 2010, above all in the corporate sector.

As regards rating actions, there was a tendency towards a reduction in the difference between the number of downgrades and the number of upgrades of ratings (Fig. 9).

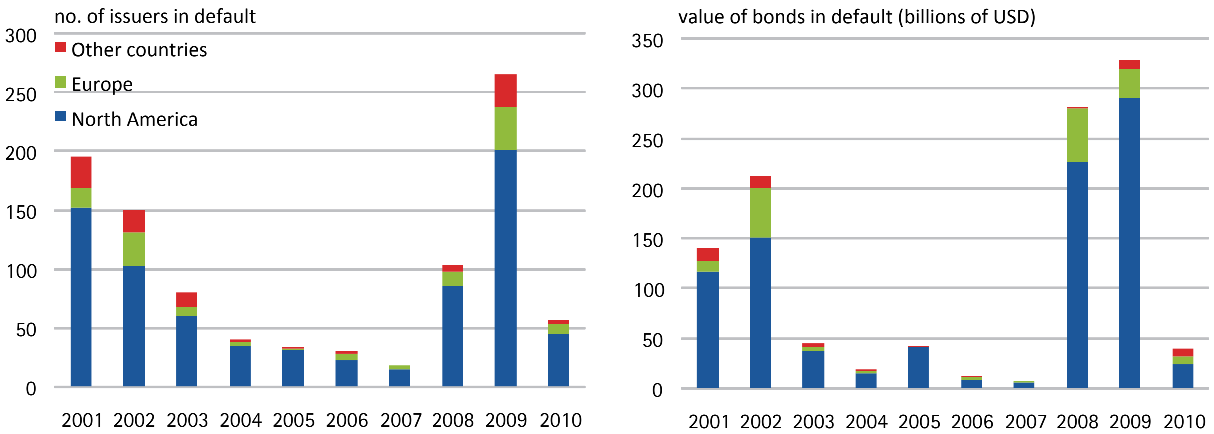
In keeping with the favourable development of data on rating revisions, the number of bonds classified in default has fallen drastically, down from 265 in 2009 to 57 in 2010. Consequently, the value of bonds in default fell sharply, down from 329 to 39 billion US dollars (approximately -88 per cent; Fig. 10).

Fig. 9 Difference between upgrades and downgrades
(monthly data; December 2006 - January 2011)



Source: calculations on Moody's data. The long-term component is estimated using non-parametric historical series analysis methods.

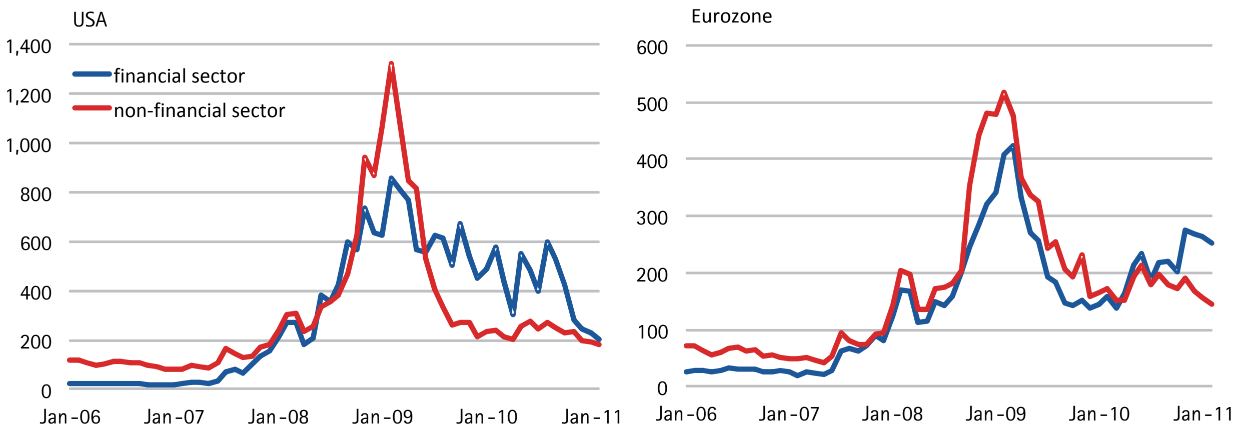
Fig. 10 Corporate bonds in default by geographic area



Source: Moody's.

There has also been a downward trend in the cost of protection against the risk of insolvency. The prices of credit default swaps (CDS) declined above all in the USA, although they settled at higher levels than those recorded before the Lehman crisis (Fig. 11).

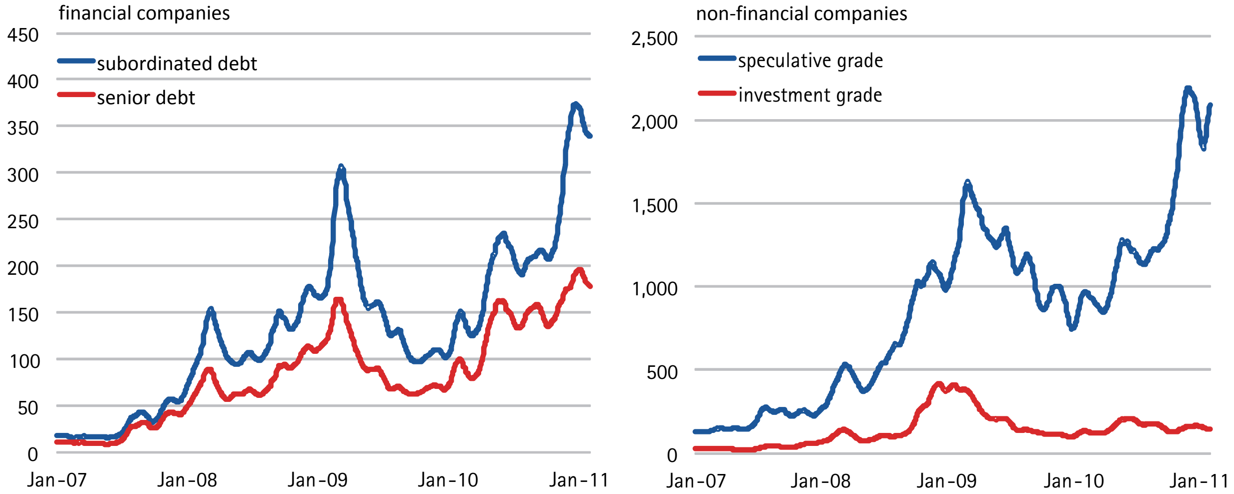
Fig. 11 Credit default swap prices for 5-year contracts on listed issuers
(basis points; monthly data from January 2006 to February 2011)



Source: calculations on Thomson Reuters data. Data are calculated on the average Datastream sector benchmarks for 5-year credit default swaps. For example, a price listed at 100 basis points indicates that the contract buyer (i.e. the purchaser of credit risk protection) pays an annual protection fee to the seller of 1% of the nominal value of the underlying bond or credit.

In Italy the prices of CDSs relating to the major listed banks rose significantly (above all on subordinated debt) as did those on the speculative debt of the corporate sector (Fig. 12).

Fig. 12 Credit default swap prices for contracts with 5-year maturity on Italian listed issuers
(basis points; daily data from 24/01/2007 to 28/02/2011)

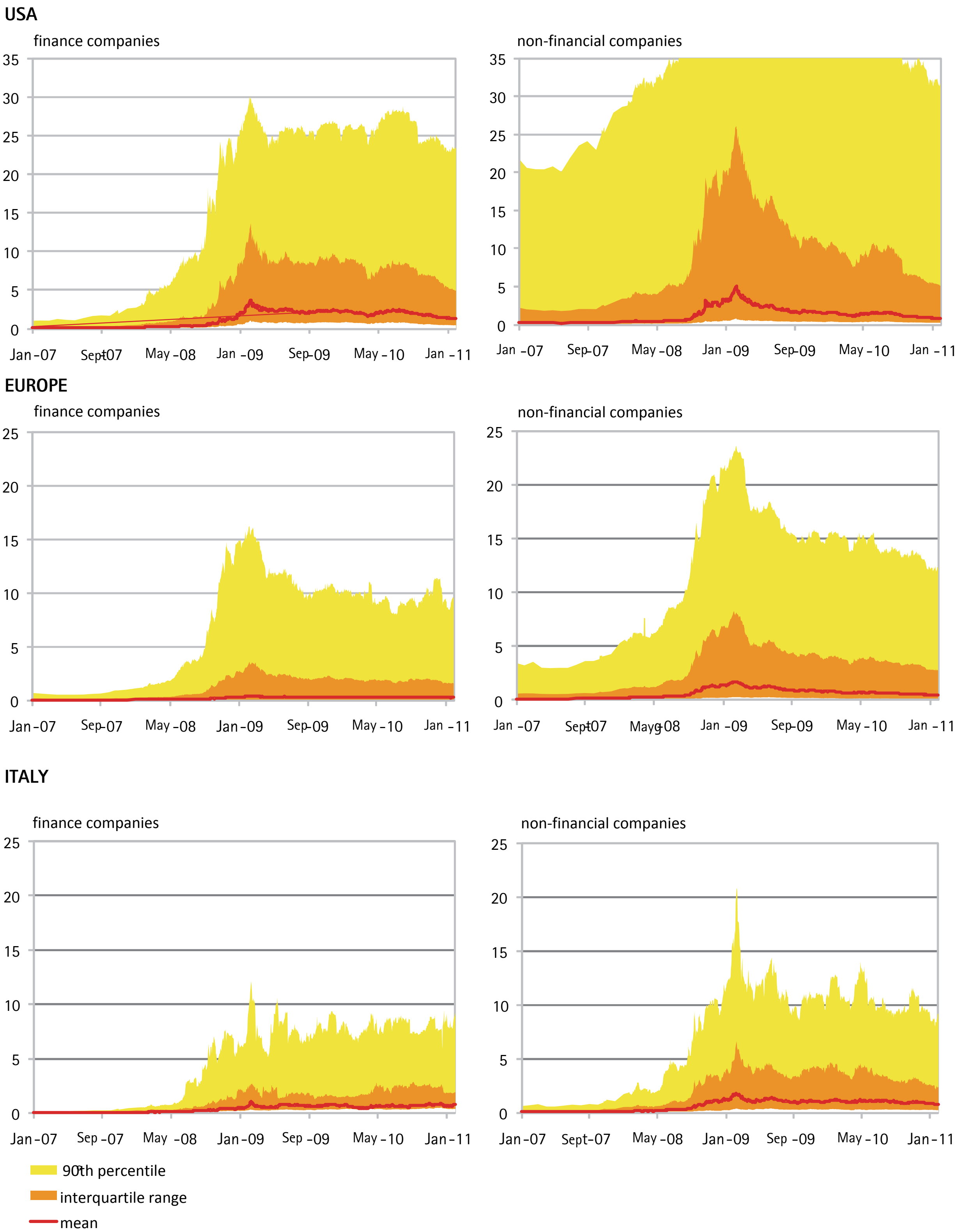


Source: calculations on Thomson Reuters data (mobile average of 20 days). For non-financial companies data are calculated as the average of daily credit default swap prices for companies with the same rating, whilst for banks data consist of the average of daily prices for the major banking groups. For example, a price listed at 100 basis points indicates that the contract buyer (i.e. the purchaser of credit risk protection) pays an annual protection fee to the seller of 1% of the nominal value of the underlying bond or credit.

The probabilities of default, estimated using analytical models to assess the risk of insolvency, have declined gradually in the USA and, to a lesser extent, in Europe (Fig. 13).

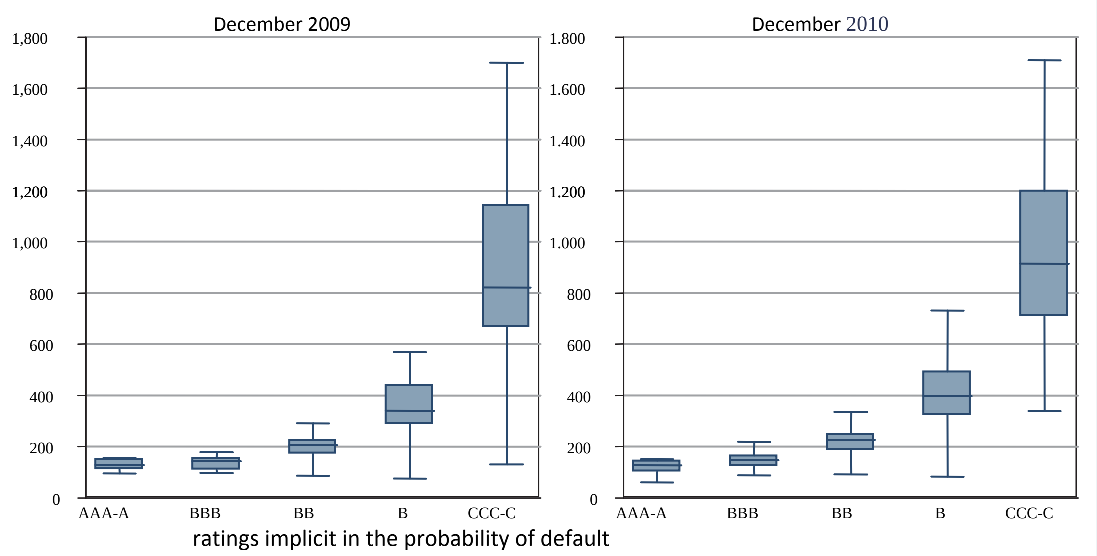
During 2010 the theoretical prices of credit default swaps for the corporate listed companies, estimated by Moody's on the basis of analytical models for the assessment of the risk of insolvency, saw no significant changes. The mean of prices of companies belonging to the riskiest credit category (rating equivalent to C-CCC) reached approximately 900 basis points at December 2010 (compared with just over 800 basis points at December 2009; Fig. 14).

Fig. 13 Distribution of probability of default of listed companies
(percentages; daily data from 31/01/2007 to 28/02/2011)



Source: Moody's KMV - Credit Edge.

Fig. 14 Theoretical prices of 5-year credit default swap contracts for Italian listed non-financial companies
(basis points)



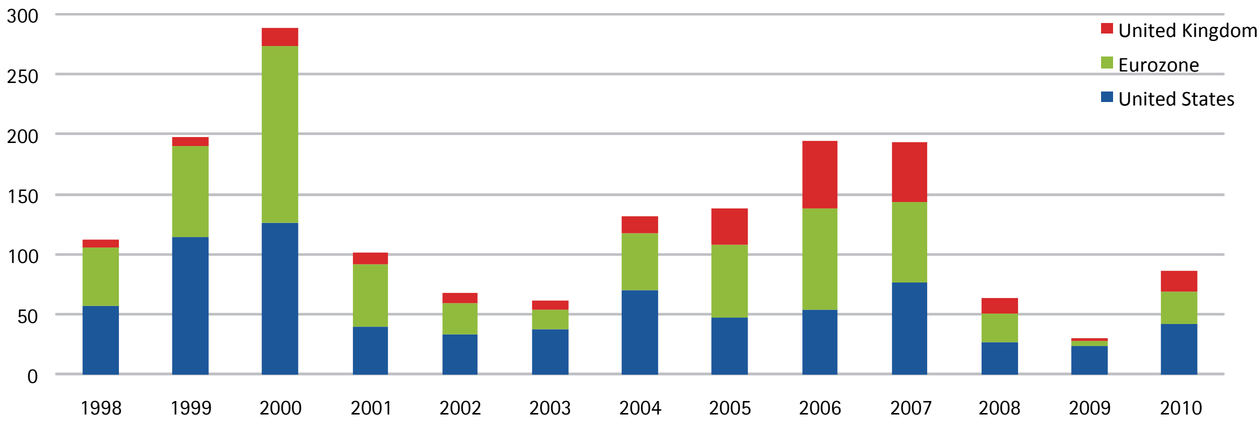
Source: calculations on Moody's KMV-Credit Edge data. Probability of default is estimated using the credit risk assessment model developed by Moody's KMV and the implicit rating is allocated to companies on the basis of the probability of default estimated by the model. The chart shows the distribution of prices by credit class group. Specifically, the horizontal line in the box frame 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 frame indicate the range of values for each spread.

4 Equity issues and admissions to listing

In 2010 there was a significant recovery in the flows of new listings on equity markets in the advanced countries. The total amount of resources collected by newly-listed companies almost tripled rising from 30 to approximately 86 billion dollars. In particular, in the USA the amount of resources collected grew from 24 to 42 billion dollars (+77 per cent); the increase in the collection of risk capital of newly-listed companies in the euro area (from 4 to 26 billion dollars) in the United Kingdom (from 2 to 18 billion dollars; Fig. 15).

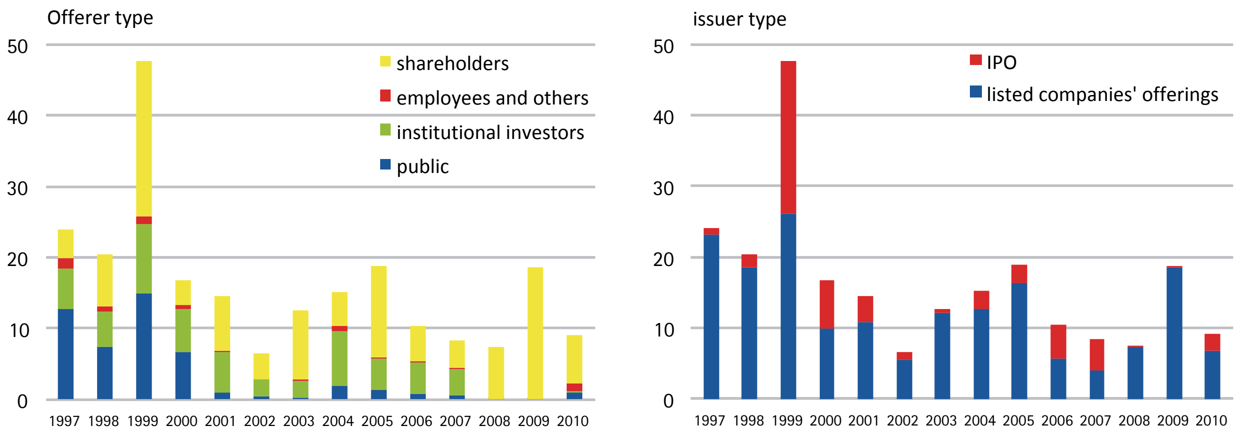
In Italy, total placings of shares (issue of new shares and offers of shares already in issue) fell by approximately 51 per cent (from 18.7 billion euro in 2009 to 9.1 billion euro in 2010), owing mainly to the sharp reduction in offerings of shares of already-listed companies (from 18.6 to 6.8 billion euro; -63 per cent); the amount of risk capital collected through IPOs increased instead considerably, going up from 0.2 to 2.3 billion euro (Fig. 16), almost exclusively, however, thanks to offerings of shares already in issue (Fig. 17).

Fig. 15 Funding of companies newly listed on the stock exchanges of major industrialised countries
(billions of US dollars)



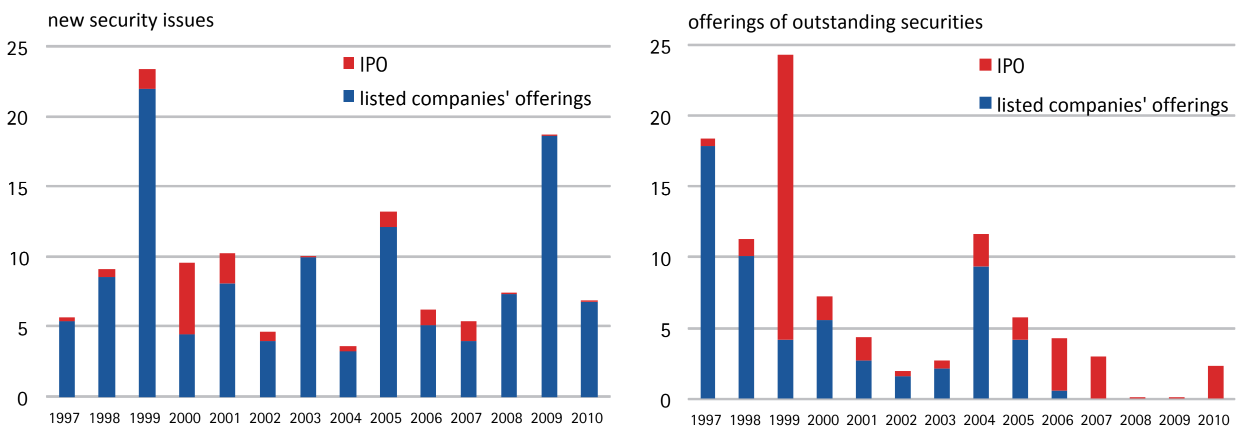
Source: calculations on World Federation of Stock Exchanges data. The US figures refer to NYSE and NASDAQ listed companies.

Fig. 16 Total placements of shares and convertible bonds of Italian listed companies
(issues of new securities and existing security offerings; in billions of euro)



Source: Consob and Borsa Italiana.

Fig. 17 Types of offerings of shares and convertible bonds of Italian listed companies
(billions of euro)



Source: Consob and Borsa Italiana.

During 2010 8 companies were admitted to trading on markets managed by Borsa Italiana, of which 2 were on the MTA and 6 on Aim Italia (Table 9). The total capitalisation of issuers before offerings was more than 8 billion euro, almost a third attributable, however, to the Enel Green Power operation (approximately 2.6 billion euro).

Table 9 Initial public offerings by Italian companies[1]
(monetary amounts in millions of euro)

	Number Company	Capitalisation before offerings[2]	Amount offering			Proportion of post-offering capitalisation[3]
			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
2008	6	268	128	6	134	33.9
2009	4	335	51	93	144	36.7
2010[4]	8	8,229	46	2,630	2,676	32.3

Source: Consob and Borsa Italiana SpA. See Methodological Notes. [1] Starting in 2009 the figure includes offerings for the purpose of admission to trading on Aim Italia. [2] Capitalisation of companies admitted to listing, calculated on the basis of the public offering price and the pre-offering number of shares. [3] In relation to post-listing capitalisation, measured at the public offering price. Percentages, 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. [4] The data include the tranche of the Enel Green Power offering reserved for the general public and for employees in Spain (approximately 71 million euro).

There was a reduction in the presence of institutional investors in the share capital of companies which requested admission to listing in 2010 (Table 10).

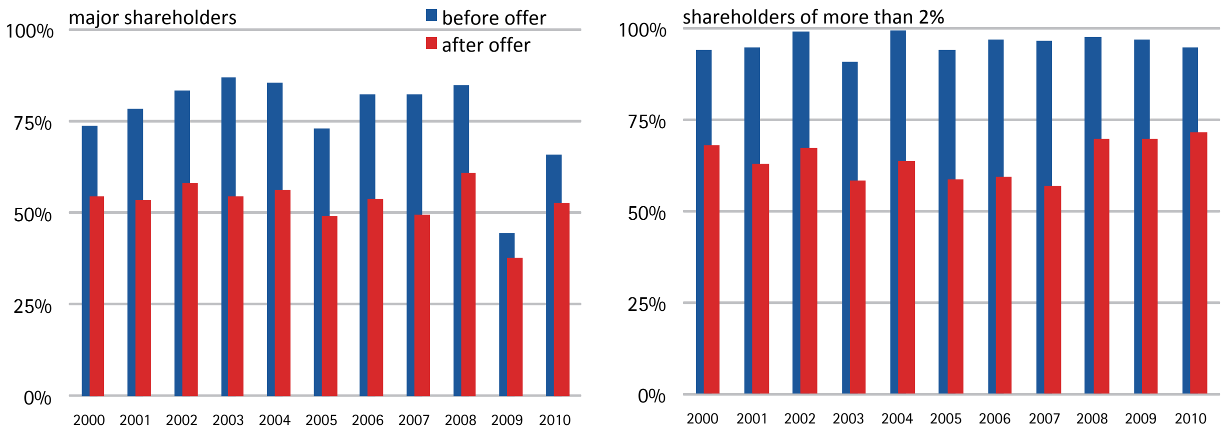
The ownership structure of newly-listed companies shows greater concentration compared with the figures for 2009. The average interest of the leading shareholder was approximately 66 per cent before offerings (compared with 44.5 per cent in 2009) and approximately 53 per cent after placings (compared with 37.5 per cent in 2009). The average interest of shareholders holding more than 2 per cent of voting rights remains stable, coming out at 94.7 per cent before offerings and at 71.4 after placings (Fig. 18).

Table 10 Institutional investors' shareholdings in newly-listed Italian companies[1]

	Company		Average number institutional investors[4]	Average interest before offerings[5]	Average interest after offerings[6]
	number[2]	proportion 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
2008	3	50.0	2.7	58.6	32.9
2009	2	50.0	5.5	49.4	25.7
2010	2	25.0	1.5	17.0	13.3

Source: Consob and Borsa Italiana. 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 investor category among its shareholders, taking into account both direct investments and those in companies controlling the issuer. Starting in 2009 the figure includes offerings for the purpose of admission to trading on Aim Italia. [2] Number of companies listed during the year, in which institutional investors held an interest at the offering date. [3] Percentage of all companies newly listed during the year. [4] Average number of institutional investors holding an equity interest at the offering date. [5] Average percentage interest in the share capital held by institutional investors at the offering date. [6] Average percentage interest in the share capital held by institutional investors immediately after the public offering.

Fig. 18 Ownership structure of newly-listed Italian companies
(percentages of share capital with voting rights; average values)



Source: Consob and Borsa Italiana SpA. Starting in 2009 the figure includes offerings for the purpose of admission to trading on Aim Italia. See Methodological Notes.

The proportion of shares of newly-listed companies assigned to the public was much higher than in the past (almost 76 per cent, compared with 7 per cent in 2009; Table 11); this figure is however affected by the outcome of the Enel Green Power offering.

The demand/supply ratio for the two placings on the MTA remained stable for the public tranche (at 1.0), whilst it fell for the institutional tranche (from 4.0 in 2009 to 1.4 in 2010).

In 2010 only one newly-listed company had a borrowing relationship with intermediaries that had a role in the admission to listing. The financial exposure consisted of the use of a credit facility of 9.3 per cent of the gross financial debt (Table 12).

Table 11 Italian companies admitted to listing: results of the offerings[1]

	Portion assigned[2]				Demand/supply ratio[3]	
	public	Italian institutional investors	foreign institutional investors	other subjects[4]	public offering	public 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[5]	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[6]	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
2008	11.8	38.5	31.9	17.8	1.0	1.1
2009	7.0	31.5	56.8	4.8	1.0	4.0
2010[7]	75.8	12.5	11.7	--	1.0	1.4

Source: Consob and Borsa Italiana SpA. See Methodological Notes. [1] Averages weighted according to values of offerings; percentages. Rounding may cause discrepancies in the final figure. Figures do not include eni in 1995, Enel in 1999, Snam Rete Gas in 2001 or Terna in 2004. Starting in 2009 the figure includes offerings for the purpose of admission to trading on Aim Italia. [2] In relation to assignment to institutional investors, in cases in which the distribution between Italian and foreign investors is not known, the figure shown is an estimate. [3] The supply-demand ratio averages are based only on offerings for which both the public and institutional figures are known. [4] These are named parties to which a certain amount of shares is reserved, also as a result of agreements reached prior to listing. [5] The remainder (0.1%) was taken up by the underwriting syndicate for the placement of Cairo Communication shares. [6] The remainder (0.1%) was taken up by the underwriting syndicate for the placement of Trevisan shares. [7] The data include the tranche of the Enel Green Power offering reserved for the general public and for employees in Spain.

Table 12 Credit and equity relationships between Italian newly-listed companies and IPO placement agents[1]

	Companies with credit relationships with sponsors or placement agents			Companies with shareholding relationships with sponsors or placement agents		
	number of companies	% of total admissions to listing[2]	average share of lending provided by sponsors or placement agents[3]	number of companies	% of total admissions to listing[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
2008	1	16.7	49.4	--	--	--
2009	1	25.0	18.0	1	25.0	6.9
2010	1	12.5	9.3	--	--	--

Source: calculations based on data from statements by sponsors and prospectuses. See Methodological Notes. [1] Credit and equity relationships as of the public offering date existing between companies admitted to listing and the sponsor, specialist, global coordinator, lead manager of the public offering, nomad or other intermediaries belonging to the same group as the above. Starting in 2009 the figure includes offerings for the purpose of admission to trading on Aim Italia. [2] Percentages. [3] As a percentage of total financial debt. [4] As a percentage of the pre-offering share capital.

In 2010, 2 companies were admitted to trading on the MAC with higher pre-offering capitalisation than that of companies admitted in previous years (approximately 125 million euro compared with 8, 73 and 82 million euro, respectively, in 2009, 2008 and 2007; Table 13).

Table 13 IPOs for admission to listing on the alternative capital market (MAC)
(monetary amounts in millions of euro)

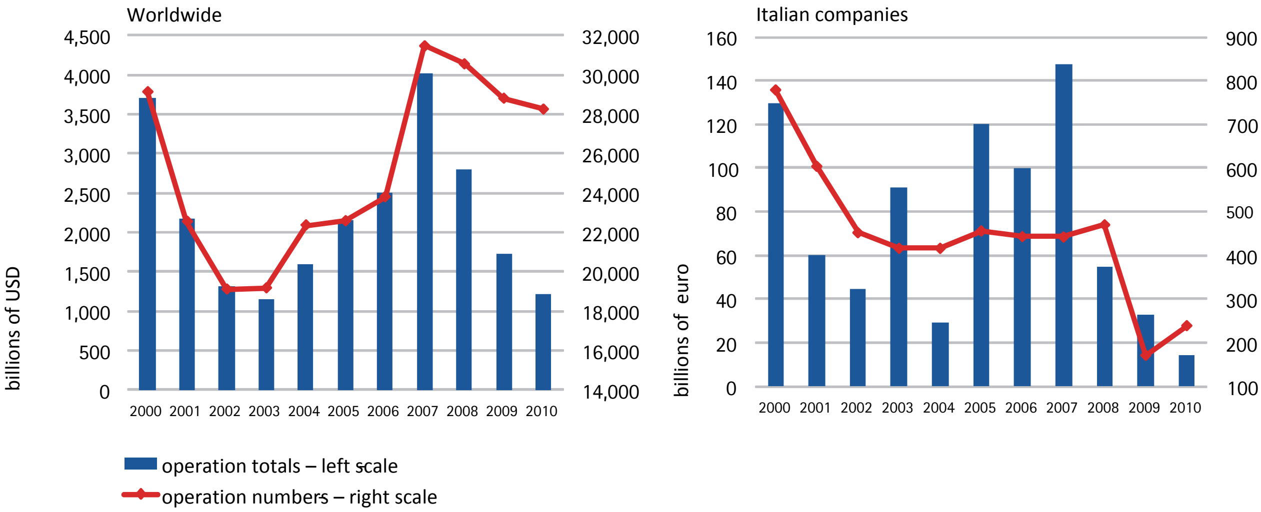
	Number Company	Pre-offering capitalisation[1]	Amount offering			Proportion of capitalisation after offerings[2]	Controlling shareholder's interest after offerings[3]
			subscription	Sale	total		
2007	3	82.2	12.9	7.4	20.3	21.3	59.5
2008	2	72.6	18.7	--	18.7	20.5	77.3
2009	1	7.9	0.3	--	0.3	3.7	87.7
2010	2	125.2	0.4	6.0	6.4	5.1	46.7

Source: Borsa Italiana Spa. [1] Capitalisation of companies admitted to trading, calculated on the basis of the public offering price and the pre-offering number of shares. [2] Proportion of post-offering capitalisation, measured at the offering price. Percentages, weighted for the sum total of the public offerings. [3] Simple average percentage.

5 Mergers and acquisitions

During 2010 the negative trend of the market for mergers and acquisitions continued, with the total amount at a global level down by approximately 30 per cent (from 1,730 billion US dollars in 2009 to 1,219 in 2010; Fig. 19). The number of operations fell, however, less sharply (from 28,807 operations in 2009 to 28,256 operations in 2010; approximately -2 per cent).

Fig. 19 Mergers and acquisitions

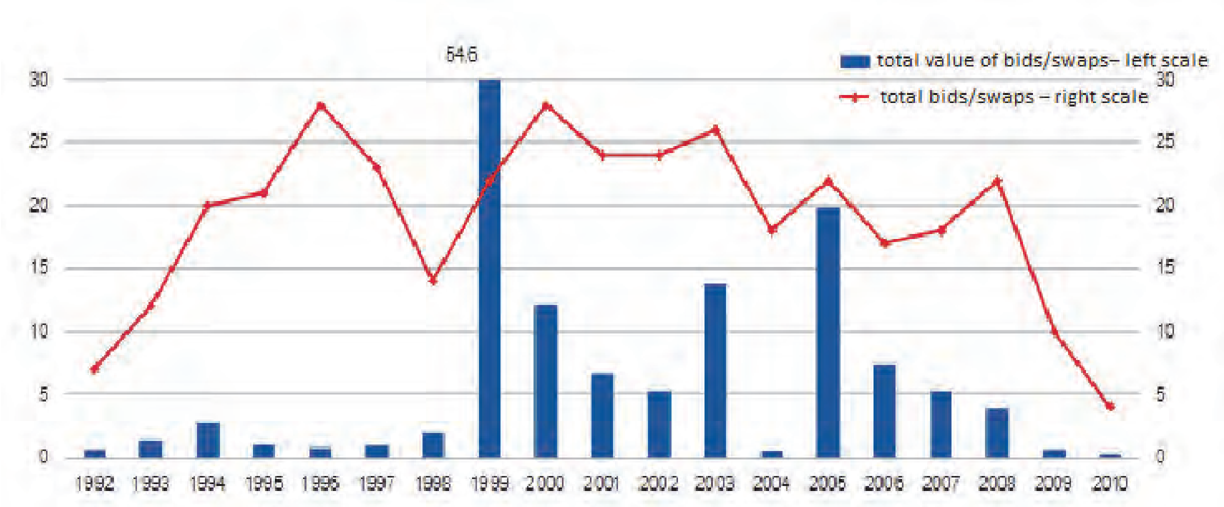


Source: KPMG and Thomson Reuters.

In Italy the drop in the market for mergers and acquisitions was even sharper than it was at the global level: the value of operations decreased, in fact, by approximately 56 per cent (from 33 to 15 billion euro), while the number of operations, which in 2009 had been 172 (record low in the last 20 years), rose back to 240, corresponding to an increase of approximately 40 per cent.

During 2010, public purchase and exchange offers (takeover bids) showed a sharp drop compared with 2009. The total amount of takeover bids, 276 million euro, and the total number of bids, 4, were the lowest since 1992 (Fig. 20).

Fig. 20 Takeover bids and/or share swaps of Italian listed companies
(billions of euro)

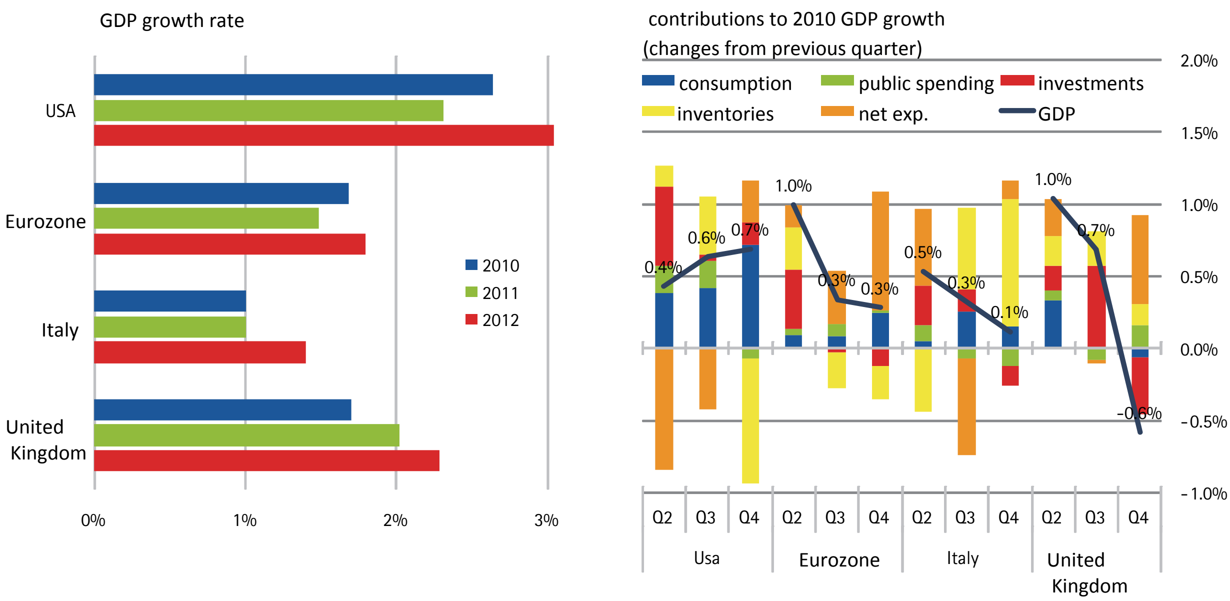


Source: calculations based on Borsa Italiana data and offer documents. Share swap prices are valued at the market prices for the day preceding announcement of the bid.

1 The economic situation and equity markets

In the last months of 2010, economic growth remained strong in the major emerging economies and in the United States, whilst there was a slowdown in the Eurozone countries and in the United Kingdom (Fig. 21).

Fig. 21 Economic growth in the major advanced countries



Source: Calculations based on IMF and Thomson Reuters data.

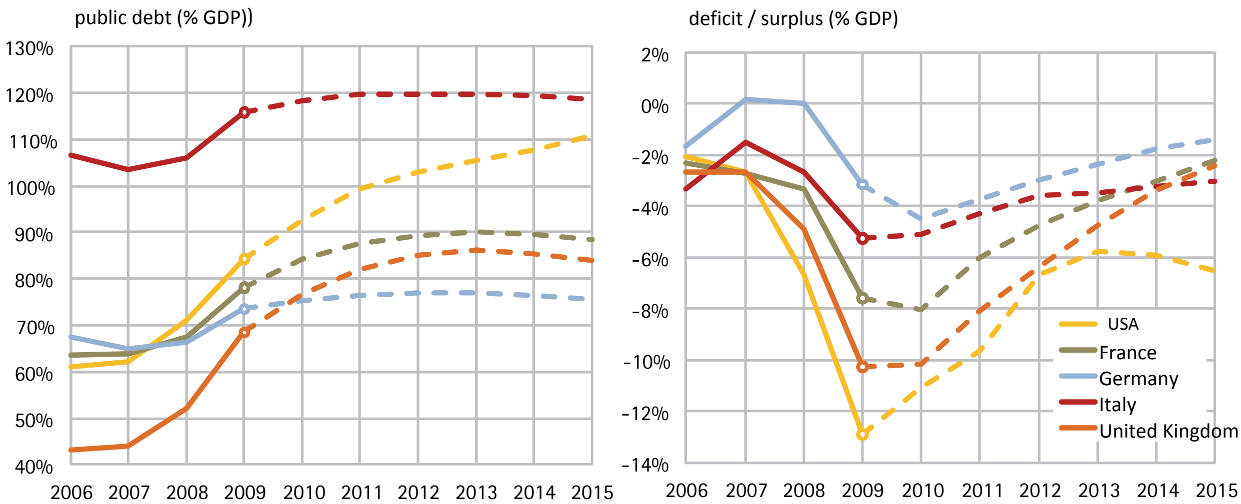
The forecasts for 2011 and 2012, however, indicate a substantially favourable situation. The major international organisations forecast for 2011 growth of almost 2 per cent for the USA and the United Kingdom, while for the euro area as a whole GDP should grow more modestly, but with a sharp increase in growth differences between core countries and peripheral countries.

The growth forecasts remain marked, however, by strong elements of uncertainty associated with the evolution of a number of risk factors which could potentially have systemic effects on financial stability and the real economy.

The most significant risk element is associated with trends in fiscal policies and with the impact on domestic demand of the corrective measures necessary to guarantee stabilisation of the parameters of public finance in all major advanced countries.

The considerable budget deficits accumulated in 2010 determine further growth in the debt/GDP ratio, which, in 2011, could reach 100 per cent in the USA and exceed 80 per cent in France and the United Kingdom (Fig. 22). The corrective measures planned should begin to reduce the trend in the deficit/GDP ratio starting in 2011, but the debt/GDP ratio is likely to continue to grow at least until 2012 in the major advanced countries, because drastic action for fiscal consolidation (tax increases and public spending cuts) does not seem feasible in the short term, without the risk of compromising the prospects for recovery. The situation is, however, very much more delicate and difficult to manage in certain peripheral Eurozone countries, which are now having significant problems with the sustainability of public debt. The difficulties of access to the market to refinance maturing debt could increase the expectations for restructuring operations and have contagious effects with negative repercussions on the stability of the financial system as a whole.

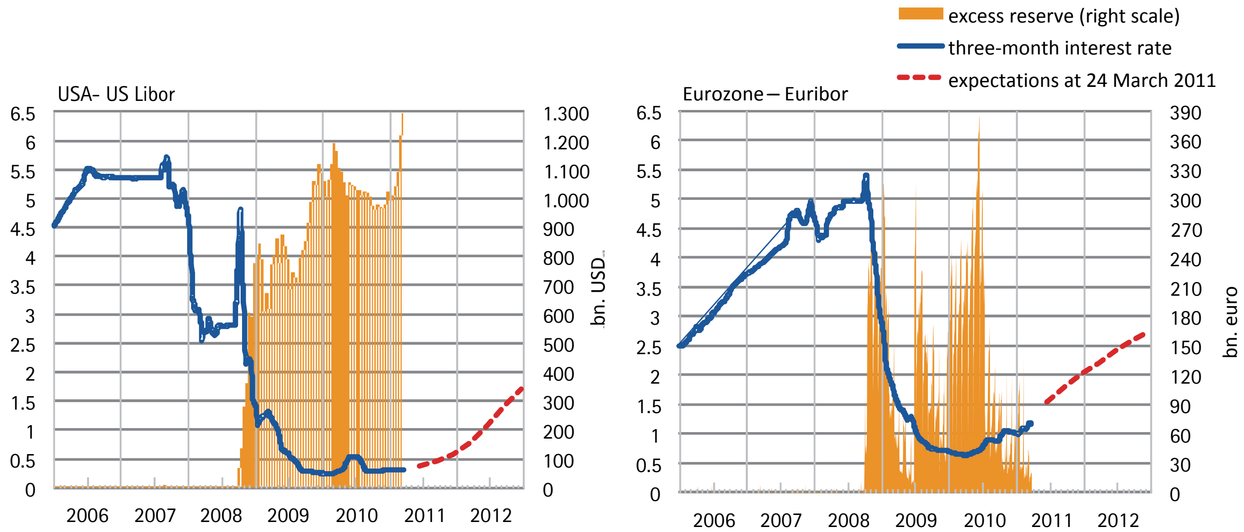
Fig. 22 Deficit and public debt in the advanced countries



Source: IMF

In Europe, the expectations of growth in interest rates could, moreover, slow down the recovery and have a negative effect on the public accounts (Fig. 23). The prospect of an increase in interest rates by the ECB was reflected in the currency market, where, with expectations of stable US interest rates, the euro rose.

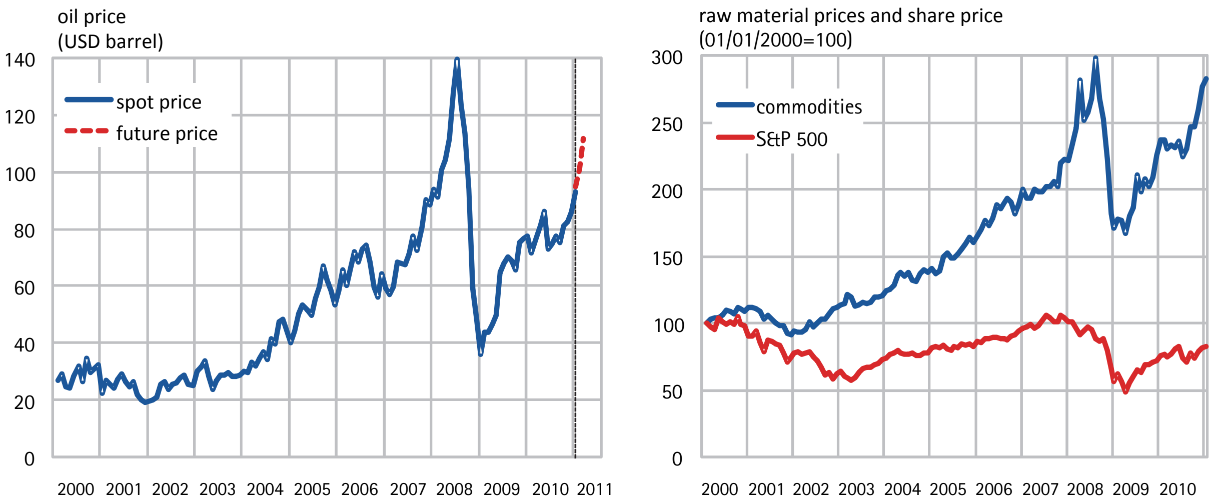
Fig. 23 Three-month interest rates and reserves in excess at central banks



Source: Thomson Reuters. The expectations on interest rates are estimated on the basis of futures

Another risk factor for systemic stability and a solid recovery is the possibility of a brusque downward correction of raw material prices, after the sharp recovery in prices that began at the beginning of 2009 (Fig. 24).

Fig. 24 Oil and raw material prices



Source: Calculations on Thomson Reuters data.

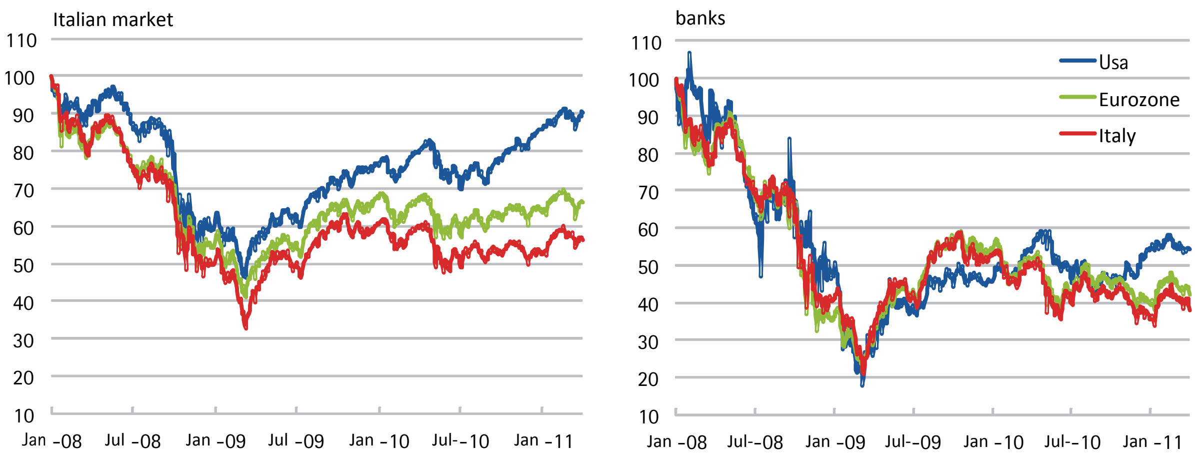
Raw material prices grew significantly also during 2010 and the factors underlying this trend are of various kinds. On the one hand are the management of energy production of producer countries and the political turbulence which involved a number of producer countries around the Mediterranean; on the other is the considerable increase in demand from emerging countries (in particular China and India). Speculation on the derivatives markets and the growing correlation between volatility of oil prices and of other goods combine to drive the price rises. It is not clear, however, whether the great volatility of commodity prices is due more to financial factors or to the trend in the balance between supply and demand.

In the advanced countries the impact of rising raw material prices on inflation seems limited, because the expectations remain anchored downwards and the high levels of unemployment put a brake on the growth of nominal wages. The impact of the increase in oil prices could, instead, be significant in the emerging countries, where growth rates are higher, and in particular in China, where actions on the currency markets limit the appreciation of the local currency, raising inflation.

The different growth prospects in the advanced countries have contributed to determining discrepancies also in equity market trends. In fact, the S&P500 (referring to the major companies of the US market) grew by approximately 13 per cent in 2010, while the DJ Euro Stoxx (relating to the major companies listed in the Eurozone) fell by around 6 per cent. The drop in the equity index in Italy was even sharper (-13 per cent; Fig. 25).

In the banking sector, the discrepancy in equity price trends, between the United States and the Eurozone was even more significant. In 2010, the equity index of banks grew by 19 per cent in the USA, while it fell by 27 per cent in the Euro area and by 32 per cent in Italy.

Fig. 25 Share price performance in the major advanced markets
(daily data from 01/01/2008 to 31/03/2011; 01/01/2008=100)



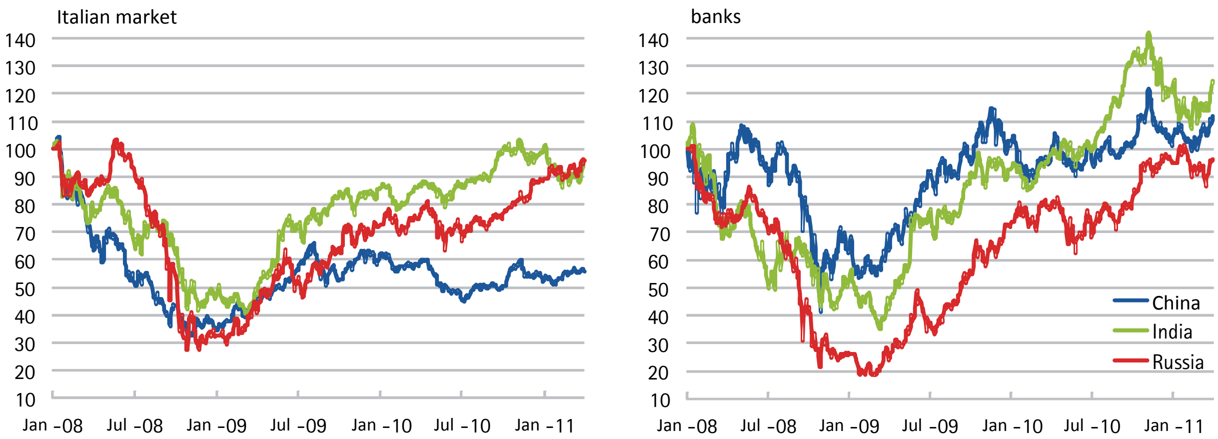
Source: Thomson Reuters.

In 2010 the process of growth of share prices in the emerging countries came to a halt, owing in part to the worsening of the economic situation following the increase in raw material prices.

In China the rate of share price growth became negative (-14 per cent). Equity indices increased, instead, in India (+17 per cent) and in Russia (+23 per cent), although at a lower growth rate than in 2009 (79 per cent and 77 per cent respectively; Fig. 26).

In 2010 the performance of bank share prices in the emerging countries was positive overall, although less favourable than in 2009. The equity index of banks, in fact, rose by approximately 1 per cent in China (compared with 58 per cent in 2009), by 33 per cent in India (compared with 200 per cent in 2009) and by 29 per cent in Russia (compared with 300 per cent in 2009).

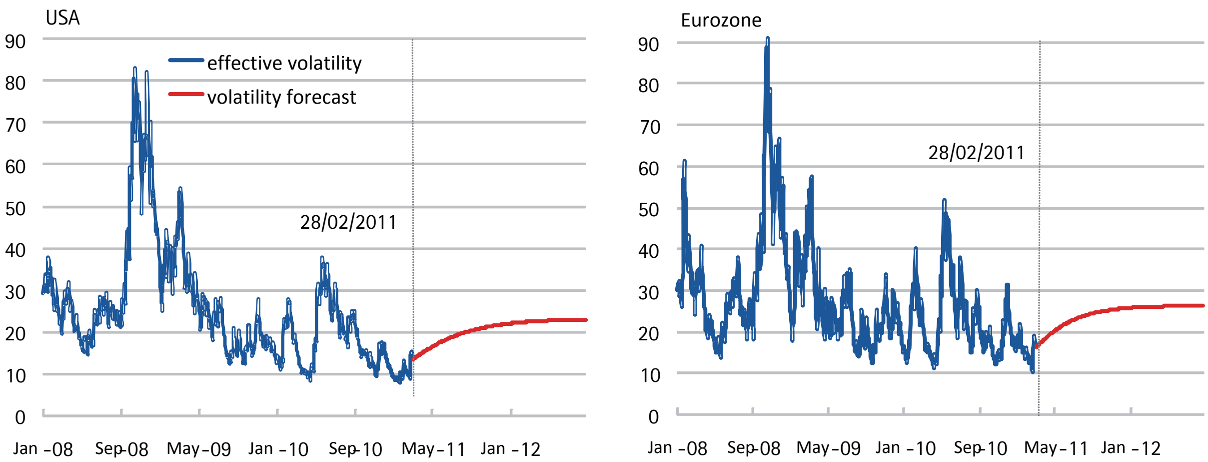
Fig. 26 Share price performance in emerging markets
(daily data from 01/01/2008 to 31/03/2011; 01/01/2008=100)



Source: Thomson Reuters.

The outbreak of the sovereign debt crisis in the peripheral Eurozone countries made the trend in share prices more volatile, and it reached a peak between April and June 2010. In the second half of the year, there was, instead, a gradual convergence towards a situation of greater stability (Fig. 27).

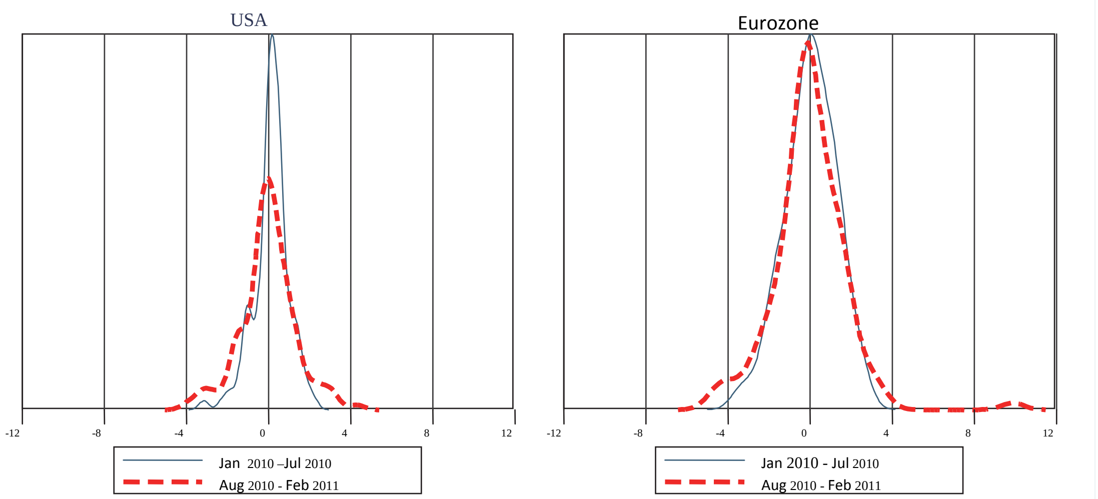
Fig. 27 Daily share index volatility
(daily data from 01/01/2008 to 30/04/2010; percentages on an annual basis)



Source: calculations on Bloomberg data. The volatility estimates (actual and forecast) are obtained applying EGARCH models on the series of daily returns equity indices (S&P500 for the USA and Dow Jones Euro Stoxx for the Eurozone).

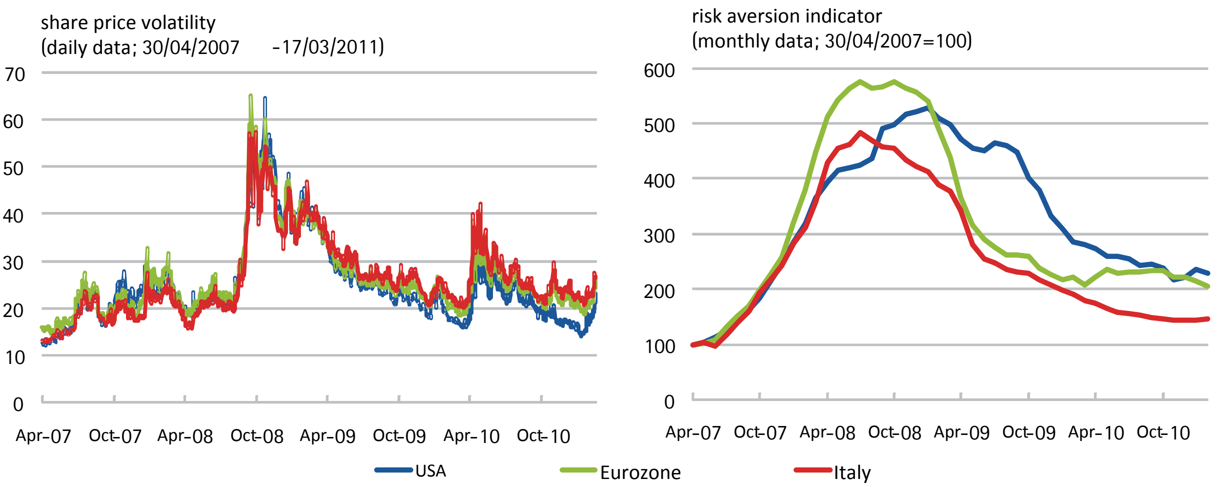
The greater instability on the equity markets, above all in the early months of 2011, entailed an increase in the frequency of extreme negative returns in the Euro area and, to a lesser extent, in the USA (Fig. 28). Between April and June 2010, at the time of the sovereign debt crisis of certain peripheral Eurozone countries (in particular Greece, Ireland and Portugal), the volatility implicit in option prices on the leading equity indices increased (Fig. 29). In Italy the performance of the risk aversion indicator continued to be characterised by a declining trend, while in the USA and in the Eurozone there was greater stability of investors' risk propensity. On the basis of estimates on the forecast trend in equity returns implicit in option prices recorded at the end of February 2011 the market expects a significant decline in the probability of obtaining extremely negative returns with respect to the situation recorded a year earlier (Fig. 30).

Fig. 28 Frequency distribution of daily equity index returns



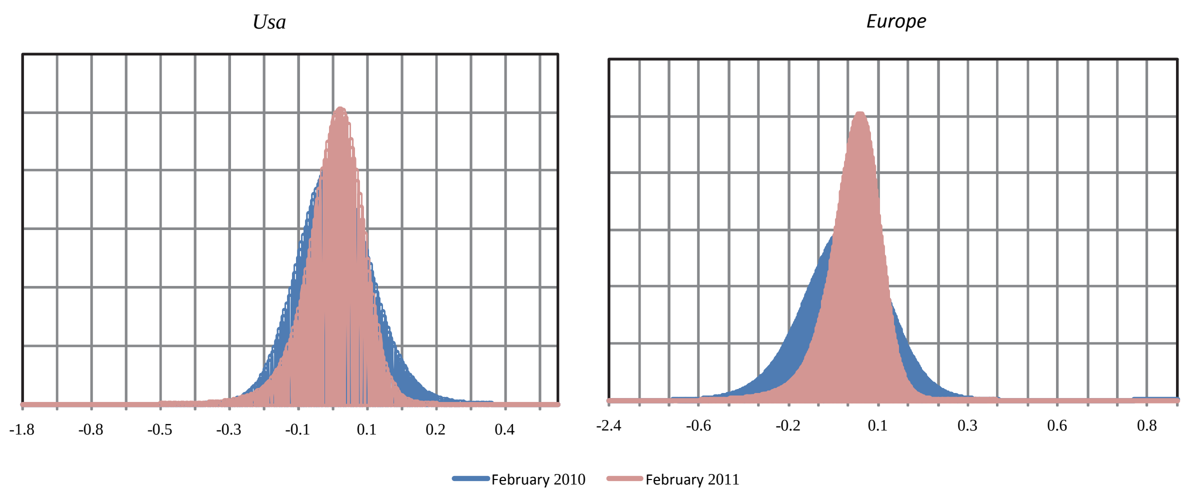
Source: calculations on Thomson Reuters data. Density functions are estimated via non-parametric methods.

Fig. 29 Implicit volatility and risk aversion of equity markets



Source: calculations based on Thomson Reuters and Borsa Italiana data. Implicit volatility is deduced from equity index prices for 3-month options. The risk aversion level indicator is estimated by comparing the historic allocation of returns on shares with that implicit in the option prices on the indices.

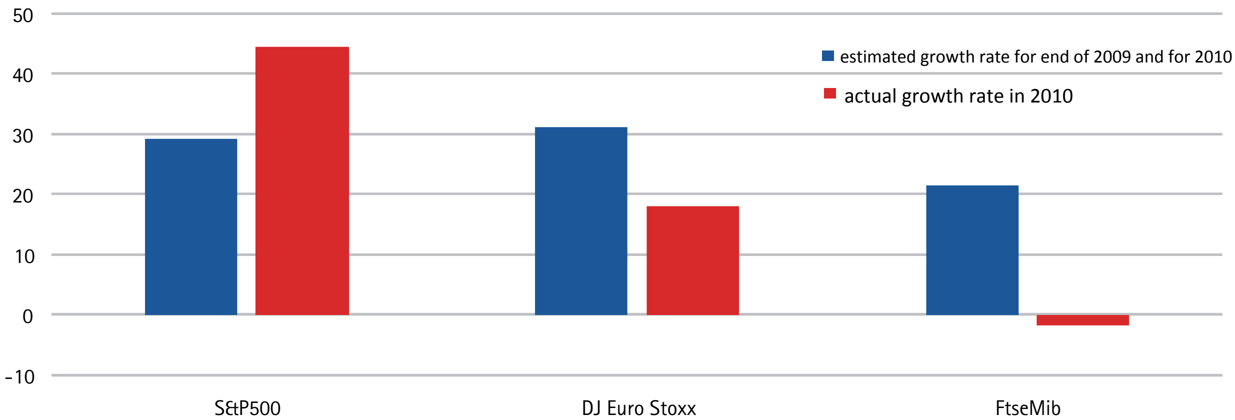
Fig. 30 Distribution of probability of return on shares forecast over a three-month period



Source: calculations on Thomson Reuters data. Density functions are estimated on equity index option prices.

In 2010 the growth rate of profits of listed companies included on major equity indices showed a different trend between the United States and the Euro area (Fig. 31). In fact, for American companies included in the S&P500 the growth rate of profits was positive (+44 per cent) and better than expected at the end of 2009 (+29 per cent), while for European companies included in the DJ Euro Stoxx it was positive (approximately +18 per cent) but less than the growth rate forecast by analysts at the end of 2009 (just over 30 per cent).

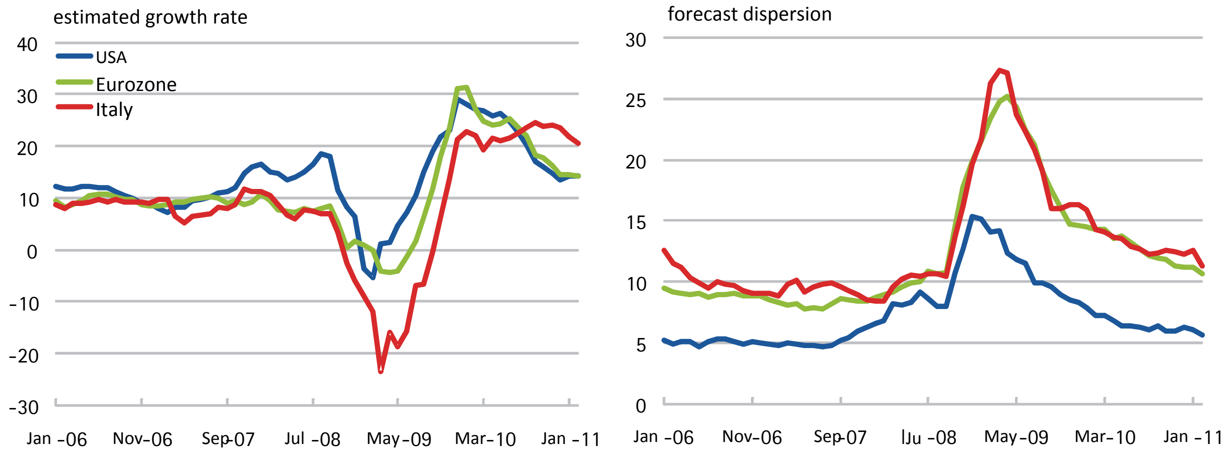
Fig. 31 Actual and forecast increases in 2009 profits of companies listed on the main share indices



Source: Thomson Reuters and IBES. Data on 12-month profit forecasts (before the amortisation of goodwill and other atypical income components) at the end of December 2008 and on actual profits for 2009 (February 2010 estimate).

In 2010 the analysts gradually revised downwards their forecasts on the profitability of listed companies. The expected growth rate of earnings over a time horizon of 12 months remains, in any case, positive, although down in the Euro area and in the USA (Fig. 32).

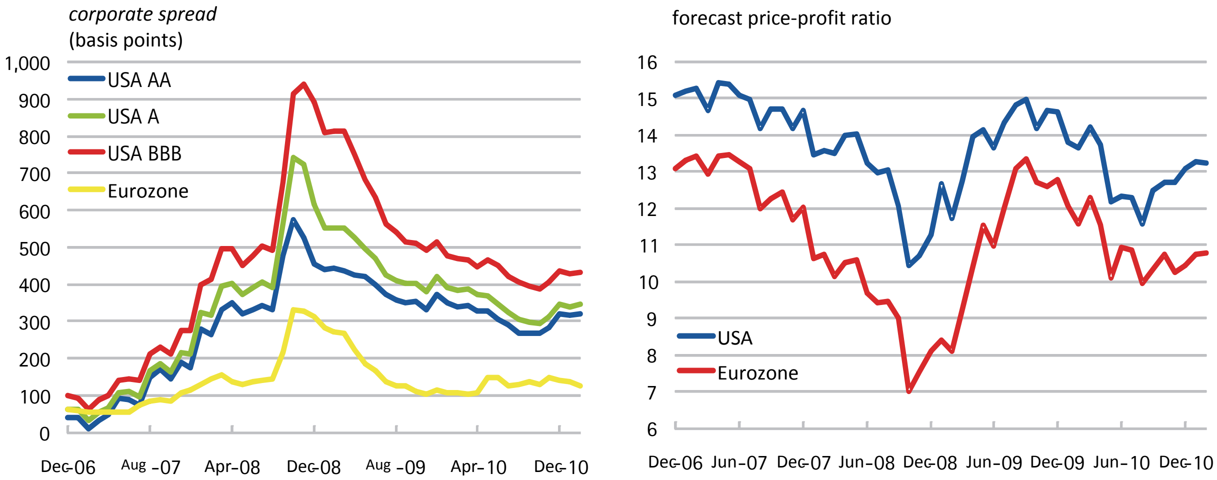
Fig. 32 Analysts' forecasts of company earnings
(monthly data from January 2006 to February 2011)



Source: Thomson Reuters and 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. Figures for the USA refer to companies on the S&P 500 index, for the Eurozone those on the Dow Jones Euro Stoxx index and for Italy those on the FTSE MIB index.

The reduction in the forecasts for the growth rate of corporate earnings determined an increase in the forecast price-earnings ratio in the second half of 2010; spreads on bonds of non-financial companies with investment grade ratings, instead, remained quite stable (Fig. 33).

Fig. 33 Price-earnings ratio per share[1] and spreads on bonds issued by non-financial companies with investment grade ratings[2]
(monthly data from December 2006 to February 2011)



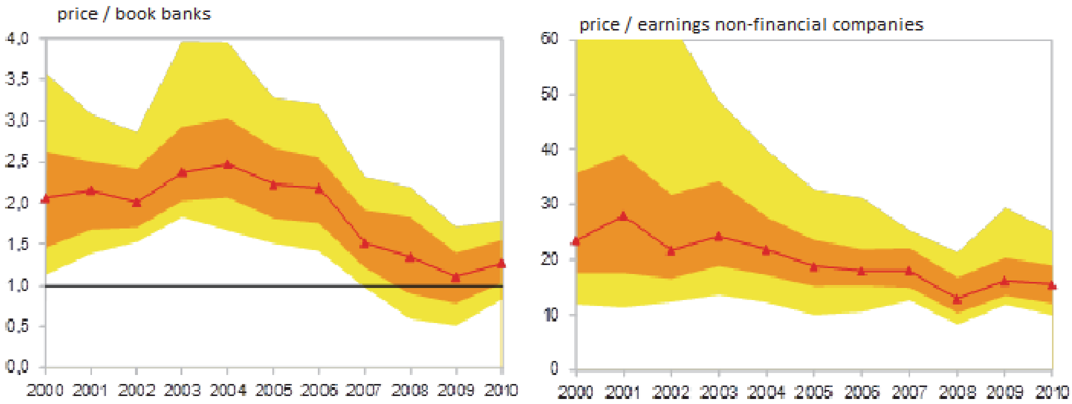
Source: calculations based on Thomson Reuters, IBES and JP Morgan data. [1]Weighted average (for capitalisation) of the Dow Jones Euro Stoxx and MIB 30 share price ratios and the 12-month earnings per share forecast. [2]Spread (in basis points) between the yield on bonds issued by non-financial companies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

The drop in the prices of bank stocks in the Eurozone determined a further decline in the multipliers in the sector; at the end of 2010 almost all Italian banks and banks of other Eurozone banks had price-to-book (P/B) values of less than one; in the USA, instead, the recovery in prices determined a parallel rise in the multipliers in the banking sector (Fig. 34). In the non-financial sector the price-earning (P/E) ratio fell for Eurozone companies, while it remained stable in Italy and the USA.

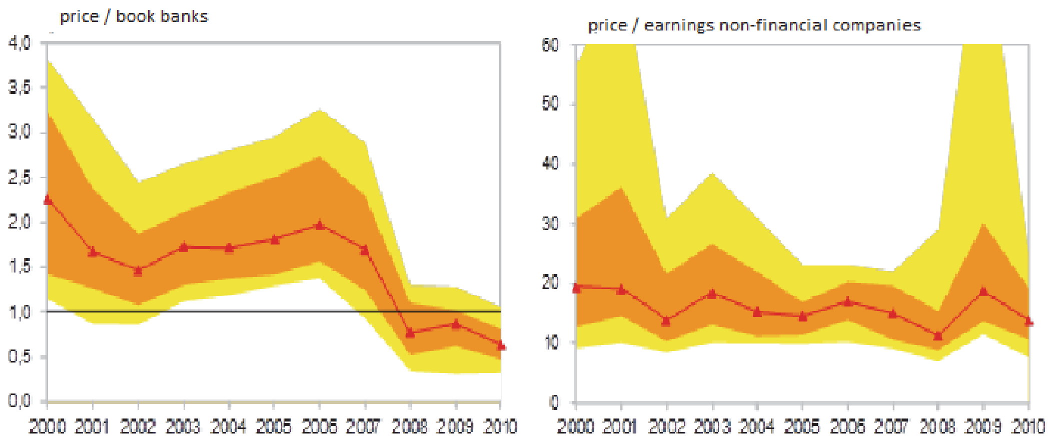
The reduction of the price/earnings multiplier discouraged the collection of risk capital and capital increase operations (see paragraph 5 of the previous Chapter "Companies"). Consequently, the difference between resources collected through capital increases and resources returned to shareholders (in the form of dividends, buy-backs and takeover bids) was negative, although this value was much less (in absolute terms) with respect to the average for the decade 1999-2008 (Fig. 36).

Fig. 34 Stock exchange multipliers of listed companies

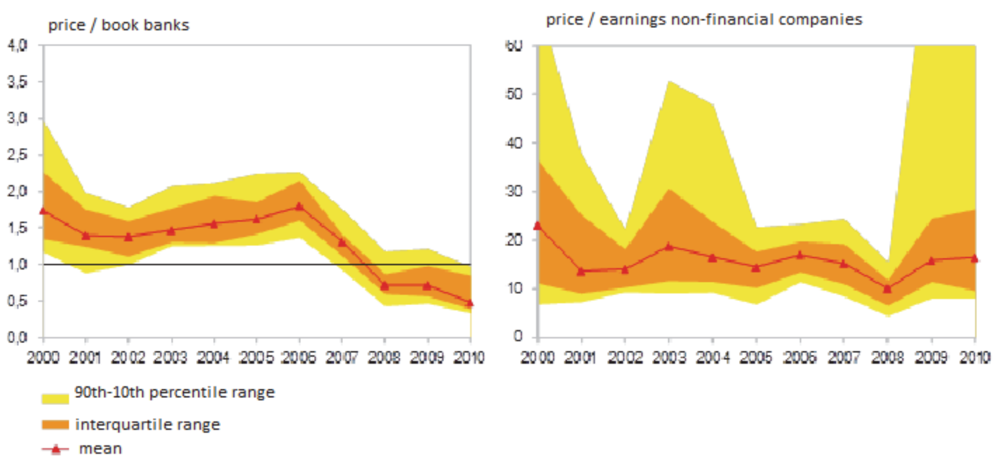
USA



EUROZONE

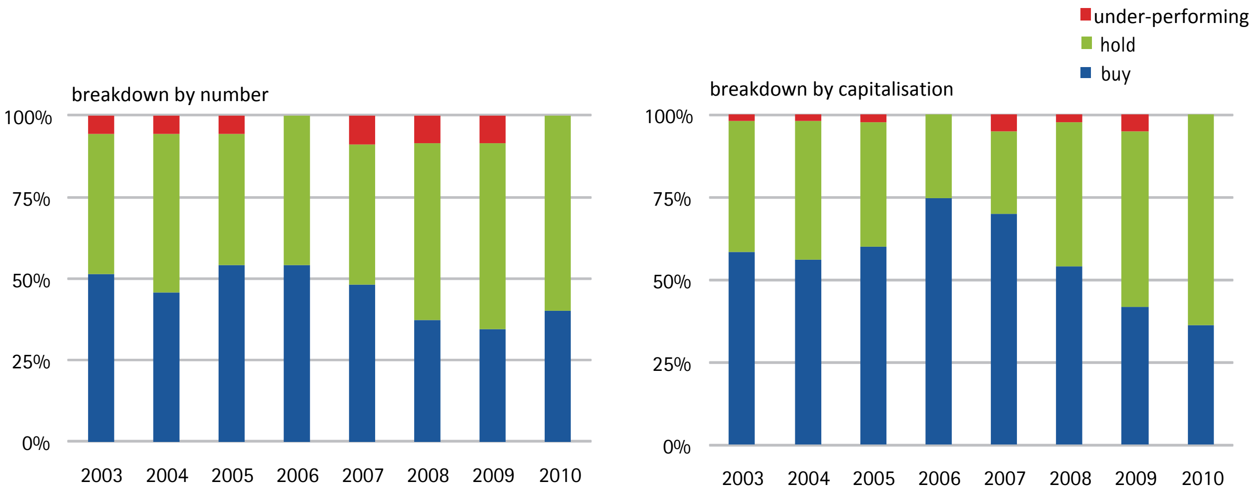


ITALY



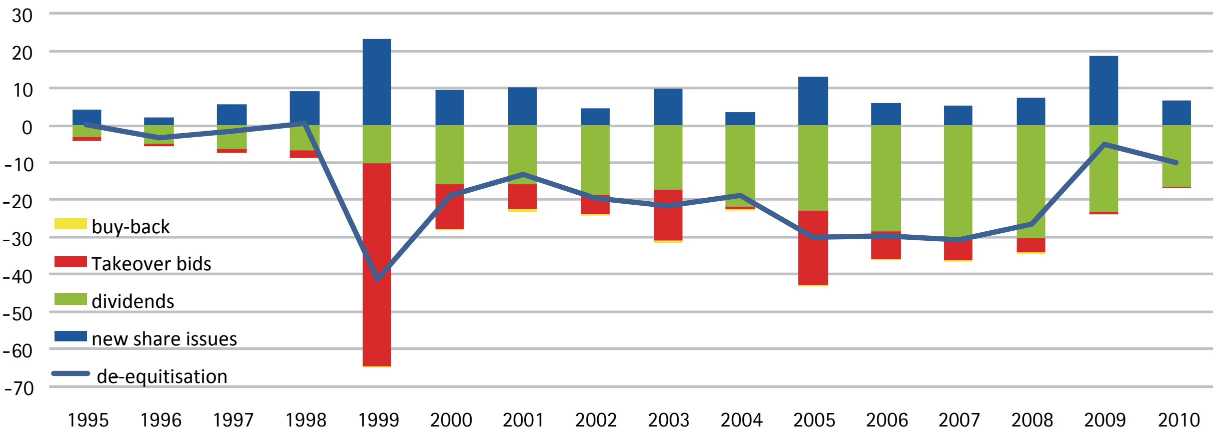
Source: calculations on Worldscope data. The banks are those of the S&P 1500 Bank index (USA), the Dow Jones Euro Stoxx 50 Bank index (Eurozone) and Italian listed banks; non-financial companies are those of the S&P 100 index (USA), the Dow Jones Euro Stoxx 50 index (Eurozone) and the major Italian listed groups (sample as per Fig. 1). The price/earnings ratio is calculated only for companies in profit.

Fig. 35 Distribution of S&P/MIB companies by analysts' rating type
(period end data)



Source: calculations based on Thomson Reuters and IBES data. The companies Lottomatica, Parmalat, STMicroelectronic, Terna and Unipol are not included, because a complete series of consensus data is not available for them.

Fig. 36 Balance between resources collected (+) and returned (-) to shareholders of Italian listed companies
(billions of euro)



Source: calculations based on Bank of Italy, Borsa Italiana, and Thomson Reuters data. The de-equitisation indicator is given by the difference between issues of new shares and the sum of dividends, takeover bids and buy-backs. Dividends and buy-backs for 2009 are estimated.

As regards in particular the Italian equity market, 2010 recorded a reduction in the capitalisation of Italian listed companies, both in absolute terms (from 457 to 425 billion euro) and in ratio to GDP (from 30 to approximately 27 per cent; -10 per cent; Table 14), essentially as a result of the fall in prices.

Table 14 Indicators of equity markets operated by Borsa Italiana SpA
(monetary amounts in millions of euro)

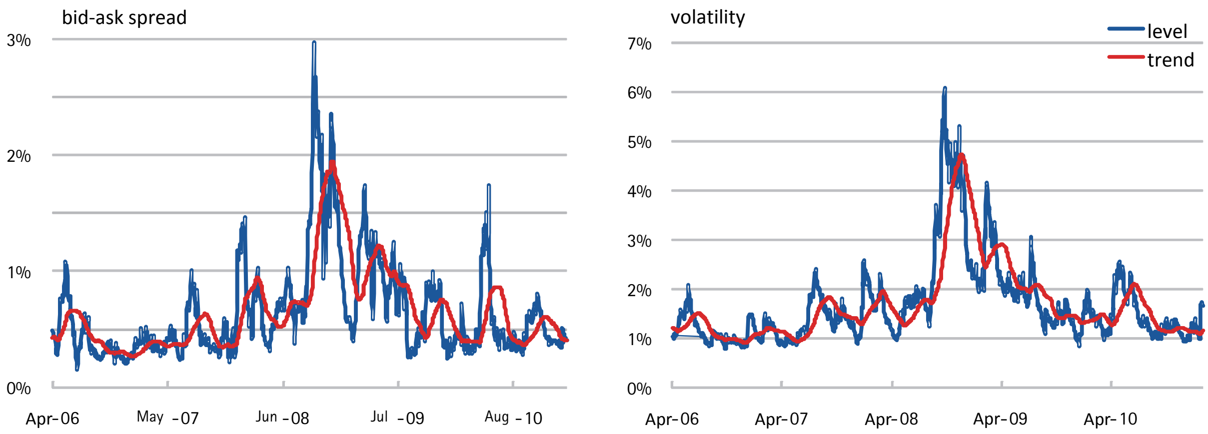
	Stock Exchange[1]								Expandi market			Nuovo Mercato			AIM Italia and MAC	
	Capitalisation[2]	Capitalisation[2] (% of GDP)	Share swaps[2]	Number of Italian listed companies	Number of Italian newly listed companies	Number of Italian companies delisted	Dividend/price ratio[3]	Earnings/price ratio[3]	Capitalisation[2]	Share swaps[2]	Number of Italian listed companies	Capitalisation[2]	Share swaps	Number of Italian listed companies	N° of listed companies (MAC and AIM Italia)	Capitalisation (MAC and AIM Italia)
1996	199	20.3	81	213	14	18	2.1	6.9	3	..	31	—	—	—	—	—
1997	310	30.2	174	209	14	18	1.7	4.6	5	1	26	—	—	—	—	—
1998	484	44.8	423	219	25	15	1.6	3.9	4	2	20	—	—	—	—	—
1999	714	64.4	503	241	28	6	1.5	3.4	5	1	17	7	4	6	—	—
2000	790	67.8	839	237	16	20	2.1	4.5	6	1	15	22	30	39	—	—
2001	575	47.3	637	232	13	18	2.8	6.0	5	..	12	13	21	44	—	—
2002	447	35.7	562	231	11	12	3.8	5.9	5	..	13	6	10	44	—	—
2003	475	36.6	567	219	9	21	3.4	6.4	5	..	11	8	14	41	—	—
2004	569	42.2	641	219	7	7	3.4	6.0	5	..	13	7	19	37	—	—
2005	669	47.2	893	257	13	12	3.0	5.2	7	1	18	—	—	—	—	—
2006	768	52.1	1,076	258	17	16	3.4	6.0	10	2	26	—	—	—	—	—
2007	723	49.0	1,510	263	19	14	4.1	8.4	11	4	36	—	—	—	3	0.1
2008	368	23.2	1,156	251	4	16	8.4	13.7	7	1	39	—	—	—	4	0.1
2009	457	30.3	562	280	40	11	3.5	6.7	—	—	—	—	—	—	11	0.6
2010	425	27.2	715	272	2	10	3.6	6.4	—	—	—	—	—	—	19	0.6

Source: Borsa Italiana and Thomson Financial. [1] Since 2005 MTA/MTAX. In 2009 Mercato Expandi was incorporated into the MTA. [2] Data refer only to Italian companies. [3] Year-end percentages.

Transaction costs (measured on the basis of the difference between buying and selling prices, the bid-ask spread) increased significantly at the moment of the sovereign debt crisis in April and May 2010. After the maximum peak reached at the end of the first half of 2010, the bid-ask spread returned to showing a downward trend (Fig. 37).

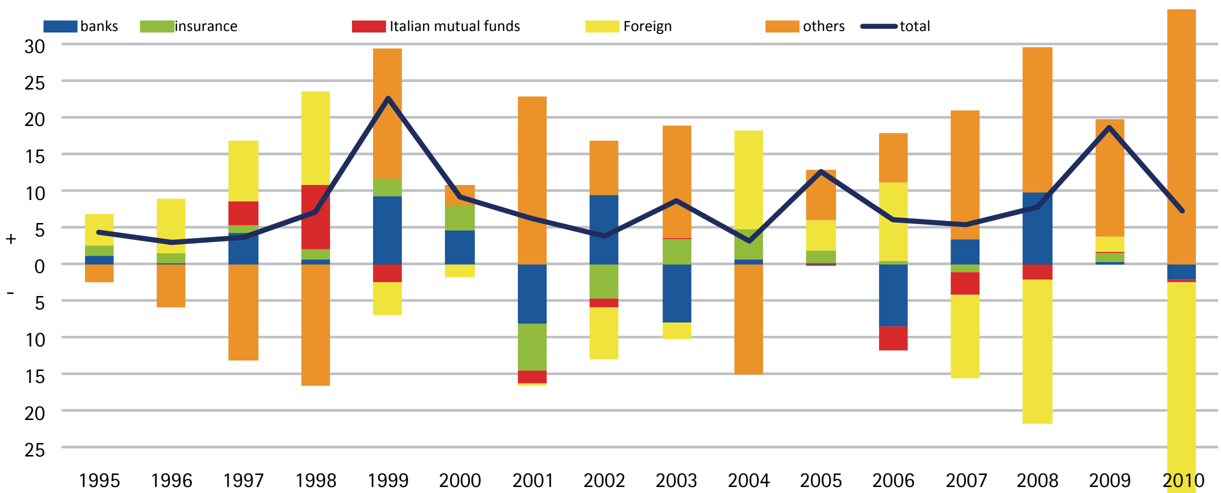
From January to October 2010, net purchases of Italian listed shares amounted to approximately 7 billion euro (a figure in line with issues of new shares by listed companies; see Chapter I "Companies"). The data, which are still provisional, show that foreign investors were the main net sellers (for approximately 28 billion euro; Fig. 38).

Fig. 37 Bid-ask spread and volatility of major Italian listed shares
(daily data from 30/04/2006 to 28/02/2011)



Source: calculations on Thomson Reuters data. The figure on the left shows the Roll liquidity indicator (1984) corrected for distortion, for the major listed shares (weighted average for capitalisation of Fiat, Eni, Enel, Telecom, UniCredit, Intesa San Paolo, Banca Monte dei Paschi, Banco Popolare shares). The volatility estimate is obtained applying an E-GARCH model.

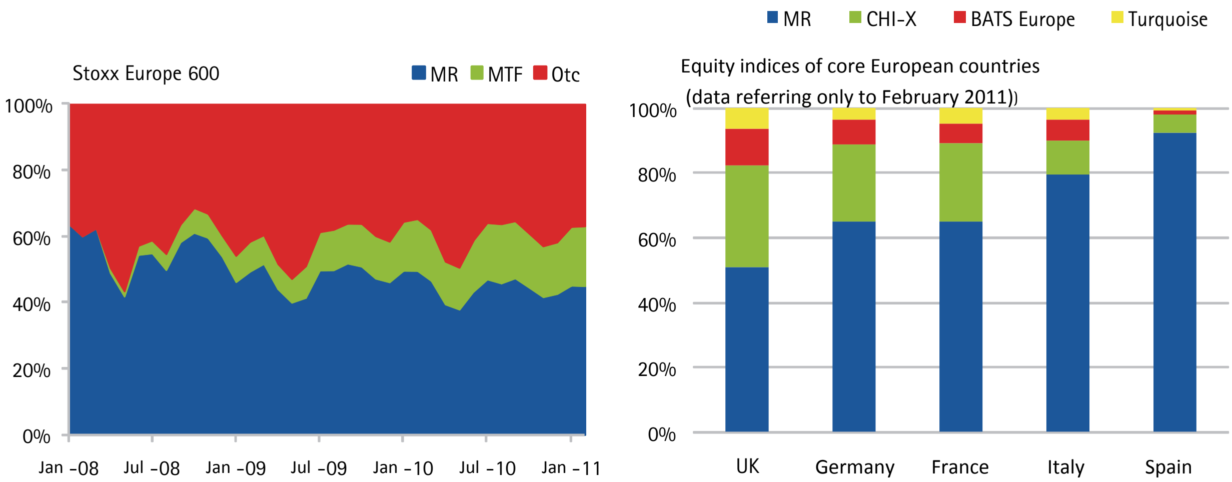
Fig. 38 Net purchases of Italian listed shares by institutional sector
(billions of euro)



Source: Bank of Italy. The "Other" institutional sector includes households, companies, centrally and locally administered organisations, Cassa Depositi e Prestiti and investment firms. For 2009 the "Other" category also includes insurance companies. The data on 2010 refer to the period from January to October.

The data on the distribution of trades divided by trading platform show a sharp reduction in the proportion of regulated markets with respect to multilateral trading systems. At February 2011, the proportion of trades of shares included in the Stoxx Europe 600 index made on regulated markets was approximately 45 per cent (approximately 63 per cent at January 2008), compared with 18 per cent of trades made on multilateral trading systems; the proportion referring to the over the counter market (approximately 37 per cent) remained, instead, quite stable. The phenomenon of fragmentation of trades is not seen with the same intensity in all European countries, as it is quite significant in the United Kingdom, Germany and France, and less marked in Italy and Spain (Fig. 39).

Fig. 39 Fragmentation of share trades in Europe
(monthly data from January 2008 to February 2011)



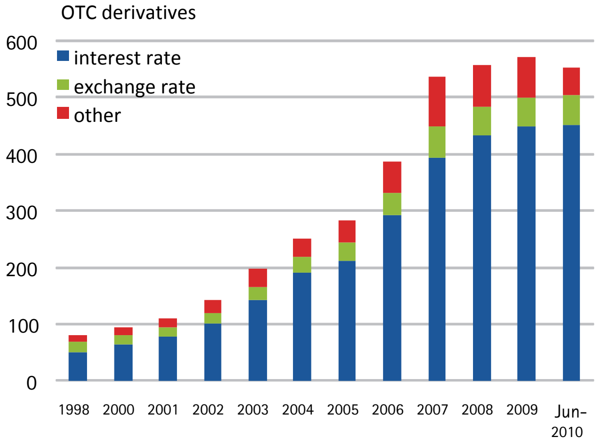
Source: calculations based on Thomson Reuters and Fidessa Group PLC data. MR indicate regulated markets, MTF multilateral trading facilities (including dark pools) and OTC over the counter. In the chart on the left, the distribution of share trading volume relates to trading of shares included in the Dow Jones Euro Stoxx 600 index. The chart on the right shows the distribution of share trading volume by trading venues; the indices taken into consideration are FTSE 100 for the UK, Dax30 for Germany, Cac40 for France, Ibex35 for Spain and FTSE MIB for Italy.

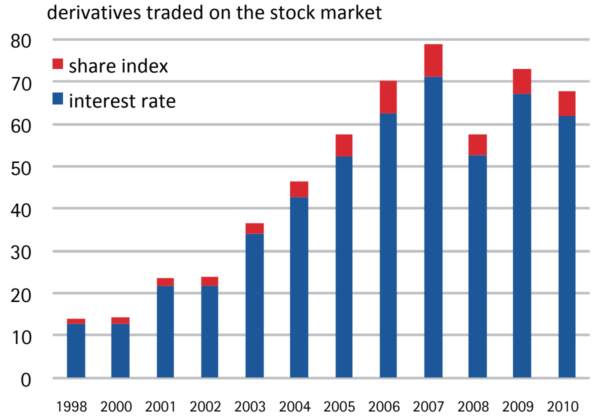
2 The derivatives market

The statistics of the Bank for International Settlements (BIS) show that in the first 6 months of 2010 there was, at the global level, a slight drop in the derivatives market. In fact, the notional value of over the counter (OTC) derivatives on financial instruments (interest rates, exchange rates, shares and commodities) declined by approximately 3 per cent (from 569 billion US dollars at December 2009 to approximately 552 billion US dollars at June 2010); the market for exchange-traded derivatives fell even more (approximately -7 per cent; Fig. 40).

The market of derivatives on credit risk (credit default swaps; CDSs) fell slightly in 2010. The notional value of such financial instruments, in fact, fell in the first 6 months of 2010 by approximately 7 per cent (from 33 to 30 billion US dollars; Fig. 41).

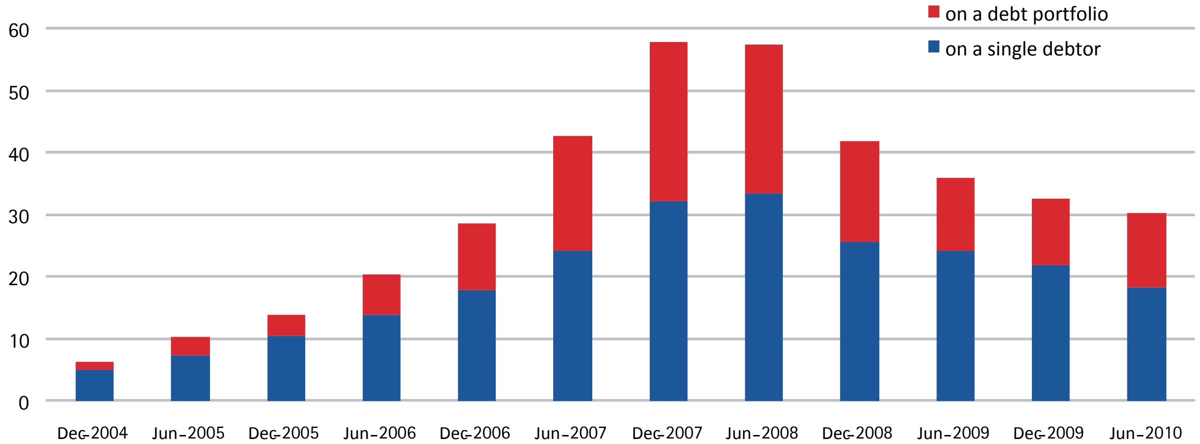
Fig. 40 Notional value of derivatives in G-10 countries
(period end balances; thousands of billions of US dollars)





Source: Bank for International Settlements.

Fig. 41 Notional value of credit default swaps in G-10 countries
(period end balances; thousands of billions of US dollars)

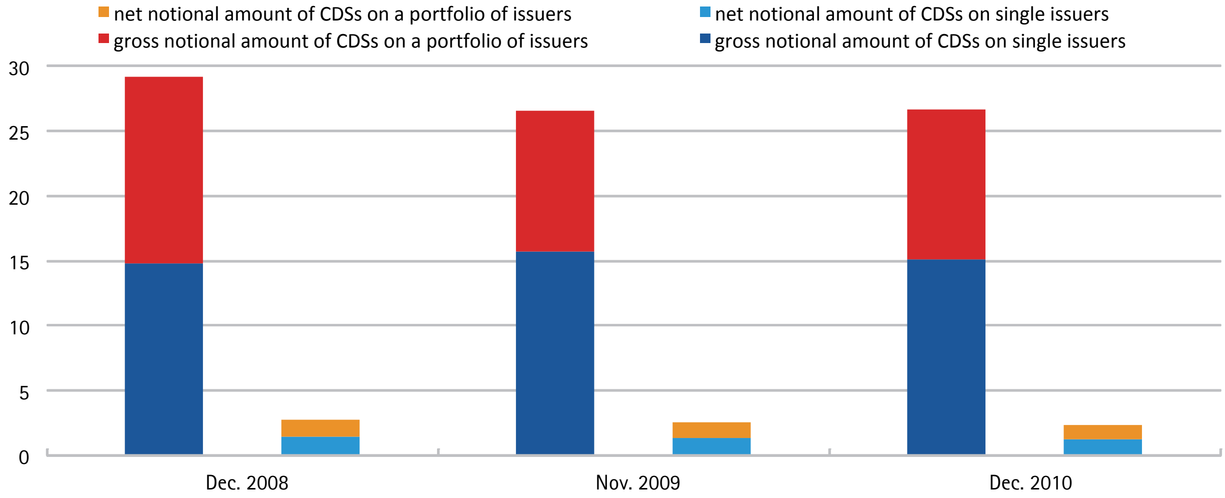


Source: Bank for International Settlements.

The data provided by the American trade repository, Depository Trust & Clearing Corporation (DTCC), on CDSs contain statistics in part different from those of the BIS, as well as giving information on the value of net positions (that is, the sum of balances between protection purchases and sales of all operators that are net protection purchasers).

At the end of 2010 the gross notional value of positions in CDSs was approximately 26,000 billion US dollars (Fig. 42), while the net notional value was a little less than 2,000 billion dollars (approximately 8 per cent of gross notional value). The proportion of contracts on single issuers at the end of 2010 was approximately 57 per cent of gross positions and approximately 50 per cent of net positions, while the remainder consisted of index and basket CDSs.

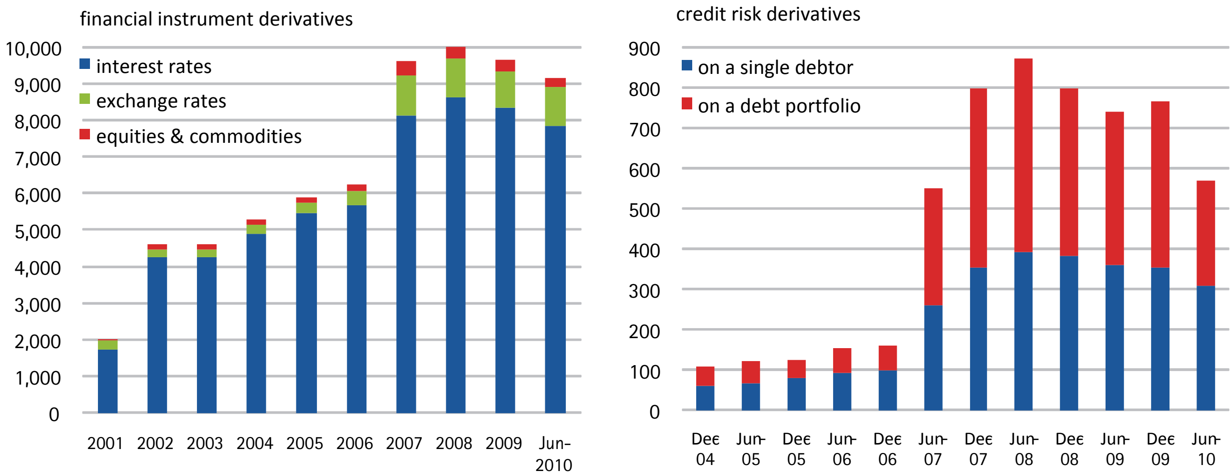
Fig. 42 Notional value of positions in CDSs
(data in thousands of billions of US dollars)



Source: calculations based on Markit and DTCC data.

There was a slight drop in the market for over-the-counter derivatives, the notional value of which fell by approximately 5 per cent, down from 9,634 billion US dollars in 2009 to 9,137 billion dollars at June 2010 (Fig. 43). The reduction was, instead, more significant for derivatives on shares and commodities, the amount of which fell from 303 to 242 billion dollars (-20 per cent). Credit risk derivatives fell significantly (approximately -26 per cent), down from 763 to 568 billion dollars.

Fig. 43 Notional value of OTC derivatives in Italy
(period end balances; in billions of USD)



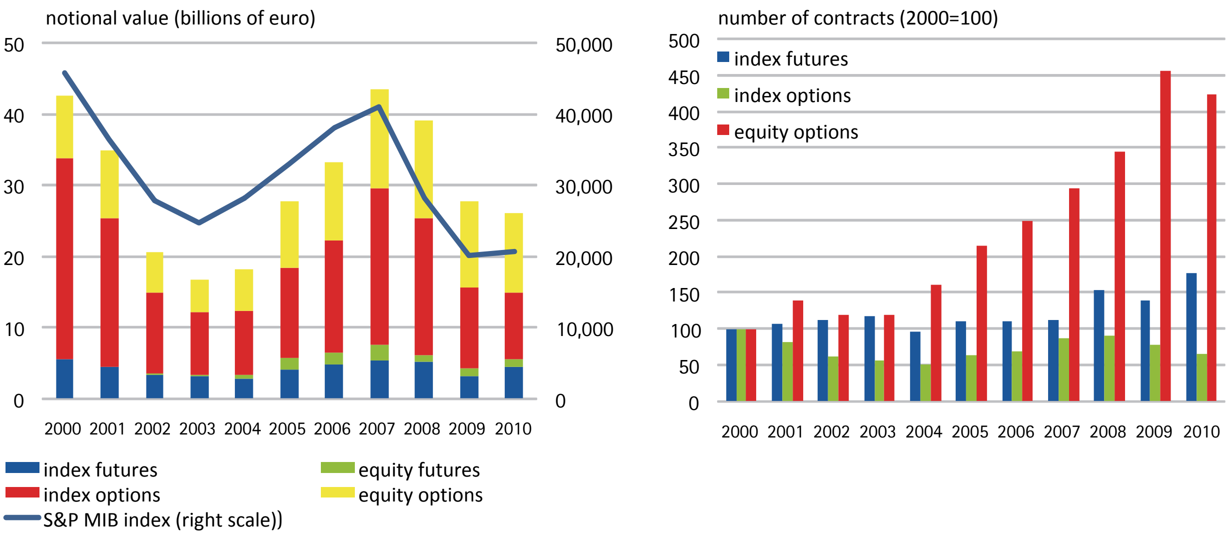
Source: Bank of Italy.

The exchange-traded derivatives for the Italian market were those quoted on the Italian Derivatives Market (IDEM) operated by Borsa Italiana SpA.

With regard to the Italian market, on 8 November 2010 the IDEM (Italian Derivatives Market) successfully completed the move to a new trading platform. The innovation is related to the need to support the growth of trading, reduce the response times (latency) of the system and align the micro-structure and characteristics of the market to the major European derivatives markets (Eurex and Liffe).

In 2010 the notional value of open interest contracts on the IDEM market (calculated as a daily average) fell by 6%, from 27 billion to 26 billion euro (Fig. 44).

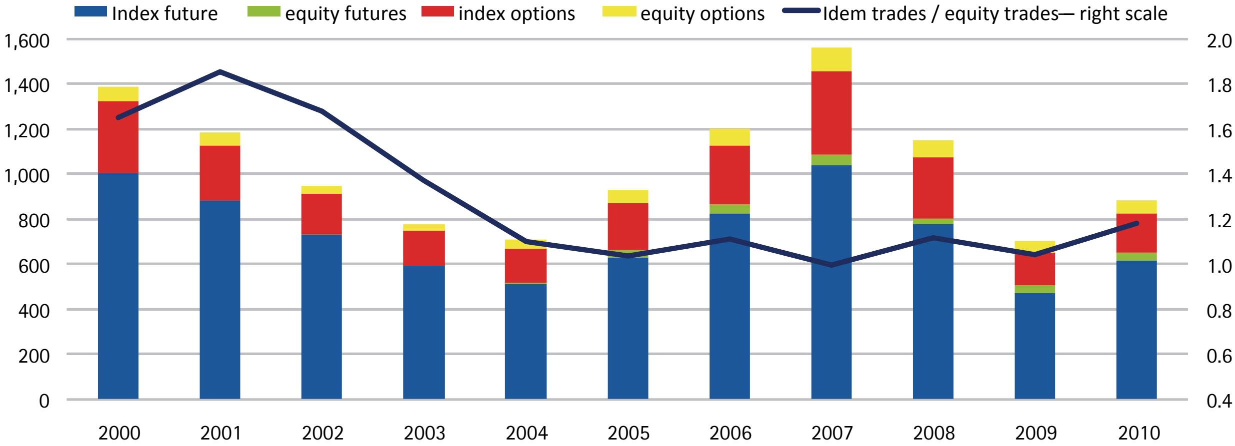
Fig. 44 Notional value and number of positions opened in derivatives traded on the IDEM market
(average daily percentages)



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

In 2010 derivative trading on the IDEM (in terms of notional value) grew significantly with respect to 2009, rising from 702 to approximately 883 billion euro (+26 per cent; Fig. 45). The ratio between derivative trading and share trading also increased (from 1.0 to 1.2).

Fig. 45 Notional turnover of derivatives traded on the IDEM
(billions of euro)



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

3 The covered warrants and certificates market

In 2010 trading on the SeDeX, the market for securitised derivatives managed by Borsa Italiana SpA, increased slightly with respect to the previous year (12 billion euro, compared with 10 billion euro in 2009; +20 per cent) (Table 15). New issues, instead, declined (-13 per cent), while the total number of instruments listed at the end of the year remained almost unchanged (+1.6 per cent).

Table 15 Covered warrants and certificates listed on the SeDeX
(monetary amounts in millions of euro)

	Number of issues			Amount 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
2008	3,192	6,148	7,364	22
2009	3,289	4,029	3,625	10
2010	3,343	3,508	3,454	12

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. The figure includes securities revoked at the request of the issuer before their original maturity.

Plain vanilla covered warrants represent the most significant proportion of issues (52 per cent), followed by investment certificates (29 per cent); the proportion of leverage certificates and exotic/structured covered warrants is instead marginal (a total of 16 per cent of tradeable instruments; Table 16).

Table 16 Types of covered warrants and certificates listed on the SeDeX market
(situation at 31 December)

Segment and category	Plain vanilla		Exotic		Leverage		Investment		*Total*	
	number of issues	proportion of total[1]	number of issues	proportion of total[1]	number of issues	proportion of total[1]	number of issues	proportion of total[1]	*number of issues*	*proportion of total*[1]
2007	2,839	64.4	154	3.5	399	9.0	1,016	23.0	*4,408*	*100.0*
2008	1,728	53.8	108	3.4	215	6.7	1,149	36.0	*3,192*	*100.0*
2009	1,672	50.8	96	2.9	399	12.1	1,122	34.2	*3,289*	*100.0*
2010	1,846	52.2	100	3	438	13.1	959	28.7	*3,343*	*100.0*

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

With regard to the distribution of covered warrants based on profit deriving from an immediate exercise of the option (so-called "moneyness"), around 54% of plain vanilla call covered warrants issued in 2010 on the S&P/MIB index and on Italian shares were deep out of the money (i.e. issued with a strike price 8% lower than the market price of the underlying instrument). For put instruments issued in 2010, 69 per cent were deep out of the money at the time of issue (that is issued with a strike price 8% lower than the market price of the underlying instrument). In the same way, at maturity 68 per cent of call covered warrants and 54 per cent of put covered warrants were deep out of the money (Table 17).

From a strictly financial point of view, plain vanilla covered warrants on shares and equity indices are instruments completely analogous to options on the same underlyings traded on the IDEM regulated market (see paragraph 2 above). Moreover, the characteristics in terms of minimum trading lot and trading method, make both types of instruments accessible to retail investors; there are, however, significant differences in the pricing methods which can lead to different indications of implicit volatility derivable from the two markets.

Table 17 Distribution of covered warrants listed on the SeDeX market, according to their degree of "moneyness" on issue and on maturity
(percentages)

	Degree of moneyness[1]	
	on issue[2]	on maturity[3]
Call warrants		
> 8 per cent (deep out of the money)	54.1	68.1
from 8 per cent to 4 per cent (out of the money)	6.1	4.8
from 4 per cent to 0 per cent (at the money)	5.9	6.2
from 0 a -4 per cent (in the money)	5.5	5.9
> -4 per cent (deep in the money)	28.3	15
Total	*100.0*	*100.0*
Put warrants		
> -8 per cent (deep out of the money)	68.9	45.6
from -8 per cent to -4 per cent (out of the money)	8.2	10
from -4 per cent to 0 per cent (at the money)	7.5	7.4
from 0 a 4 per cent (in the money)	3.7	10
> 4 per cent (deep in the money)	11.7	27
Total	*100.0*	*100.0*

Source: calculations based on Borsa Italiana data. [1] Percentage difference between strike price and market price of the underlying instrument at the time of issue or maturity of covered warrants. [2] Data on plain vanilla covered warrants on Italian shares and the S&P/MIB index issued in 2008. [3] Data on plain vanilla covered warrants on Italian shares and the S&P/MIB index matured in 2008.

4 The bond market

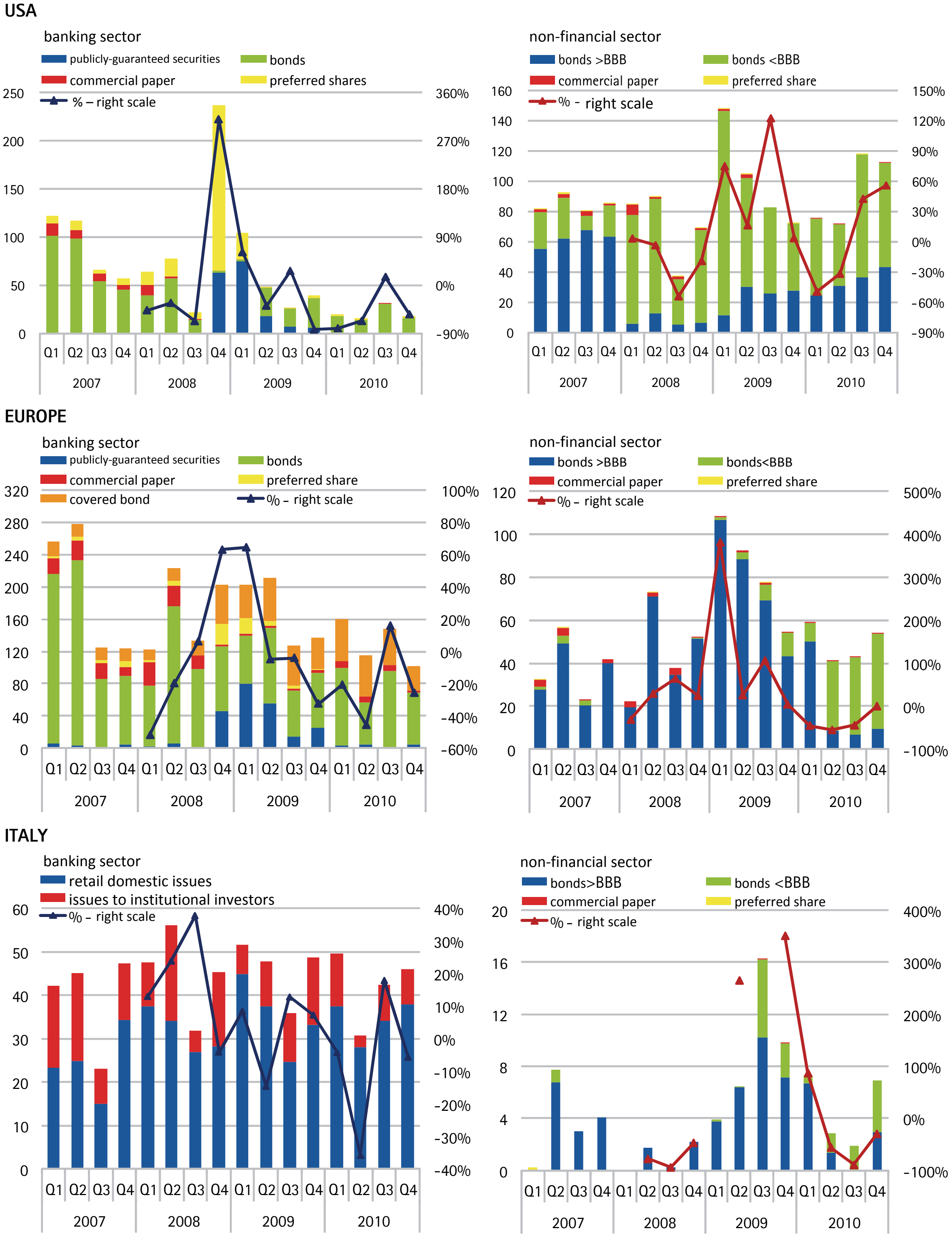
Bond funding slowed down sharply in both Europe and the USA, above all in the financial sector, which was affected by the gradual closure of the public guarantee schemes for bank liabilities in all the major countries of these geographical areas (Fig. 46).

The averages spreads on investment grade bonds remained at levels close to 100 basis points for the AAA-A rating band and to approximately 150 basis points for companies with BBB rating; spreads on bonds with BB and B ratings, instead, declined slightly.

As regards trading activity on secondary markets, in 2010 the total volume of bond trading on Italian regulated markets grew slightly from 1,618 to 1,762 billion euro (approximately +9 per cent) remaining, in any case, below the levels recorded before the crisis (2,512 billion euro in 2007; Table 18). This increase was due above all to growth in the amount of trading on the wholesale Electronic Market for government securities (MTS), up from 745 to 880 billion euro (approximately 18 per cent).

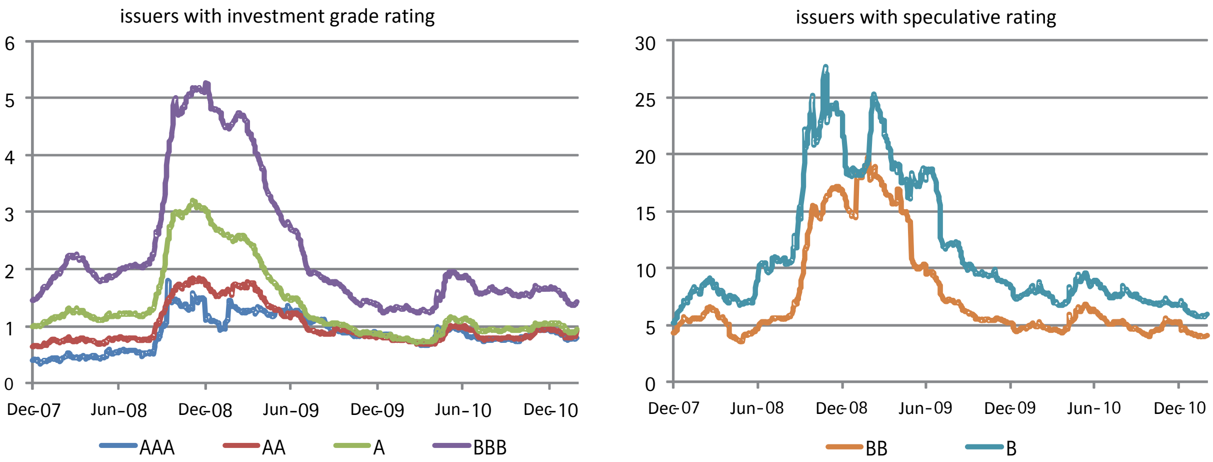
Fig. 46 Gross issues of private corporate bonds

(billions of euro and percentage changes compared with the same period of the previous year)



Source: calculations on Dealogic, Consob and Kler's data. The data for Europe refer to placings of companies with registered office in Italy, France, Germany, Spain, the Netherlands and the UK and their subsidiaries (even if with headquarters in other countries).

Fig. 47 Differentials between returns on Euro bonds of non-financial companies and returns on Euro government securities
(daily data from 31/12/2007 to 28/02/2011)



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

Table 18 Bond trading volumes on Italian markets[1]
(billions of euro)

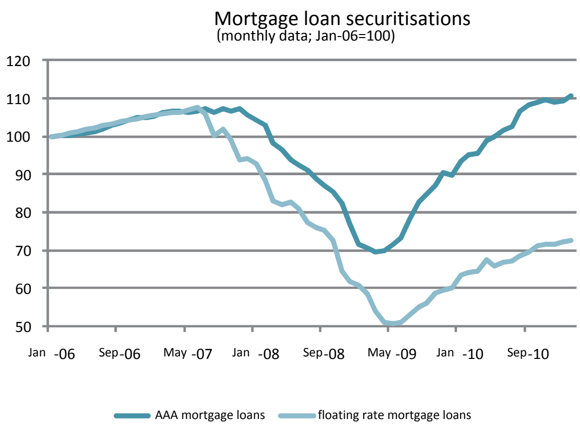
	MTS	Bondvision	Wholesale market for bonds other than government securities	MOT[2]	EuroMOT	TLX[3]	*Total*
2000	2,020	—	..	154	..	—	*2,174*
2001	2,324	18	12	136	1	—	*2,491*
2002	2,205	100	24	159	2	—	*2,490*
2003	2,160	176	23	142	4	2	*2,507*
2004	1,949	339	31	147	4	8	*2,478*
2005	1,596	448	19	123	—	7	*2,193*
2006	1,634	555	17	122	—	13	*2,341*
2007	1,665	664	9	149	—	25	*2,512*
2008	874	522	1	177	—	63	*1,636*
2009	745	549	..	229	—	95	*1,618*
2010	880	560	..	228	—	94	*1,762*

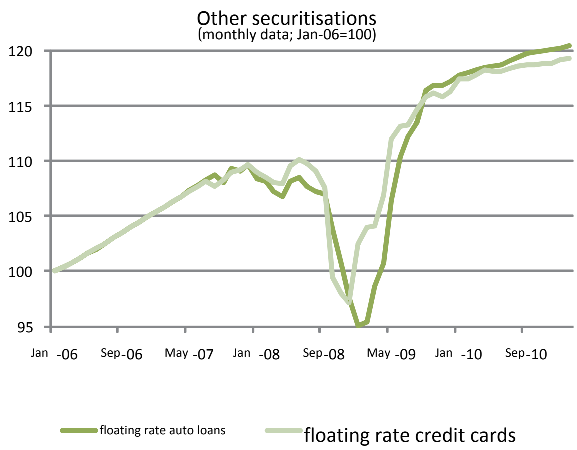
Source: calculations based on MTS, Borsa Italiana and TLX data. [1] Rounding may cause discrepancies in the last figure. [2] From 2005 includes bonds previously traded on the EuroMot market. [3] From 2010 EuroTLX multilateral trading system.

5 The securitisations market

In 2010 there was a gradual recovery of the market for securitisations linked to mortgage loans (thanks also to improvements in prices on the secondary market; Fig. 48), sustained by transactions of private subjects in the USA and by so-called self-securitisation transactions in Europe (securities purchased entirely by the originator in order to create collateral for refinancing transactions with the ECB); issues of other types of securitisations, instead, decreased significantly (Fig. 49).

Fig. 48 Performance of securitisations in the USA
(monthly data)



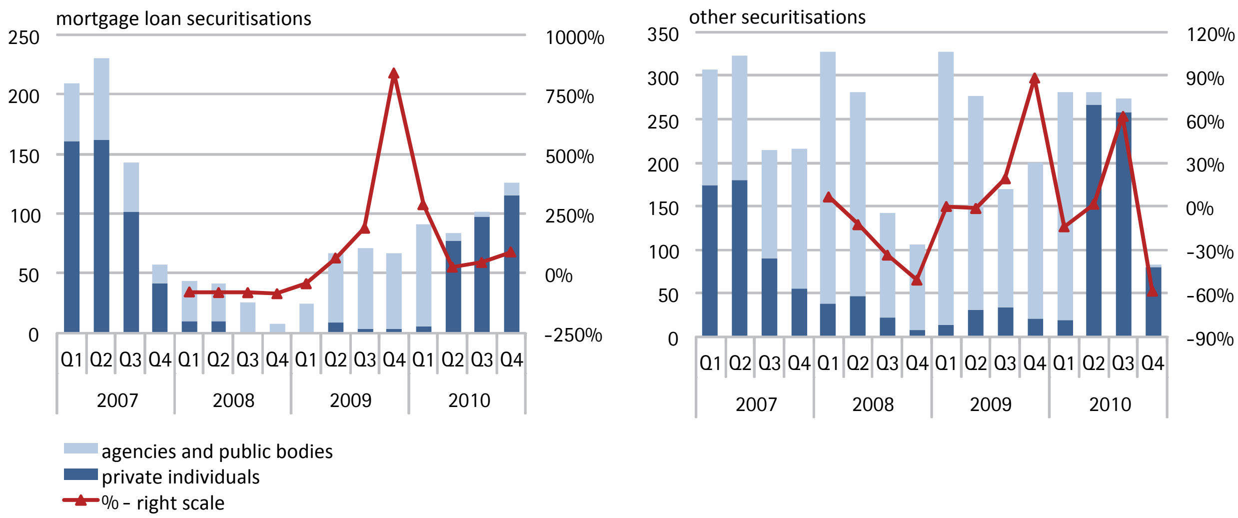


Source: Moody's.

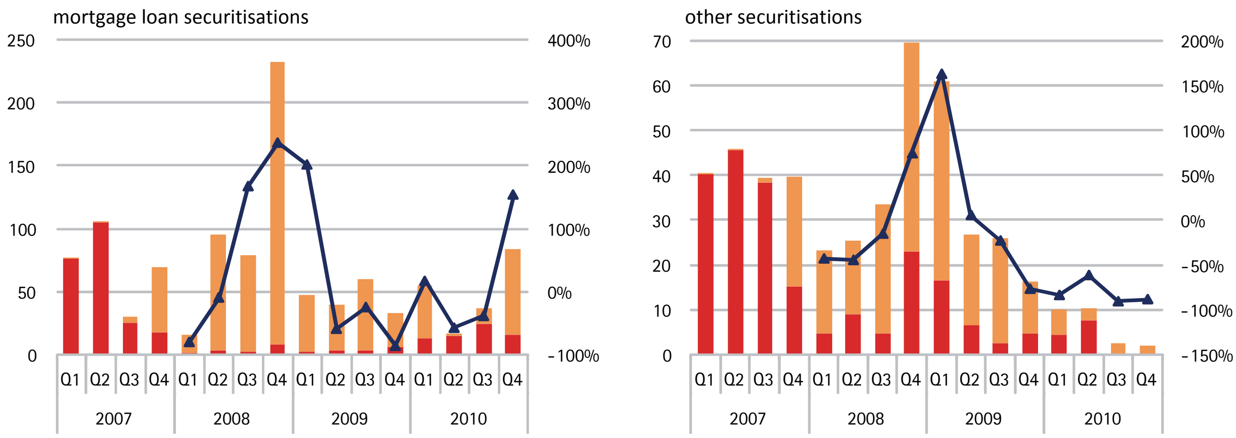
The growth in issues of securitisations of mortgage loans was accompanied by a reduction in the difference between rating downgrades and upgrades. Both in the USA and in Europe the number of downgrades, after the peak reached in the period of crisis, continues to be characterised by a downward trend (Fig. 50).

Fig. 49 Gross securitisation issues
(billions of euro and percentage changes compared with the same period of the previous year)

USA



EUROPE



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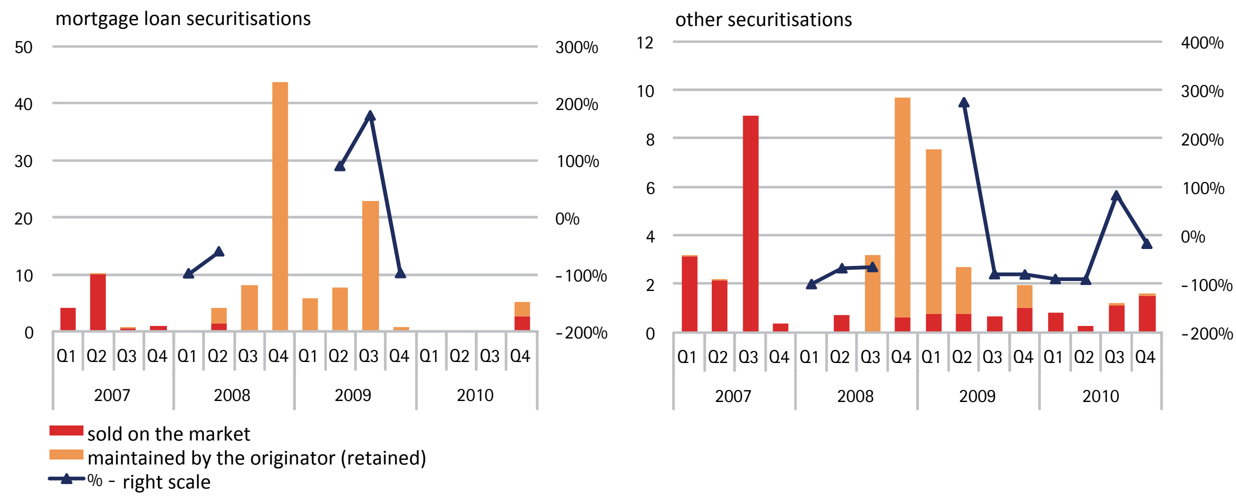
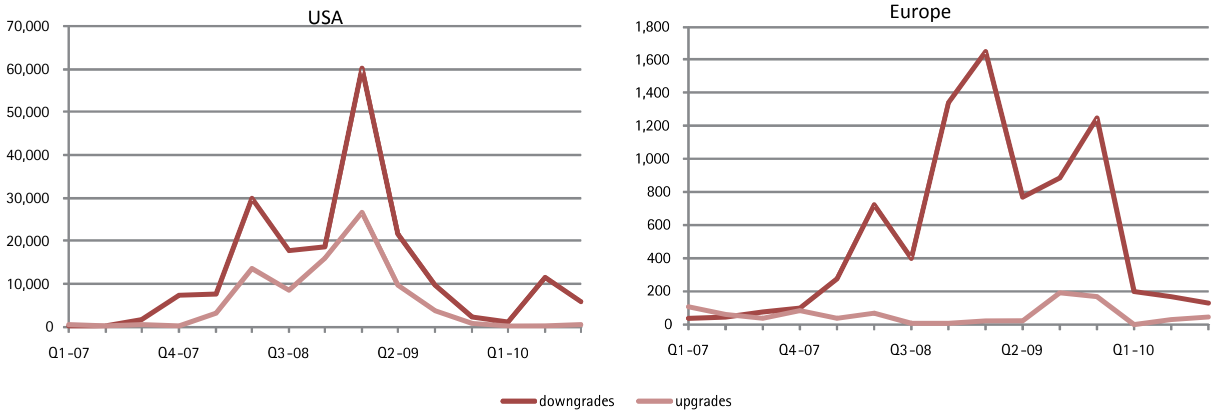


Source: calculations on Dealogic data. The data for Europe refer to companies with registered office in Italy, France, Germany, Spain, the Netherlands and the UK and their subsidiaries (even if with headquarters in other countries).

Fig. 50 Changes in ratings of structured products
(quarterly data)



Source: Moody's.

III Intermediaries and households

1 The major banking groups

In the first half of 2010 the economic performance of the major Italian banking groups worsened compared with the same period of 2009, owing mainly to the negative trends on the financial markets and to the sovereign debt crisis, which had an adverse effect on the cost of funding and the results of the securities broking business.

The drop in net interest income (-13 per cent) and in gains on financial operations (-35 per cent) caused a reduction in net banking income (approximately -6 per cent) (Table 19).

The preliminary data for 2010 show a more accentuated drop in net banking income for Italian banks, while in the USA and the Eurozone approximately three quarters of the major listed banks show growth in revenues (Fig. 51). The profitability of Italian banks remains stable, however, even if still at levels much lower than those of 2007.

The proportion between net securities broking income (understood as the sum of net fees from investment services and asset management and gains on financial transactions) of the major Italian listed groups rose to 20 per cent in the first half of 2010, compared with 18.5 per cent in 2009. This growth was due essentially to the aforementioned increase in asset management fees, but also to growth in fees deriving from placing services, the proportion of which rose from 23 to approximately 29 per cent. The proportion of net interest income, instead, fell from 63 to approximately 60 per cent (Fig. 52).

Direct funding of major Italian banking groups increased slightly (2.5 per cent), owing both to the recovery in the net interbank position (balance between deposits from banks and loans to banks) and to growth in customer deposits, while bonds fell by almost 7 per cent compared with 2009.

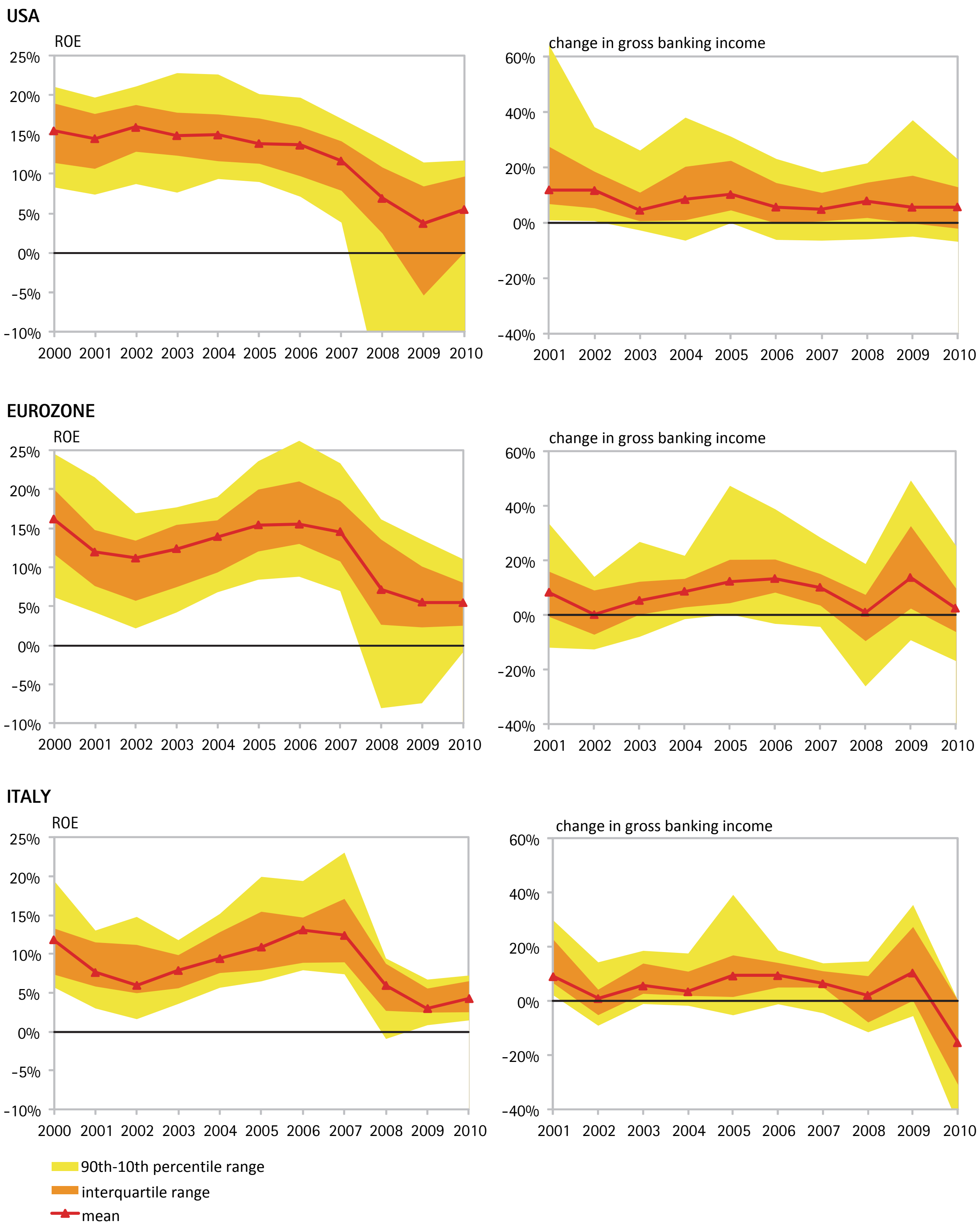
Table 19 Aggregate income statement for the major Italian banking groups
(amounts in millions of euro)

		2006	2007	2008	2009	1st half 2009	1st half 2010	% change 1st half 2010/ 1st half 2009
Net interest income (a)[1]		39,263	38,745	45,432	40,331	21,656	18,833	-13.0
Net fees (b = b.1 + b.2 + b.3)		23,647	22,021	20,417	18,888	9,017	10,565	+17.2
of which:	*from investment services and collective portfolio management (b.1)*	*12,088*	*11,596*	*9,731*	*7,982*	*4,131*	*4,884*	*+18.2*
	securities and currency trading and order receipt	1,711	1,745	1,639	1,551	806	847	+5.0
	individual portfolio management:	1,237	1,062	956	691	362	294	-18.6
	collective portfolio management	4,993	4,444	3,346	2,636	1,351	1,680	+24.3
	depository bank	409	347	255	108	111	58	-47.5
	securities custody	220	234	125	128	50	73	+44.7
	placement and distribution of financial and insurance products	3,364	3,442	3,085	2,687	1,296	1,805	+39.2
	consulting	154	321	326	182	155	128	-17.6
	from banking services (b.2)[2]	*10,835*	*9,677*	*10,206*	*10,496*	*4,150*	*3,484*	*-16.0*
	other net fees (b.3)[3]	*722*	*748*	*479*	*410*	*1,569*	*2,195*	*+39.9*
Gains/losses on financial transactions (c)[4]		6,299	2,797	-2,173	3,899	2,139	1,387	-35.2
Other net operating income (d)		1,980	1,628	1,337	1,051	578	527	-8.9
Gains/(losses) on insurance operations		537	526	410	468	210	294	+40.0
Net banking income (f = a+b+c+d+e)		71,695	65,718	65,422	64,636	33,600	31,605	-5.9
Operating costs (g)[5]		39,870	36,235	39,348	37,178	18,313	18,551	+1.3
Operating result (f-g)		31,825	29,482	26,074	27,458	15,286	13,054	-14.6
Net adjustments on loans		-6,246	-5,953	-10,507	-16,358	-7,783	-6,986	-10.2
Net adjustments on other financial transactions		-454	-482	-2,799	-1,649	-622	-311	-50.0
Net profit[6]		17,107	17,947	8,194	6,136	3,860	3,651	-5.4

Source: calculations on consolidated financial statements and interim reports. Rounding may cause discrepancies in the last figure. See Methodological Notes. Data for years prior to 2009 take into account major banking groups later merged via mergers and acquisitions into groups existing as at the end of 2009, except for HVB (consolidated into UniCredit as from 1 November 2005). [1] Includes dividends on equity investments, gains and losses on shareholders' equity carried at equity and the balance of interest rate hedging transactions. [2] Net fees for guarantees issued and credit derivatives, collection and payment services, net fees on current accounts, credit cards and ATM services. [3] Net fees for servicing on securitisation transactions, factoring and tax collection services. [4] The item includes net gains/(losses) on trading, hedging and assets and liabilities measured at fair value, plus gains/(losses) on the disposal or buyback of receivables and financial assets and liabilities. [5] Administrative expenses plus value adjustments on plant, property and equipment and intangible fixed assets. [6] Including profit pertaining to minorities.

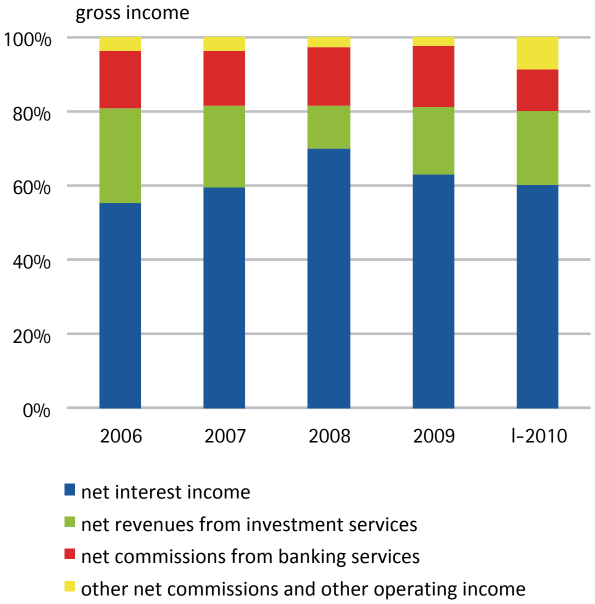
Indirect funding (administered and managed assets) of the major banking groups recovered slightly compared with 2009 (approximately +1.7 per cent) owing to the recovery in managed investments (approximately +2.9 per cent), combined with relative stability of administered investments (approximately -0.4 per cent). (Fig. 53).

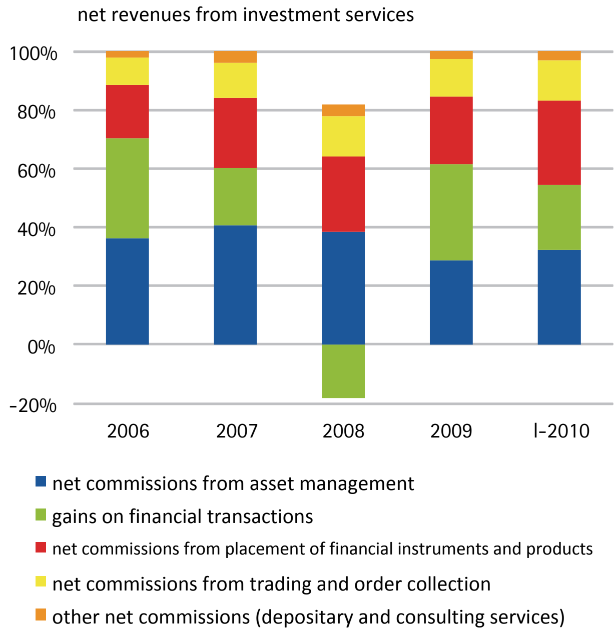
Fig. 51 Profitability and growth in net banking income of listed banks



Source: calculations on Worldscope data for banks included in the S&P 1500 Bank index (USA), Dow Jones Euro Stoxx Bank (Eurozone) and on listed Italian banks. The annual change in net banking income is calculated with respect to the restated figure for the previous year.

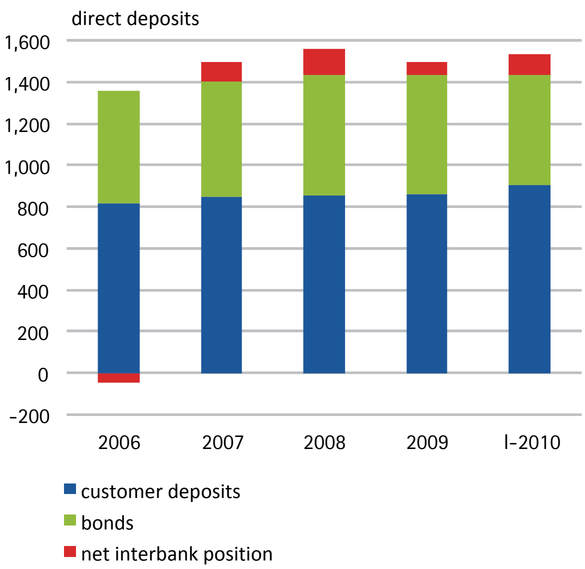
Fig. 52 Breakdown of revenues of major Italian banking groups

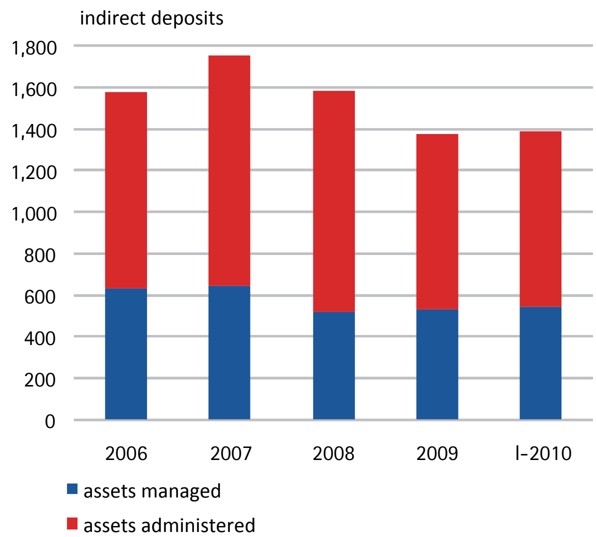




Source: calculations on consolidated financial statements and interim reports. See Methodological Notes.

Fig. 53 Funding of major Italian banking groups
(period end balances; billions of euro)



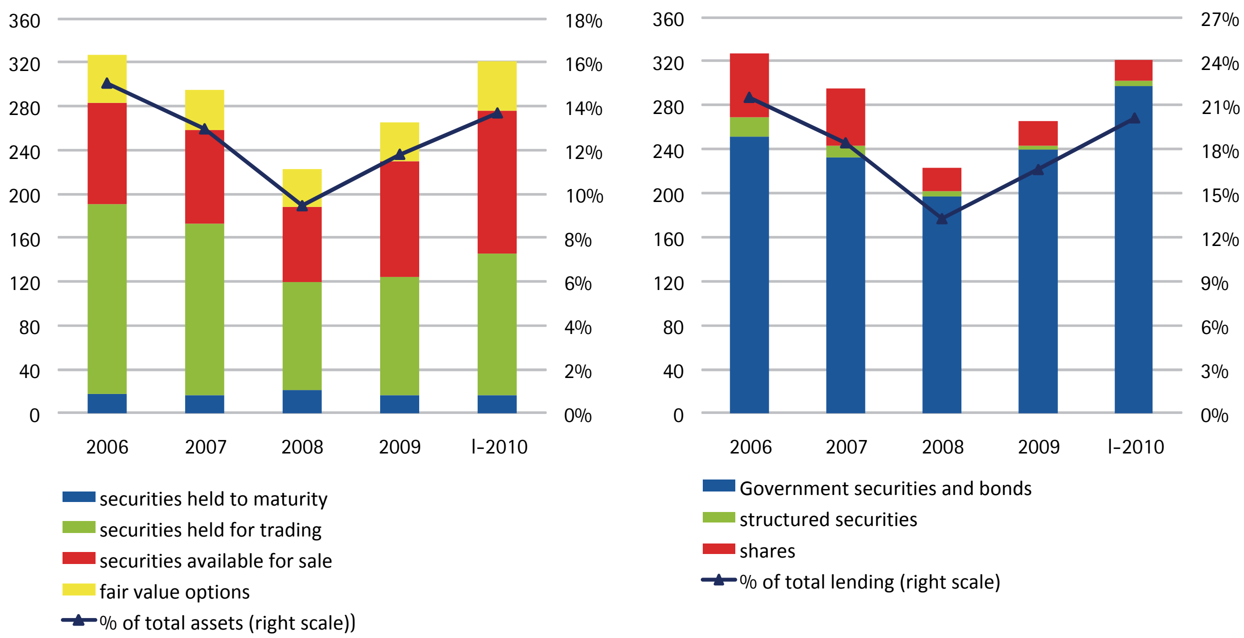


Source: calculations on consolidated financial statements and interim reports. See Methodological Notes. Managed savings include technical reserves for insurance and welfare products for group companies. Subordinated and trading liabilities are excluded from direct deposits.

During the first half of 2010 the total amount of the securities portfolio of major Italian banking groups grew by approximately 55.8

billion euro (+21 per cent compared with the end of 2009). The proportion of the securities portfolio to total lending and to total assets went up, respectively, from 17 to approximately 20 per cent and from 12 to approximately 14 per cent. The proportion of debt securities to the total portfolio rose from 90 to 93 per cent, while that of equities fell from 8 to 6 per cent (Fig. 54). The proportion of securities classified as available for sale increased slightly (from 40 to approximately 41 per cent), while the proportion of trading securities and of those held to maturity decreased correspondingly (from 41 to 40 per cent and from 6 to 5 per cent respectively). In absolute terms trading securities increased however by approximately 21 billion euro.

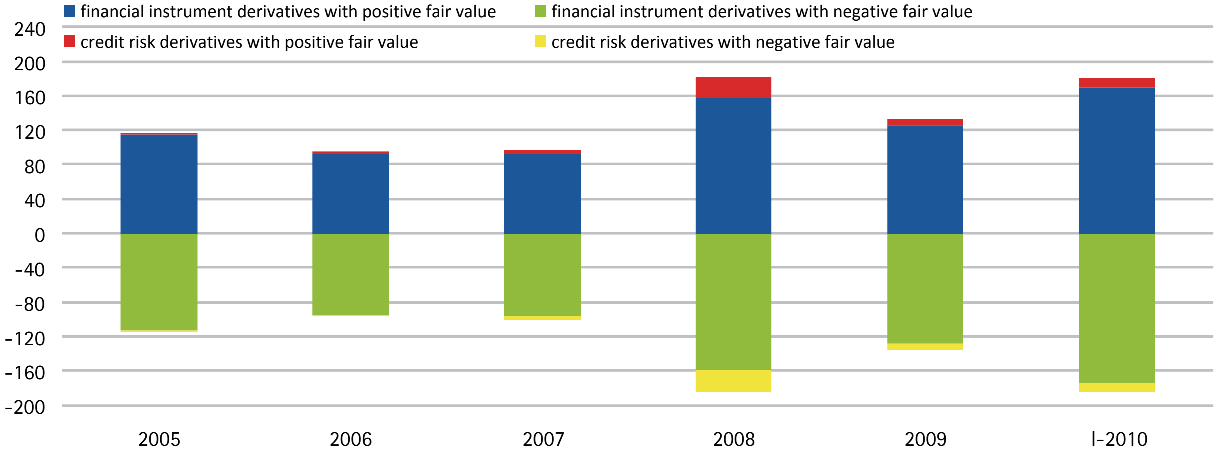
Fig. 54 Breakdown of securities portfolio of major Italian banking groups
(period end balances; billions of euro)



Source: calculations on consolidated financial statements and interim reports. 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.

During the first half of 2010 the gross market value of the trading derivatives of major Italian banking groups (understood as the sum in absolute value of the fair value of positions with positive market value and of the fair value of those with negative market value) increased, from 270 to approximately 364 billion euro (+35 per cent), although it did not exceed the value recorded at the end of 2008 (approximately 367 billion euro). At the end of the first half of 2010 the net market value of trading derivatives (the difference between the fair value of positive market value positions and the fair value of those with a negative market value) was around -4.8 billion euro (-3.6 billion in 2009 Fig. 55).

Fig. 55 Fair value of trading derivatives of major Italian banking groups
(period end balances; billions of euro)

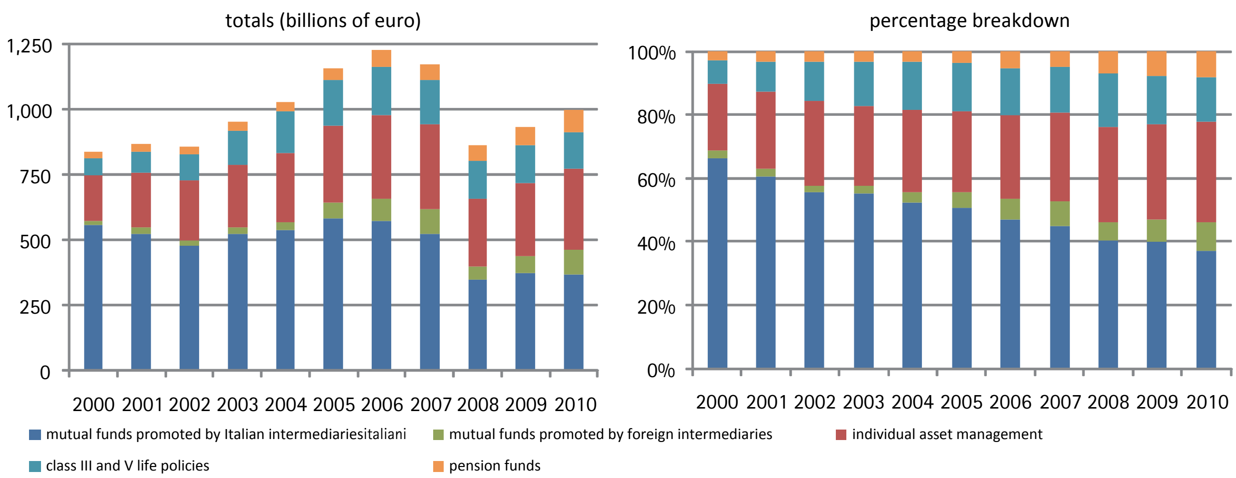


Source: calculations on consolidated financial statements and interim reports. See Methodological Notes.

2 Institutional investors

In 2010 assets invested in managed investment products placed in Italy increased by 6.8 per cent, rising from approximately 931 to approximately 993 billion euro. This figure was due mainly to the increase in the assets of funds promoted by foreign brokers (+40.6 per cent) and to growth in the assets of asset managements (+12.3 per cent) and pension funds (+12.6 per cent); assets associated with class III and V insurance policies, instead, declined (Fig. 56).

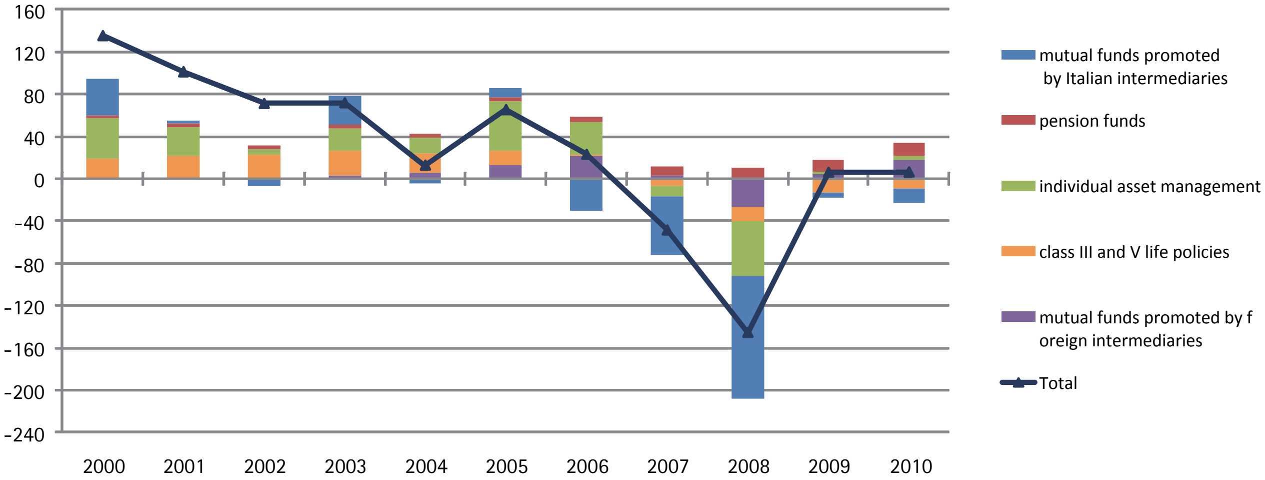
Fig. 56 Portfolio of managed investment products placed in Italy



Source: calculations based on Ania, Assogestioni, Bank of Italy and Covip data. Period end data. Data on mutual funds promoted by Italian intermediaries (including Italian companies controlled by foreign intermediaries) comprise Italian open-ended funds (harmonised and otherwise) and foreign funds ("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).

Net inflows to managed investment products placed in Italy were 6.6 billion euro (6.3 billion in 2009) (Fig. 57). Net inflows to pension funds (+11.4 billion euro) and mutual funds promoted by foreign intermediaries (+18.5 billion euro) offset the outflow of resources from asset management products (calculated net of investments in UCITS; -1.2 billion euro), from class III and V life policies (-4.9 billion euro) and from mutual funds promoted by Italian intermediaries (-12.8 billion euro).

Fig. 57 Net flows of managed investment products placed in Italy
(billions of euro)



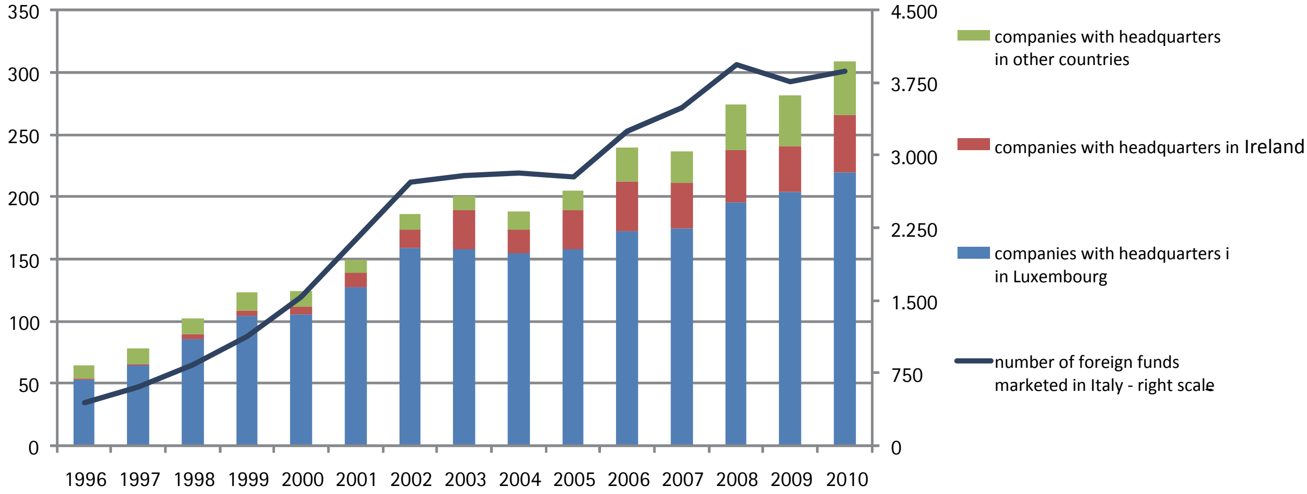
Source: calculations based on Ania, Assogestioni, Bank of Italy and Covip data. Data on mutual funds promoted by Italian intermediaries include Italian open-ended funds (harmonised and otherwise) and foreign funds promoted by Italian intermediaries ("roundtrip" funds). Data relating to life policies refer to "direct Italian business" (i.e. excluding reinsurance business and that performed by foreign companies operating in Italy). The total does not take into account net subscriptions to mutual funds from individual asset managements.

The growth in net inflows to funds promoted by non-resident intermediaries was reflected in the growth in the number of foreign-law funds marketed in Italy, up from 3,759 to 3,874, and in the growth of the number of foreign companies authorised to market funds in Italy (mainly Luxembourgian and Irish), up from 282 to 309 (Fig. 58).

The net outflow from mutual funds promoted by Italian intermediaries in 2010 (-12.8 billion euro) was due to outflows from funds domiciled in Italy (-24.7 billion euro), while there were net inflows to funds domiciled abroad of approximately 11.9 billion euro (Fig. 59).

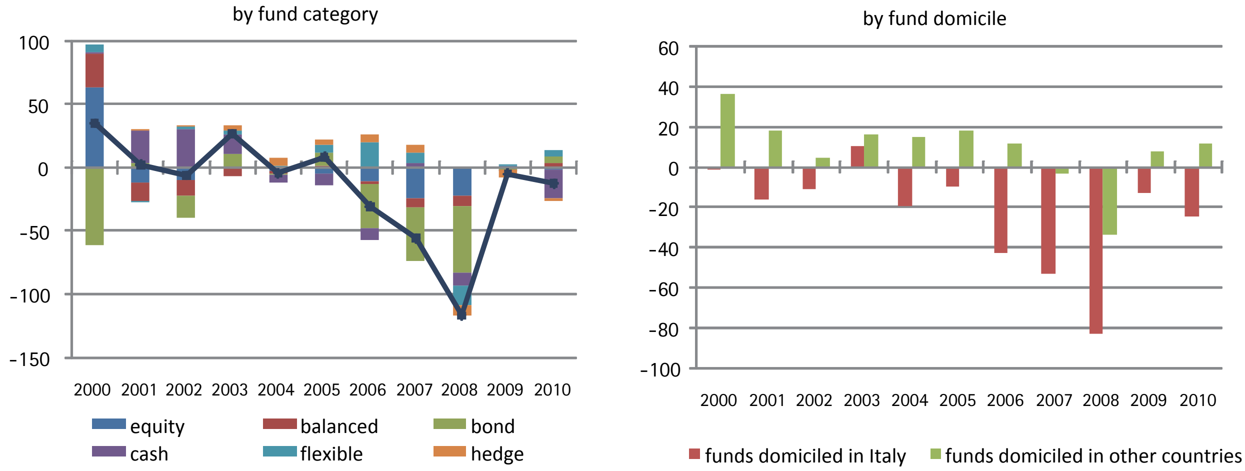
Funds that recorded the greatest outflows in 2010 were liquidity funds (-22.1 billion euro) and to a lesser extent speculative funds (-2 billion euro) and equity funds (-2.1 billion euro). Balanced, bond and flexible funds, instead, recorded net inflows.

Fig. 58 Number of foreign funds marketed in Italy and number of foreign firms authorised to market funds, by registered office



Source: prospectuses.

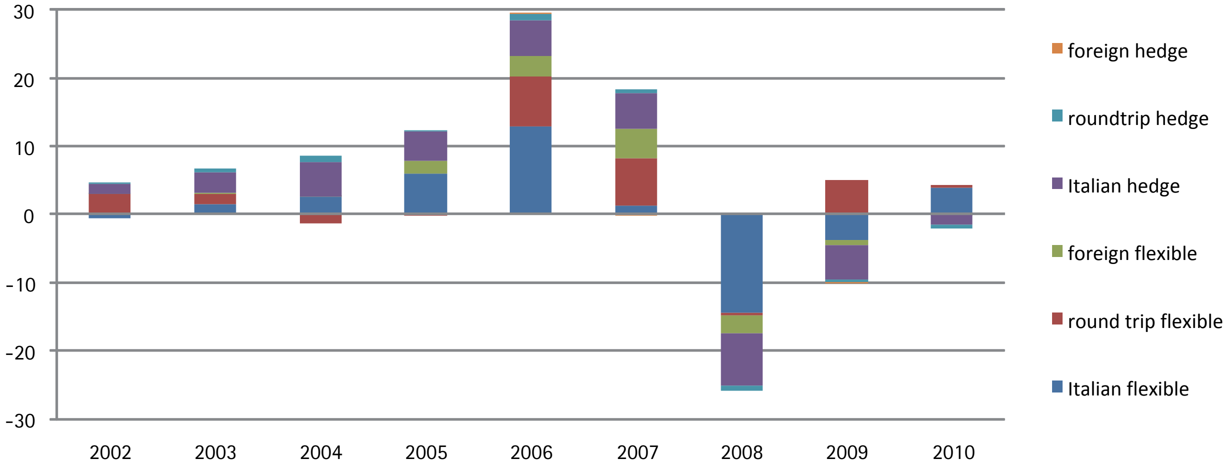
Fig. 59 Net flows of mutual funds promoted by Italian intermediaries
(billions of euro)



Source: Assogestioni. The Italian intermediaries include Italian asset management companies controlled by foreign entities. The data includes Italian open-ended 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 refer only to inflows from Italian subscribers until 2004, and thereafter also include inflows from foreign investors.

As regards flexible funds, the net inflow to Italian funds (+3.9 billion euro) was offset by almost no inflows to roundtrip (0.3 billion euro) and foreign (-0.1 billion euro) flexible funds. Again in 2010 there was a net outflow from hedge funds (-2 billion euro), mainly due to outflows from Italian hedge funds (-1.5 billion euro) and to a lesser extent from foreign funds (-0.5 billion euro) (Fig. 60).

Fig. 60 Net flows of hedge funds and flexible funds, by fund domicile
(billions of euro)



Source: calculations on Assogestioni data.

The reduction in inflows to speculative funds was accompanied by a reduction in assets managed in such products, down from 11 to 10.1 billion euro, and to a reduction in the number of active funds and Asset Management Companies (AMCs) (Table 20). The ratio between total assets and net equity became close to one, indicating a reduction in the use of leverage. Funds of speculative funds are still the most significant part of the market of Italian-law hedge funds.

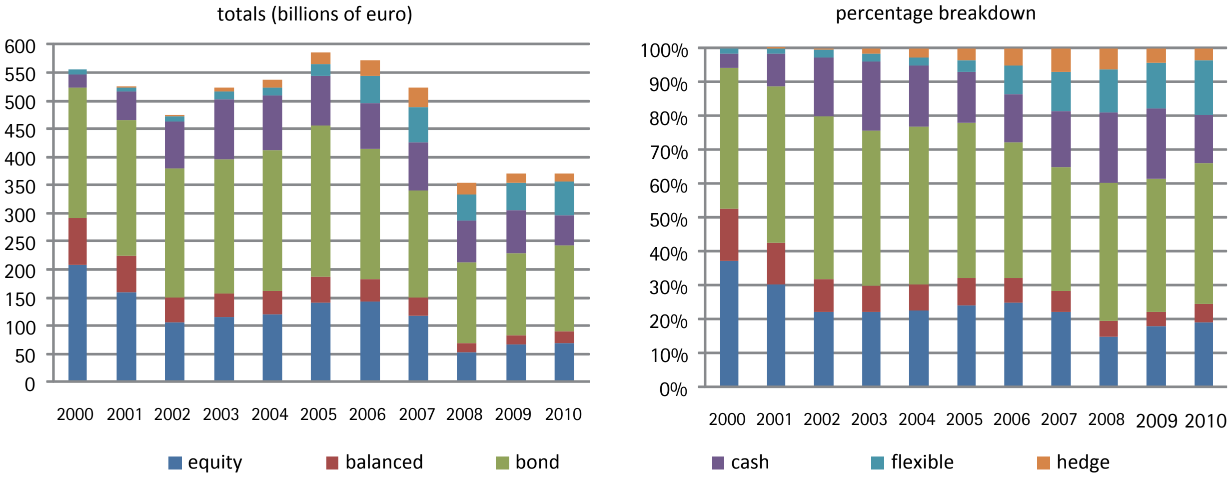
Table 20 Italian-law open-ended speculative funds

	Number of funds	Total assets (billions of euro)	*of which funds of funds (percentage of total assets)*	Shareholders' equity (billions of euro)	No. of asset mgt companies
2003	80	6.4	*95*	5.8	25
2004	135	12.7	*96*	11.7	27
2005	160	18.5	*95*	17.0	30
2006	200	25.5	*94*	23.6	35
2007	241	32.6	*94*	30.4	37
2008	248	19.7	*92*	16.6	40
2009	161	12.0	*83*	11.0	37
2010	147	10.8	*85*	10.1	36

Source: calculations on statistical supervisory reports.

Despite the net outflow, in 2010 the net assets of mutual funds promoted by Italian intermediaries remained substantially unchanged (-0.4 per cent per cent). The growth in net assets was more accentuated for balanced funds (+24.4 per cent) and flexible funds (+19.9 per cent), while the net assets of equity and bond funds grew to a lesser extent (+5.6 per cent and +5.2 per cent respectively; Fig. 61).

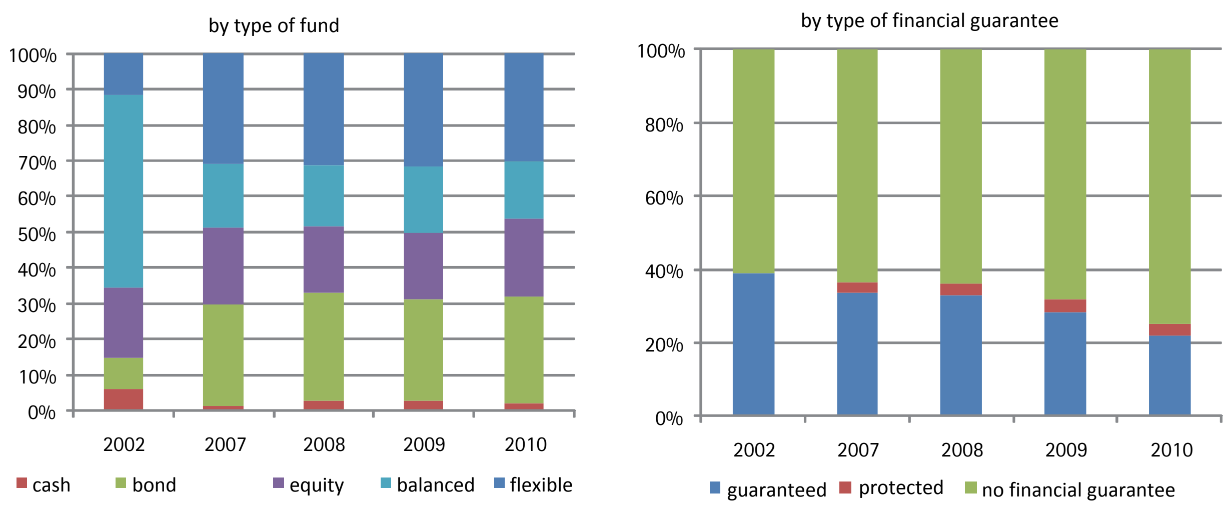
Fig. 61 Shareholders' equity in mutual funds promoted by Italian intermediaries



Source: Assogestioni. The Italian intermediaries include Italian asset management companies controlled by foreign entities. The data includes Italian open-ended 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 refer to total assets.

The evolution in the breakdown of assets managed by categories of domestic funds associated with unit-linked policies was different from that recorded for Italian mutual investment funds, both in terms of performance of total assets (up 4 per cent, reaching approximately 60 billion euro) and in terms of distribution of proportions ascribable to the single categories of domestic funds (Fig. 62).

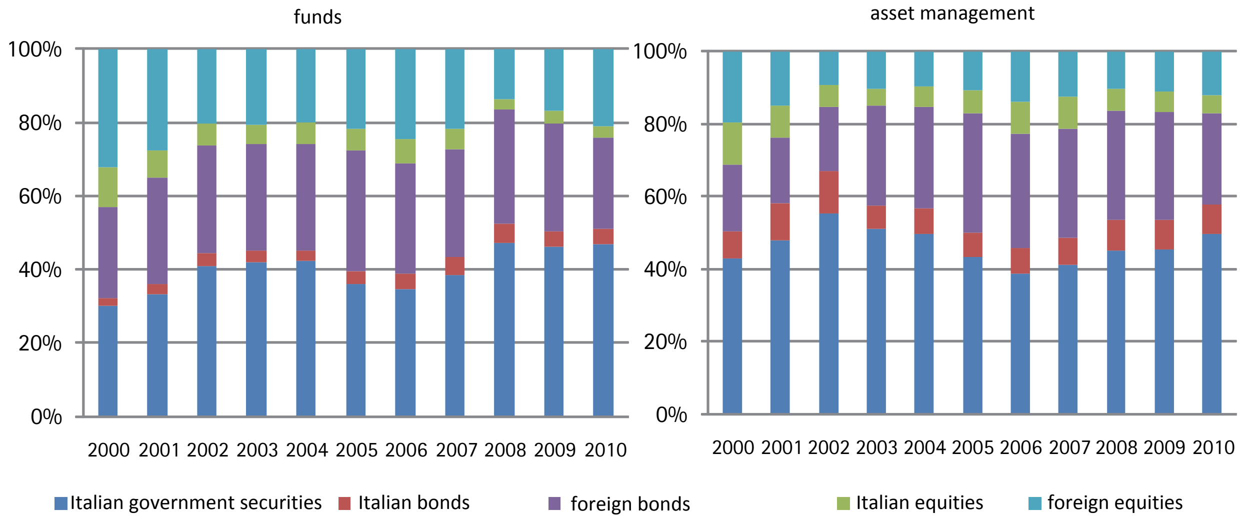
Fig. 62 Breakdown of managed portfolios of funds associated with unit-linked policies



Source: calculations on Ania data.

The asset allocation decisions determined an increase in equity investments out of the total portfolio, more evident for funds (from 20.2 to 24.1) and more limited for asset management (from 16.3 to 16.7; Fig. 63).

Fig. 63 Breakdown of Italian open-ended mutual fund portfolio and individual asset managements

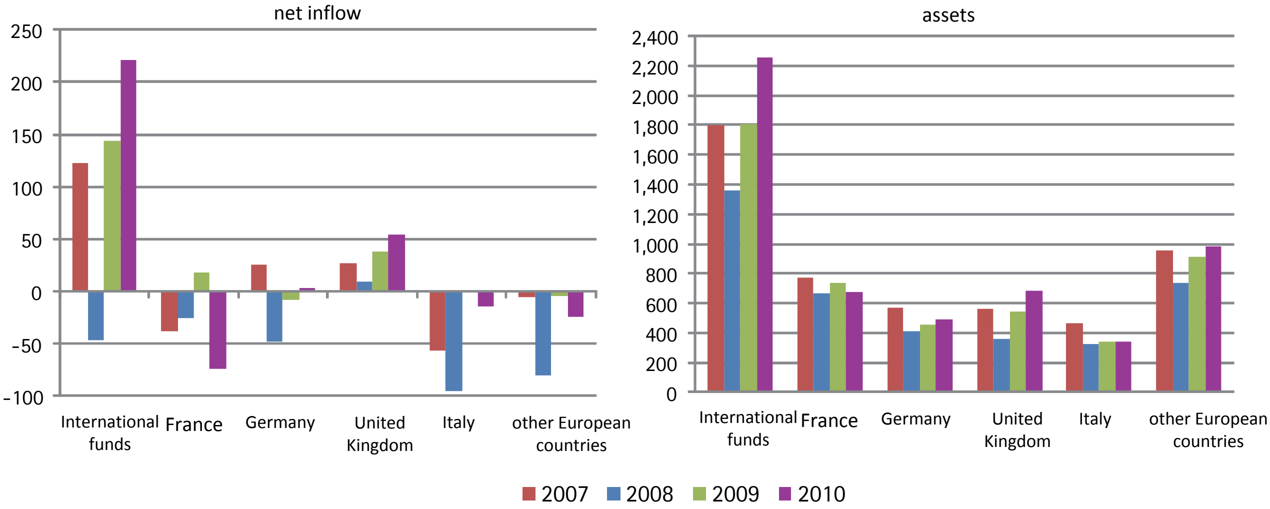


Source: calculations based on Bank of Italy data. The portion of individual portfolios invested in UCITS was allocated to other financial assets according to the composition of the Italian mutual fund portfolio for the reference year. The data on foreign bonds include foreign public securities and the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

In 2010, net inflows to pure cross-border funds (that is domiciled in Ireland and Luxembourg for which it is not possible to identify a single country which contributes at least 80 per cent to total assets) rose considerably, from 143.3 to 220.8 billion euro (approximately +54 per cent). Among the major European countries, only in the United Kingdom and Germany there was an inflow of resources to the segment of mutual funds (respectively, 55 and 3 billion euro), while there were net outflows in Italy (-14 billion euro) and in France (where there was an outflow of 73.4 billion euro); also in Spain and Belgium the net flow was negative (respectively, -26.3 and -7.2 billion euro; Fig. 64).

In 2010 growth in the market of Italian-law closed-end real estate funds continued (total assets grew from 47.5 to 50.4 billion euro, +6.1 per cent). The proportion of the investment in real estate and real estate rights out of total assets grew slightly, reaching approximately 87 per cent, while the level of indebtedness fell slightly (debts to total assets), going down from 45 to approximately 43 per cent. The number of operating management companies grew from 54 to 57, while the number of operating funds went up from 259 to 294 (Table 21).

Fig. 64 Assets and net inflows of mutual funds in Europe
(billions of euro)



Source: Lipper 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.

Table 21 Italian-law closed-end real estate funds [1]
(monetary amounts in millions of euro)

	Number of AMCs	Number of funds operating	Shareholders' equity (A)	Total assets (B)	Indebtedness ((B-A)/B) %	Asset percentage breakdown: properties and property rights	financial instruments	securities and liquidity	other assets
2003	11	19	4.4	5.2	14.1	74.7	8.7	10.2	6.4
2004	16	32	8.1	12.3	34.3	86.1	6.1	3.6	4.2
2005	27	64	12.0	18.6	35.3	83.7	8.5	4.8	3.1
2006	34	118	16.3	26.9	39.5	82.0	6.8	6.1	5.1
2007	47	171	21.6	35.9	39.9	85.3	4.7	4.4	5.6
2008	51	226	24.4	42.4	42.4	86.9	4.8	4.5	3.9
2009	54	259	26.3	47.5	44.6	86.2	5.2	4.6	4.0
2010	57	294	28.6	50.4	43.3	87.0	5.0	3.5	4.4

Source: calculations on reporting data. [1] Rounding may cause discrepancies in the last figure.

As regards Italian-law closed-ended investment funds, the so-called private equity funds, in 2010 there was growth in total assets (up from 6.4 to 6.7 billion euro; +4.7 per cent), in assets managed (from 6.2 to 6.7 billion euro; +8.1 per cent) and in subscribed capital (from 14.4 to 16.1 billion euro; +11.9 per cent), mainly thanks to the creation of a new fund which collected approximately 1.2 billion euro (founded in a partnership between the public and the private sector) (Table 22). The number of Italian-law closed-end investment funds set up following the liquidation problems faced in the last few years by Italian speculative funds, the so-called "side pocket" funds, is still high.

Table 22 Italian-law closed-end investment funds
(monetary amounts in millions of euro)

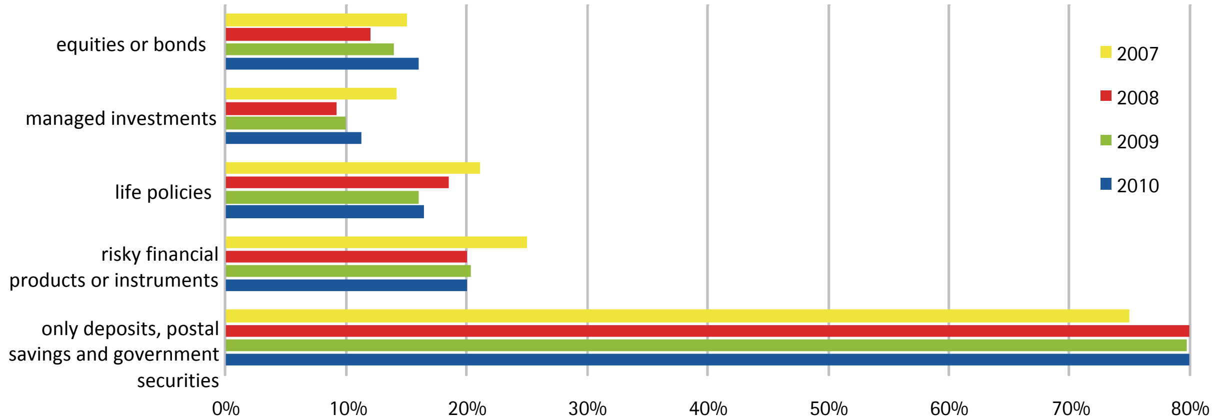
	Number of funds	Total assets	Subscribed capital	Shareholders' equity	No. of asset mgt companies
2003	35	1.5	3.0	1.4	26
2004	47	1.7	4.5	1.7	34
2005	61	2.4	6.4	2.4	43
2006	74	3.5	7.7	3.2	49
2007	95	4.1	12.3	3.9	58
2008	115	5.8	14.0	5.4	64
2009	171	6.4	14.4	6.2	74
2010	189	6.7	16.1	6.7	81

Source: calculations on reporting data.

3 Households

In 2010 the degree of participation of households in the financial markets did not change significantly with respect to 2009. The proportion of retail investors holding at least one "risky" financial product (shares, bonds, managed savings and life policies) remained stable at around 20 per cent, still at a lower level than that seen in 2007 (approximately 25 per cent; Fig. 65).

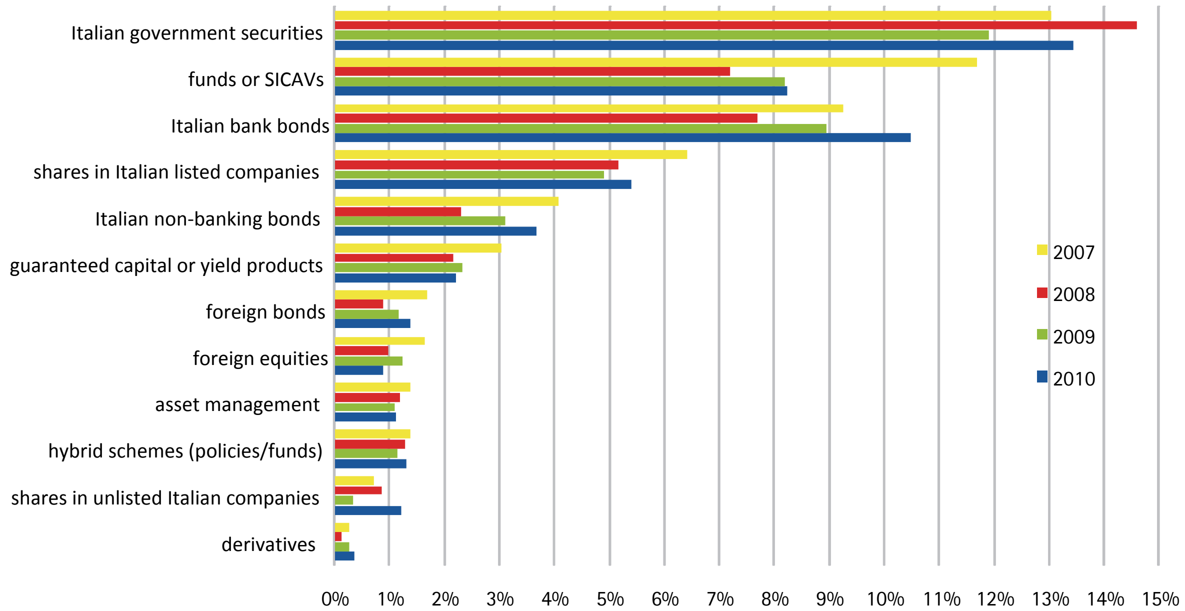
Fig. 65 Financial asset types held by Italian households
(percentage of households with financial assets or asset combinations declared at the end of the period)



Source: calculations on GfK Eurisko - Multifinanziaria Retail Market data (on a sample of around 2,500 Italian households). See Methodological Notes. The proportion of households holding only deposits and government bonds also includes those that hold only cash (so-called unbanked sums). The deposits and postal savings item includes deposits in bank and postal current accounts, bank and postal savings books, deposits in currencies other than the euro, repurchase agreements and certificates of deposit. The managed savings item includes Italian and foreign mutual funds and SICAVs, accumulation programmes (unit cost averaging), asset management in securities and in funds, mixed fund-policy schemes and liquidity management services. The life policies item includes class III and V policies, capitalisation products, multi-class policies, supplementary pension schemes and pension funds. Risky financial products or instruments are equities, bonds, managed savings and life policies.

Moving on to consider in more detail the various categories of financial instruments, the percentage of retail investors possessing bank bonds grew from 8.9 per cent in 2009 to 10.5 per cent in 2010 (although they fell as a proportion of total wealth), reaching higher levels than in the period before the crisis (9.3 per cent in 2007). The proportion of households investing in Italian non-bank bonds increased, although not as much, from 3.1 to 3.7 per cent. The percentage of households investing in funds or SICAVs remained stable at around 8 per cent. The worsening of the economic situation in the euro area encouraged a flight to quality on the part of retail investors; the degree of dissemination of government bonds grew, in fact, from 11.9 per cent in 2009 to 13.4 per cent in 2010 (although they fell as a proportion of total financial wealth; Fig. 66).

Fig. 66 Dissemination of financial instruments and products among Italian households
(percentage of households holding the financial product or instrument indicated)

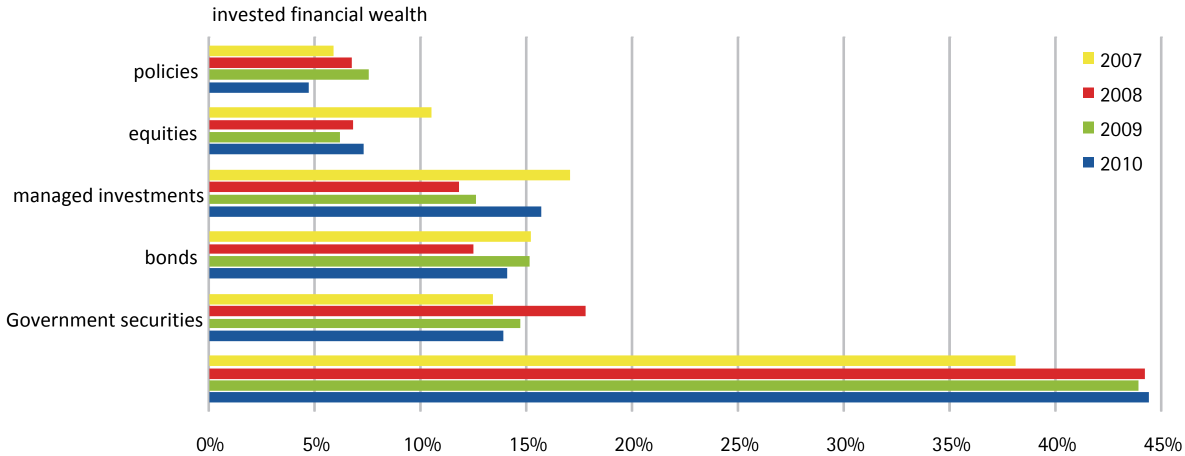


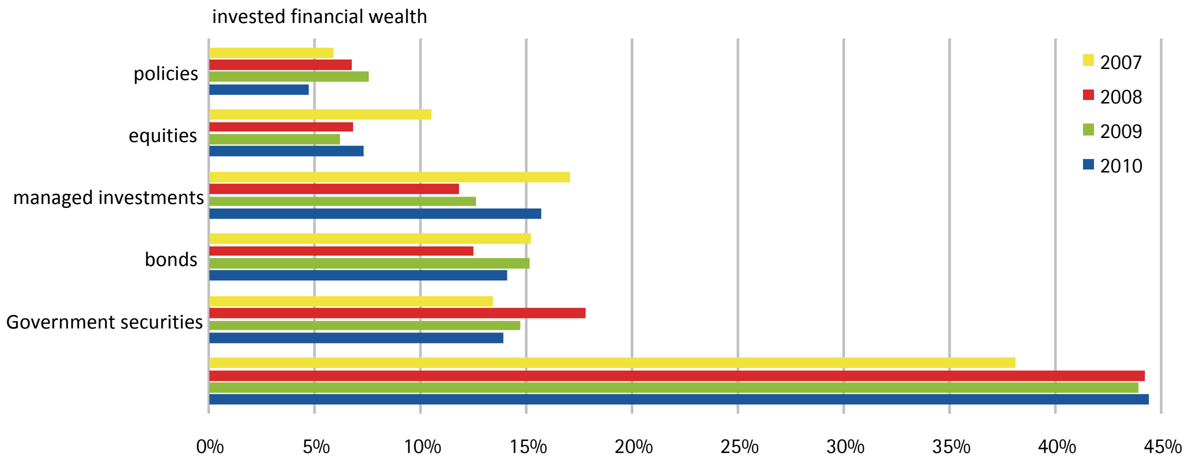
Source: calculations on GfK Eurisko - Multifinanziaria Retail Market data (on a sample of around 2,500 Italian households). See Methodological Notes.

The data on the distribution of total financial wealth by type of asset show a number of changes in the asset allocation decisions of Italian households (Fig. 67). In 2010 the exposure of Italian households to structured products grew, rising from 199.3 to 212.8 billion euro (approximately +10.2 per cent), against gross issues of 45.7 billion euro, in line with the average of the three previous years (Fig. 68).

The high degree of dissemination with retail investors of bonds and structured products is in part ascribable to the limited use of consultancy services. The percentage of households that receive investment proposals personalised by their financial adviser, already quite small in 2007, has, in fact, fallen further in the last few years, probably as a result of a reduction in confidence in the financial system and an increase in risk aversion.

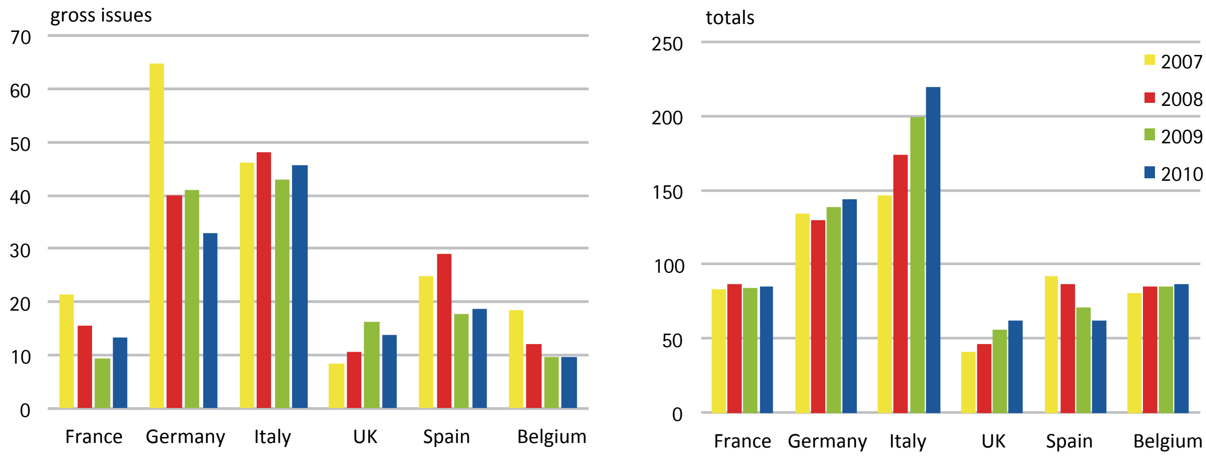
Fig. 67 Breakdown of the Italian household portfolio





Source: estimates on GfK Eurisko - Multifinanziaria Retail Market data (on a sample of around 2,500 Italian households). See Methodological Notes. The deposits and postal savings item includes deposits in bank and postal current accounts, bank and postal savings books, deposits in currencies other than the euro, repurchase agreements and certificates of deposit. The managed savings item includes Italian and foreign mutual funds and SICAVs, accumulation programmes (unit cost averaging), asset management in securities and in funds, mixed fund-policy schemes and liquidity management services. The policies item includes class III and V policies, capitalisation products, multi-class policies, supplementary pension schemes and pension funds. Financial wealth does not include unbanked sums.

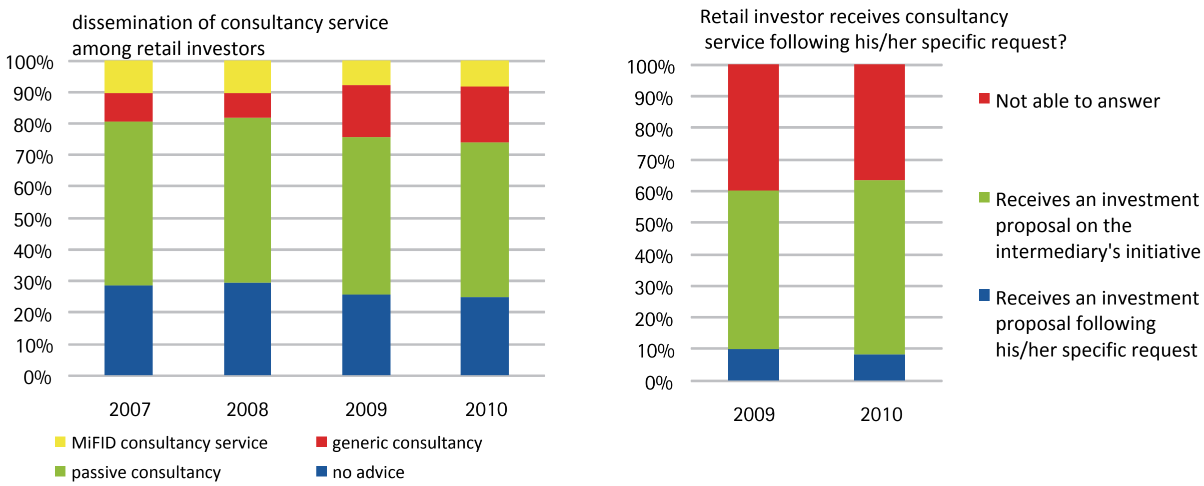
Fig. 68 Structured products placed with retail investors
(billions of euro)



Source: Arete Consulting.

On the basis of the GfK Eurisko survey data, the proportion of retail investors that received consultancy services during 2010 was approximately 8 per cent (compared with 10 per cent in 2007). There is a much higher percentage of households that state that they make their investment decisions with no support from financial intermediaries ("no advice"; approximately 25 per cent in 2010; Fig. 69).

Fig. 69 Features of the service of financial advice to households in Italy



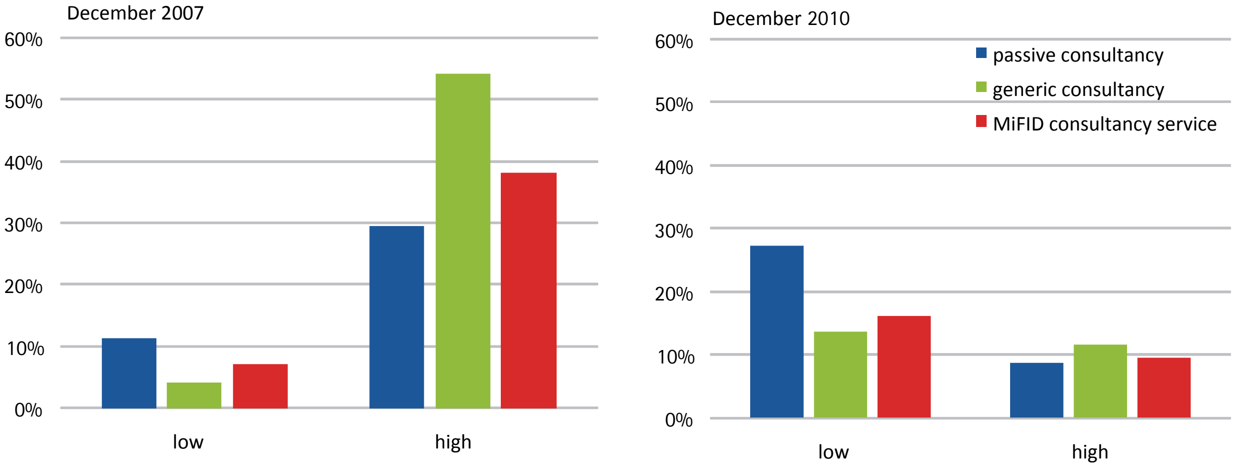
Source*:* calculations on GfK-Eurisko data. The "passive advice" group includes households that state that they have a trusted adviser for investments by whom, however, they have not been contacted in the last 12 months. The "generic advice" group includes families that have a trusted adviser, by whom they are contacted without receiving investment proposals relating to specific financial instruments. The "MiFID consultancy service" includes households that are contacted by their trusted adviser for investments and receive personalised investment proposals referring to a specific financial instrument.

At the root of the low dissemination of the consultancy service is the perception, on the part of many households, that the provision of such an investment service is conditioned by conflicts of interest (Fig. 70). The perception of conflicts of interest has however fallen for households that receive the consultancy service as defined by the MifiD (from 24 per cent in 2007 to 14 per cent in 2010), while it has increased for households that, although they are contacted by their trusted adviser, do not receive proposals referring to a specific financial instrument (from 10 per cent in 2007 to 12 per cent in 2010). The proportion of households that consider the consultancy service to have a low added value has also increased significantly. The proportion of households that consider themselves very satisfied by the MiFID consultancy services has, in fact, gone down from approximately 38 per cent at December 2007 to 10 per cent at December 2010 (Fig. 71).

Fig. 70 Degree of perception of conflicts of interest in the consultancy service

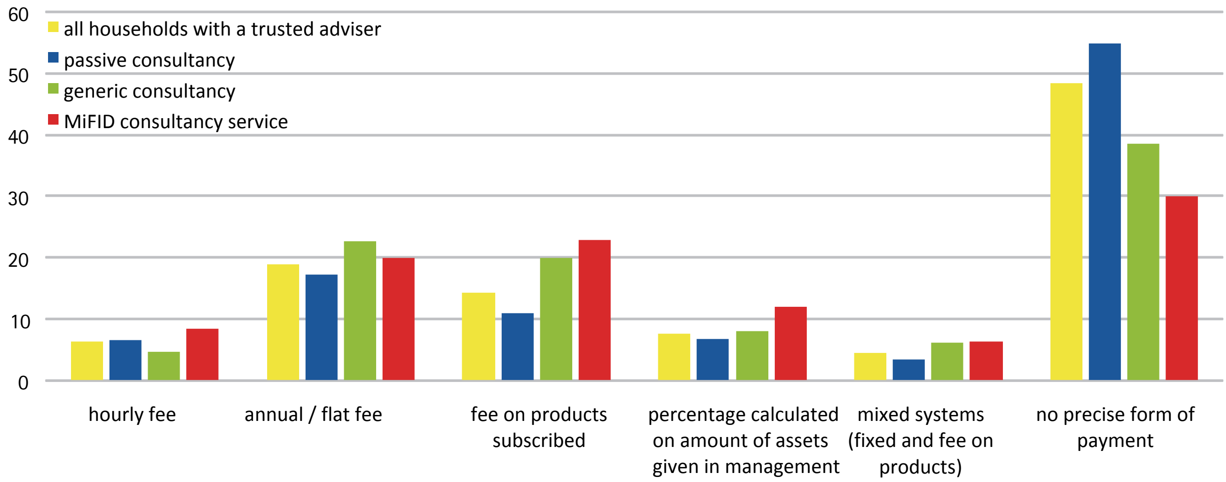
Source*:* calculations on GfK-Eurisko data. It is assumed that households consider the adviser to have a conflict of interest when to the question "*In your opinion, your representative for investments, in proposing financial products and solutions, protects...?*" they answer *"Above all the interests of the bank/institution they work for rather than your interests as a customer"*. The "passive advice" group includes households that state that they have a trusted adviser for investments by whom, however, they have not been contacted in the last 12 months. The "generic advice" group includes families that have a trusted adviser, by whom they are contacted without receiving investment proposals relating to specific financial instruments. The "MiFID consultancy service" includes households that are contacted by their trusted adviser for investments and receive personalised investment proposals referring to a specific financial instrument.

Fig. 71 Degree of satisfaction of Italian households for the financial consultancy service
(percentage out of total households grouped together by type of consultancy service received)



Source*:* our calculations on GfK-Eurisko data. It is assumed that households have a high level of satisfaction with respect to the consultancy service received when to the question *"Overall, how satisfied are you with your trusted investment adviser?"* they answer *"Very"*. It is assumed that households have a low level of satisfaction with respect to the consultancy service received when to the question *"Overall, how satisfied are you with your trusted investment adviser?"* they answer *"Not very or not at all"*. The "passive advice" group includes households that state that they have a trusted adviser for investments by whom, however, they have not been contacted in the last 12 months. The "generic advice" group includes families that have a trusted adviser, by whom they are contacted without receiving investment proposals relating to specific financial instruments. The "MiFID consultancy service" includes households that are contacted by their trusted adviser for investments and receive personalised investment proposals referring to a specific financial instrument.

Fig. 72 Opinion of Italian households on methods of payment for the consultancy service
(data at December 2010)



Source: calculations on GfK-Eurisko data. Answers to the following question were used: *I shall now read you some possible forms of payment for the consultancy service. Could you tell me which you consider most interesting/closest to your needs?* The "passive advice" group includes households that state that they have a trusted adviser for investments by whom, however, they have not been contacted in the last 12 months. The "generic advice" group includes families that have a trusted adviser, by whom they are contacted without receiving investment proposals relating to specific financial instruments. The "MiFID consultancy service" includes households that are contacted by their trusted adviser for investments and receive personalised investment proposals referring to a specific financial instrument.

Consob activity B

Supervision of issuers and independent auditors

I

1 Corporate disclosure

Supervision of information distributed to the public by listed issuers, during 2010, was focused mainly on monitoring the completeness and consistency of the flow of data and news provided to the market and the impact of price sensitive disclosure on the prices of financial instruments admitted to trading. Particular attention was also paid to a comparison between the said information and that reported by the information media such as newspapers, specialised press agencies and websites. The actions in this regard involved numerous issuers in relation to which a total of 506 requests for communication to Consob were made, under the terms of Art. 115 of the Consolidated Law on Finance, as well as 164 requests for communication to the public, under the terms of Art. 114 of the Consolidated Law on Finance. During the year 13 investigations were carried out in relation to listed issuers and 7 in relation to auditing firms; 6 reports were also transmitted to the Judiciary (Table 23).

Particular attention was paid, as usual, to companies included in the so-called black list, that is companies subject to more stringent obligations of monthly publication of economic and financial data than those provided for by law.

With reference to requests for data and news under the terms of Art. 114 of the Consolidated Law on Finance, as usual, demands for supplements to press releases already distributed by issuers were justified mainly by the need to make information on the economic and financial situation of the said issuers more exhaustive; in other cases the action involved extraordinary transactions, in particular those with related parties, with reference to which it was considered opportune to explain the operational methods and the reasons of convenience for the counterparty issuers.

Table 23 Supervision of corporate disclosures and ownership structures

Type of action	2004	2005	2006	2007	2008	2009	2010
Requests for information pursuant to Art. 115 of the Consolidated Law on Finance							
Information acquired from directors, statutory auditors, independent auditors, general managers, parent and subsidiary companies	51	90	36	59	132	155	198
Requests for data and information	43	213	201	151	392	422	244
Requests for confirmation of major holdings	21	77	30	44	30	214	33
Requests for information to identify the persons responsible for issue of disclosures in the event of charges of infringement	12	47	28	48	102	--	--
Requests for information on shareholdings	39	13	12	14	12	20	31
Total	*166*	*440*	*307*	*316*	*668*	*811*	*506*
Requests to publish data and information pursuant to Art. 114 of the Consolidated Law on Finance							
Supplements to information for disclosure at shareholders' meetings	15	6	11	5	11	38	24
Supplements to periodic financial reports	14	--	6	1	21	59	7
Information for disclosure to the market (press releases)	82	69	129	100	90	112	109
Monthly disclosures	8	2	2	1	8	3	9
Quarterly disclosures	–	–	–	–	–	20	6
Supplements to documentation on mergers and other extraordinary transactions	1	--	4	3	8	25	1
Supplements to takeover bid documents 3 4	4	17	6	49	30	10	8
Total	*124*	*94*	*158*	*159*	*168*	*267*	*164*
Waivers of disclosure requirements pursuant to Art. 114, sect. 6 of the Consolidated Law on Finance	11	2	25	3	*5*	*4*	*2*
Delays in disclosure pursuant to Art. 114, sect. 3 of the Consolidated Law on Finance	–	–	*12*	*20*	*4*	*1*	*2*
Requests for immediate publication of research reports in the event of rumours	3	8	18	14	*5*	*4*	*4*
Reports to legal authorities	--	--	4	--	*5*	*10*	*6*
Investigations involving listed companies							
commenced	2	2	2	4	*5*	*5*	*13*
completed	2	2	2	1	*5*	*7*	*13*
Investigations involving independent auditors							
commenced	5	4	3	5	*5*	*9*	*8*
completed	8	3	4	2	*5*	*6*	*7*
Written reprimands	--	--	1	1	--	--	*2*
Annual financial statements challenged	4	4	4	3	*2*	*1*	*1*

The supervisory activity on corporate disclosures relating to related party transactions entailed the examination of 21 disclosure documents and 23 press releases prepared when such transactions were carried out (Table 24 and Table 25). In this regard it should be noted that, starting from 1 December 2010, disclosure obligations are governed by Consob Regulation 17221/2010 on the subject of related party transactions. Of the aforementioned documents, therefore, the content of those distributed after 1 December is in accordance with the new provisions.

Table 24 Related party transactions disclosed to the market by listed companies in 2010 – information documents

Company	Transaction	Counterparties
Acsm-Agam	Rental of business unit	Between a listed company and a subsidiary
Acsm-Agam	Merger by incorporation	Between companies subject to common control
Acsm-Agam	Sale of business unit	Between subsidiary and listed company
Aicon	Framework agreement for purchase of goods	Between listed company and parent
Alerion	Sale of equity interests	Between listed company and company controlled by subject with significant influence over the listed company
Banco di Sardegna	Financing of subsidiary	Between a listed company and a subsidiary
Beghelli	Signing of agreement	Between companies subject to common control
Carraro	Business segment transfer	Between companies subject to common control
Cattolica Assicurazione	Sale of equity interests	Between listed company and its shareholder
Erg Renew	Purchase of equity interest	Transaction financed by parent companies
FNM	Partial demerger	Between issuer and company controlled by issuer
FNM	Sale of shares and settlement	Between issuer and company controlled by issuer's shareholder
IGD	Acquisition of commercial gallery	Between a listed company and its parent
Investimenti e sviluppo	Acquisition of fund units	Between listed company and company whose majority shareholder is a minority shareholder of the listed company's parent company
Italcementi	Sale of shares	Between a listed company and its parent
IWBank	Merger by incorporation	Between a listed company and a 100% controlled subsidiary
IWBank	Payment of compensation	Between listed company and company whose directors and major shareholders are directors of the listed company
Mediacontech	Financing agreement	Between listed company and parent
Tamburi Investiment Partners	Share capital increase in kind	Between listed company and company whose shareholders include directors of the listed company
Tod's	Global takeover	Between companies subject to common control
Yorkville	Investment agreement restructuring operation	Between listed company and company whose directors and shareholders include directors of the listed company

Table 25 Related party transactions disclosed to the market by listed companies in 2010 – press releases

Company	Transaction	Counterparties
Bialetti	Merger of two subsidiaries	Between listed company and other subsidiaries of the listed company
Investimenti e Sviluppo	Purchase of closed-end fund units	Between listed company and another company in which the Sole Director is a shareholder of a company which has undertaken to subscribe a capital increase of the listed company
Credito Valtellinese	Purchase of a business unit	Between listed company and company controlled by the listed company
Yorkville bhn	Agreement on entry into capital	Between the company and subjects linked by various relationships
Le Buone Società	Purchase of equity interest in a company	Between listed company and company controlled by the controlling shareholder of the listed company
Arena	Framework agreement of an economic and financial nature	Between listed company and company that has undertaken to subscribe a capital increase of the listed company
CDC	Purchase of equity interest in a company	Between listed company and company controlled by a director
Terni Energia	Signing of a supply contract	Between listed company and controlling shareholder of the listed company
Landi Renzo	Purchase of equity interest in a company	Between listed company and controlling shareholder of the listed company
IMA	Purchase of equity interest in a company	Between listed company and a company whose shareholders include several directors of the listed company
Credito Bergamasco	Sale of equity interest in a company	Between listed company and controlling shareholder of the listed company
Intesa Sanpaolo	Sale of equity interest in a company	Between listed company and significant shareholder of the listed company
Dea Capital	Merger of two subsidiaries	Between two subsidiaries of the listed company
Alerion Cleanpower	Early repayment of a loan	Between listed company and a company whose shareholders include significant shareholders of the listed company
Management & Capitali	Sale of equity interest in a company	Between listed company and a director of the listed company
Intek	Sale of equity interest in a company	Between listed company and significant shareholder of the listed company
Intek Ergycapital	Granting of a loan	Between a subsidiary of the listed company and another listed company in which it is a significant shareholder
Cattolica Assicurazione	Commercial agreement	Between a listed company and an associate
Autogrill	Merger by incorporation of a subsidiary	Between listed company and company controlled by the listed company
Cattolica Assicurazione	Investment agreement	Between listed company and company that holds an equity interest in the listed company such as to be able to exercise significant influence over the latter
Italcementi/Italmobiliare	Transfer of equity interest	Between listed company and its parent
Acea	Termination of joint venture	Between listed company and another company that holds an equity interest in the joint venture
Amplifon	Financing agreement	Between listed company and company controlled by the listed company

In February 2010 the Commission, as usual, updated the list of significant issuers of widespread financial instruments.

2 Public offerings and extraordinary finance transactions

During 2010 the Commission issued authorisation for the publication of 1,114 prospectuses, of which 380 relating to UCITS; it also examined 135 reports illustrating extraordinary finance transactions, mostly relating to share capital increases and amendments to by-laws owing, in particular, to the need to adjust by-laws to the provisions introduced into the Consolidated Law on Finance on transposition of the Directive on the subject of shareholders' rights (Table 26).

The prospectuses approved by Consob accounted in 2010 for a proportion of approximately 70 per cent of all prospectuses used for the marketing in Italy of financial instruments covered by the Prospectus Directive 2003/71/EC (shares, bonds, warrants, covered warrants and certificates); almost 25 per cent of prospectuses benefited, instead, from the so-called "European passport", under the terms of the said directive, notified to the Commission by authorities of other European countries. The ratio between prospectuses approved and those "passported" seems more balanced, instead, in the United Kingdom and in Germany (Fig. 73).

The number of IPOs was again very low: with respect to 2009, offering operations for the purpose of listing increased from one to 2. The number of bond prospectuses was again high, although down with respect to the previous three years, while issues of structured products, certificates and covered warrants, fell sharply.

Table 26 Supervision of public offerings, admissions to listing and extraordinary finance transactions

Type		2005	2006	2007	2008	2009	2010
Number of prospectuses concerning:							
Admission to listing of shares[1]		19	36	38	17	6	7
of which	*through offering*	*15*	*26*	*27*	*9*	*1*	*2*
Bond loans		18	711	1,163	986	748	655
of which:	*base prospectuses*	–	*535*	*870*	*639*	*472*	*405*
	prospectuses	–	*143*	*115*	*45*	*36*	*24*
	registration documents and supplements	–	*33*	*178*	*302*	*240*	*226*
Issue of covered warrants[3] and certificates		37	32	109	99	102	27
Admission to listing of warrants		10	1	3	2	10	--
Other offerings of listed securities[4]		2	--	--	--	--	--
Offerings of unlisted securities by Italian issuers[5]		7	6	18	23	28	29
Offerings reserved for employees[6]		26	--	--	--	--	--
Options offered to shareholders[7]		5	23	14	16	23	16
UCITS[8]		374	397	422	428	337	380
Total		*498*	*1,205*	*1,767*	*1,571*	*1,254*	*1,114*
Number of reports on extraordinary finance transactions:							
Mergers		30	31	15	10	12	2
Spin-offs		3	--	1	2	2	--
Increases in share capital[9]		47	49	33	29	51	46
Purchase/disposal of own shares		91	44	41	79	15	1
Amendments to articles of association		79	63	101	69	68	82
Share conversions		4	1	2	--	--	--
Bond issues		6	2	2	3	--	--
Reductions in share capital		8	4	3	5	6	4
Total[10]		*268*	*194*	*198*	*197*	*154*	*135*

[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 recognition of foreign prospectuses. [7] Share capital increases in listed companies (including increases with associated warrants and convertible bonds). [8] Includes public offerings of mutual fund units and SICAV shares, admissions to listing of units of Italian closed-end funds and financial instruments issued by foreign management companies. The figure also includes sales of new sub-funds of harmonised foreign UCITS. It should be noted that from 1.7.2009 the publication of prospectuses of open-ended Italian UCITS is no longer subject to prior authorisation. Up to and including 2006 figures also include pension fund offerings which from 2007 no longer fall under Consob supervision. [9] The figure 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.

Fig. 73 Use of the passport under the terms of the Prospectus Directive (2003/71/EC) in certain European countries

Source: calculations on Cesr data.

The listing of Enel Green Power (EGP) was particularly significant in terms of the total amount of the offering (almost 2 billion euro).

It is also worth noting the listing of shares of the new company Iren, deriving from the merger by incorporation of Enia into Iride.

As regards the equivalence opinions expressed by the Institute pursuant to Art. 57, section 1, letter d) of the Issuers Regulations, of particular importance was the one which enabled listing of the company Fiat Industrial, deriving from the demerger of the non-auto unit of Fiat SpA.

During the year, the Commission was occupied with the approval of 18 prospectuses of future banks.

As in past years, there were several capital increase operations of listed companies, with consequent listing of the shares deriving from such increases.

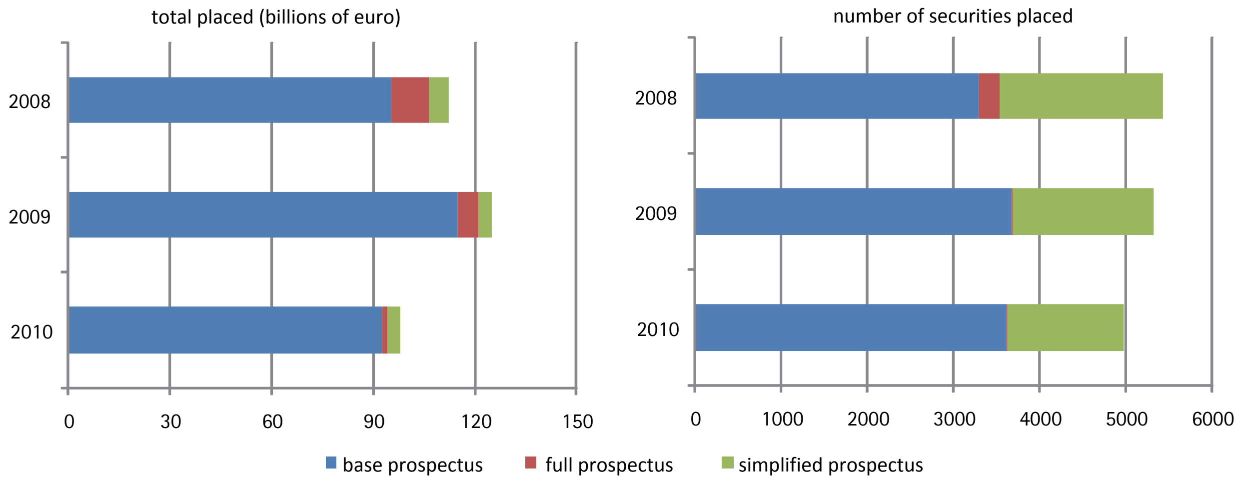
Particular attention was paid to offerings launched by unlisted issuers. These subjects, in fact, are less familiar with the disclosure obligations governed by the Consolidated Law on Finance and by the implementing regulations, so that at the time of examination of the prospectus checks on the completeness and comprehensibility become particularly necessary.

During 2010 the Institute continued its supervisory action on non-equity financial products and instruments. The activity of monitoring prospectuses of securities not representing risk capital led to the approval of 655 offer documents relating to bond loans, of which 405 base prospectuses, 24 full prospectuses and 226 registration documents and supplements.

From an analysis of information contained in quarterly reports sent to Consob by bank issuers, it emerges that almost all non-equity financial instruments placed on the market in the reference period are bonds, of which most are so-called plain vanilla bonds (that is fixed-rate, floating-rate, and zero coupon securities) and around one third structured bonds. Only a small proportion of the total value placed (approximately 2 per cent) is ascribable to covered warrants and certificates; it should be recalled, on the other hand, that such instruments are generally listed on the Sedex market without prior placing: the figure found in the quarterly reports therefore does not reflect the real distribution of covered warrant and certificates.

As usual, most of the resources collected through bonds were related to operations illustrated in base prospectuses. In 2010 securities worth almost 98 billion euro were placed with retail customers, significantly less than the more than 120 billion placed in 2009; the total number of securities placed also fell, compared with the two previous years (Fig. 74).

Fig. 74 Bond issues by Italian banks subject to public offering regulations



Source: prospectuses and statistical supervisory reports.

As regards, instead, financial products issued by insurance companies, it is worth noting the completion by the insurance companies of the process of updating the offer documentation to the prospectus formats attached to the Issuers Regulations which came into force on 1 July 2009. The main change regards the organisation of information in the prospectuses. In particular, the structure of the offer document was divided into a "General Information" form, relating to information on the contract, and one or more "Specific Information" forms, one for each of the possible investment proposals connected with the financial/insurance product. This structure enables offering companies to present their commercial proposals in a modular manner through one or more product forms.

As regards the supervision of prospectuses of products issued by insurance companies, following the identification, through the use of a structured system of indicators, of potential critical information issues, the Institute selected and examined 318 of the 641 prospectuses filed (969 in 2009), relating to unit-linked (513 compared with 537 in 2009), index-linked (35 compared with 255 in 2009) and capitalisation (93 compared with 177 in 2009) financial products.

As can be seen from the prospectuses filed, the breakdown of offerings of financial/insurance products recorded, during 2010, certain changes related to the new ISVAP Regulations on risks connected with index-linked products and unit-linked products linked to indexed to UCITS according to predefined algorithms (Regulation No. 32 of 11 June 2009, which came into force on 1 November 2009). On the basis of the previous regulations these types of products could be developed with the same financial engineering as structured bonds, that is as a combination of two components: a bond component needed to ensure repayment of the investment on maturity unless the issuer defaults (risk for the subscriber); a derivative component needed to offer a potential extra yield linked to the performance of a market parameter.

The new regulations issued by ISVAP stated, instead, that the counterparty risk of the assets backing policies must substantially be borne by the offering company, leaving investors with only the performance risk of the market parameter to which the product is linked. This arrangement, requiring in practice greater guarantees for the insurance companies, implied a drastic reduction in offerings of index-linked products: in 2010 the number of prospectuses filed in relation to index-linked products fell to 35 from 255 in 2009. On the contrary, there was a considerable increase in unit-linked investment proposals characterised by financial engineering completely assimilable to a structured bond, ascribable to foreign insurance companies. These companies have exploited the existing regulatory arbitrage spaces creating domestic funds with financial structures wholly analogous to the index-linked products no longer permitted (for more details on enforcement action see paragraph 1 of Chapter III *"Supervision of intermediaries".*)

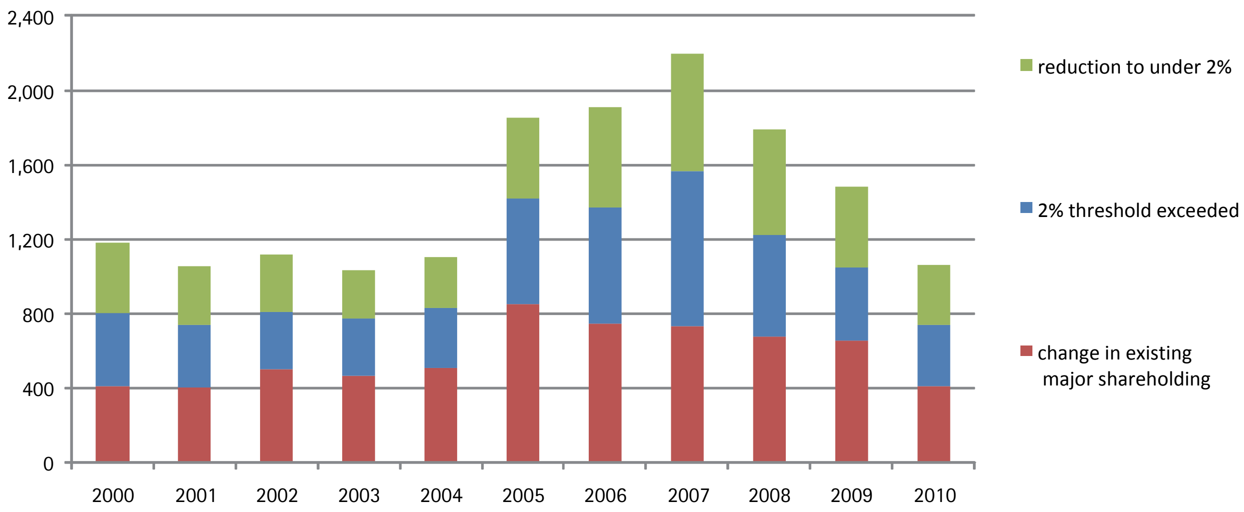
3 Ownership structures and takeover bids

During 2010 supervisory activity continued on the correct application of the regulations, changed by transposition of the Transparency Directive, on the obligations to disclose significant shareholdings.

The information flow generated by the disclosure obligations pursuant to Art. 120 of the Consolidated Law on Finance, although much reduced with respect to the previous three years, always constitutes a considerable part of the communications required. During 2010 more than 1,000 notices were published to the market regarding significant shareholdings, of which more than 300 owing to exceeding the 2 per cent threshold, approximately 400 owing to changes in equity interests already held and more than 300 owing to reductions below the 2 per cent threshold (Fig. 75).

The Commission also introduced further disclosure obligations with a notice on the subject of remunerations of top managers, retirement bonus agreements and succession plans approved in January 2011.

Fig. 75 Notices of major shareholdings in Italian listed companies



In 2010 the Commission permitted the publication of 10 offer documents, relating to 4 takeover bids and 6 public exchange offers (Table 27). In keeping with the economic situation in the period, the figure shows a sharp drop compared with the previous year, during which the publication of a total of 24 offer documents was authorised.

Table 27 Financial instruments subject to takeover bids and/or equity swaps on which documentation was authorized for publication in 2010

	On listed shares			On bonds and warrants	On unlisted shares	On fund units	On insurance policies	*Total*
	ordinary	savings	privileged					
Voluntary	3	--	--	3	--	2	2	*10*
Unsolicited	--	--	--	--	--	--	--	--
Mandatory	--	--	--	--	--	--	--	--
On own shares	--	--	--	--	--	–	--	--
Total	*3*	--	--	*3*	--	*2*	*2*	*10*
Obligation/right of purchase[1]								*2*

[1] Supplementary documents for the purpose of fulfilling the disclosure requirements connected with the obligation/right of purchase pursuant to Arts. 108 and 111 of the Consolidated Law on Finance.

As usual, during 2010, the Commission provided clarification and interpretative guidelines on takeover bids, including responses to queries linked to specific transactions. In particular, it expressed its opinion several times on operations to rescue listed companies in crisis for which it was considered appropriate to apply the relevant exemption from the mandatory takeover bid provided for in Art. 106, section 5, lett. a) of the Consolidated Law on Finance of Art. 49, section 1, lett. b) of the Issuers Regulations.

Among the questions tackled during the year by the Commission, we can note also: i) the applicability of the regulations on the subject of mandatory takeover bids to a plan to dissolve a trust with assignment at the same time to certain beneficiaries of the indirect controlling interest of a listed company; ii) an operation to restructure the parent of a listed company with the incorporation and entry into the share capital of the said parent company of a Foundation.

During 2010, finally, a query was sent to the Commission on the inclusion of treasury shares in determining the 30 per cent threshold for a mandatory takeover bid under the terms of Art. 106 of the Consolidated Law on Finance.

With reference to supervision of shareholders' agreements, quantitatively in line with the data of previous years, the regulatory changes made in the middle of 2010, which reduced the terms for completion of the communication obligations, entailed a concentration of the work of examination and checking of the same by the Institute.

4 Disclosure to shareholders' meetings

In several cases in 2010 Consob issued requests for the disclosure of information to shareholders' meetings.

Particular attention was also paid to the ordinary shareholders' meetings of listed companies convened to approve the financial statements at 31 December 2009. In particular, in cases of uncertainty on the going concern assumption, 14 companies were asked to provide during the shareholders' meeting their considerations on the assessments made by the independent auditors and all other elements needed to understand the actual economic and financial situation and the actions taken or to be taken to deal with any financial tensions.

5 Financial reporting

In the area of supervisory activities on financial reporting, in implementation of Articles 118-*bis* of the Consolidated Law on Finance and 89-*quater* of the Issuers Regulations, the Institute followed a risk-based approach, based on a sampling model aimed at selecting companies that present the greatest risk profiles for the transparency and correctness of financial information.

In support of this supervisory work, during 2010, thanks also to the contribution of industrial associations (Assonime, ABI, ANIA) which took part in the consultation stages, the project for the computerisation and automation of the Financial Analysis and Rating System (SAFIR) was implemented. This was developed for the assessment of the potential risks of issuers. The electronic acquisition of a series of information and financial data has enabled the creation of a computerised database containing the major information contained in the financial statements of listed issuers in a standardised and analysable format. This procedure has also enabled a reduction in the processing times of the ratings used for identification, according to risk based criteria, of the sample of issuers to subject to informative supervision. This set of issuers was then integrated with a sample selected in a random manner including a proportion of one fifth of listed companies (half of them, however, are extracted from the set of companies with the largest capitalisation and with the largest trading volumes). It should also be noted that, for the first time, the sample also included issuers of securities of any kind for which both Italy and the member state of origin and not only companies listed on the Italian financial markets.

As regards supervisory actions in the area of financial reporting, it should be recalled that the Commission exercised the powers pursuant to Art. 154-*ter*, section 7, of the Consolidated Law on Finance in relation to 2 issuers with shares admitted to trading of the MTA market managed by Borsa Italiana SpA.

The Commission, moreover, activated the power, under the terms of Art. 157, section 2, of the Consolidated Law on Finance in relation to Kerself SpA, to challenge the annual financial statements and the consolidated financial statements at 31 December 2009.

During the year, finally, the Commission intervened with recommendations of a general nature in order to call the attention of listed companies to correct application of the international accounting standards with respect to the accounting items and their measurement models most sensitive to the effects of the financial crisis and to the worsening of the economic situation. Financial reporting must, in fact, be constantly capable of representing in a clear, complete and timely manner the risks and uncertainties to which companies are exposed, the assets they can call on to cope with them and their effective ability to generate income.

6 Supervision of internal auditing bodies

During 2010 supervision continued of plurality of offices for members of auditing bodies of listed issuers and issuers of securities widely-distributed among the public. In particular, through the use of the functions of the Saivic integrated system devoted to the reception of communications made by supervised subjects, the Institute received more than 4,200 statements from approximately 1,100 members of auditing bodies out of more than 14,000 administration and auditing positions in listed and unlisted companies. The supervisory activity entailed the verification of disclosures made by auditing bodies of listed issuers on the occasion of shareholders' meetings called to approve the 2008 and 2009 annual financial statements, as regards the administration and auditing positions held.

During the year the Commission also approved the presentation of a crime report involving the board of statutory auditors of a listed issuer (Yorkville BHN) under the terms of Art. 152 of the Consolidated Law on Finance of Art. 2409 of the Civil Code, following investigations of serious irregularities in the performance of the supervisory duties of the board of auditors.

Finally, the checks carried out by the Institute on auditing bodies also revealed the existence of situations of incompatibility, pursuant to Art. 148, section 3, of the Consolidated Law on Finance, on the part of certain members of the boards of statutory auditors of two listed issuers. In both cases detected, after receiving notices from Consob, the persons involved resigned from their positions.

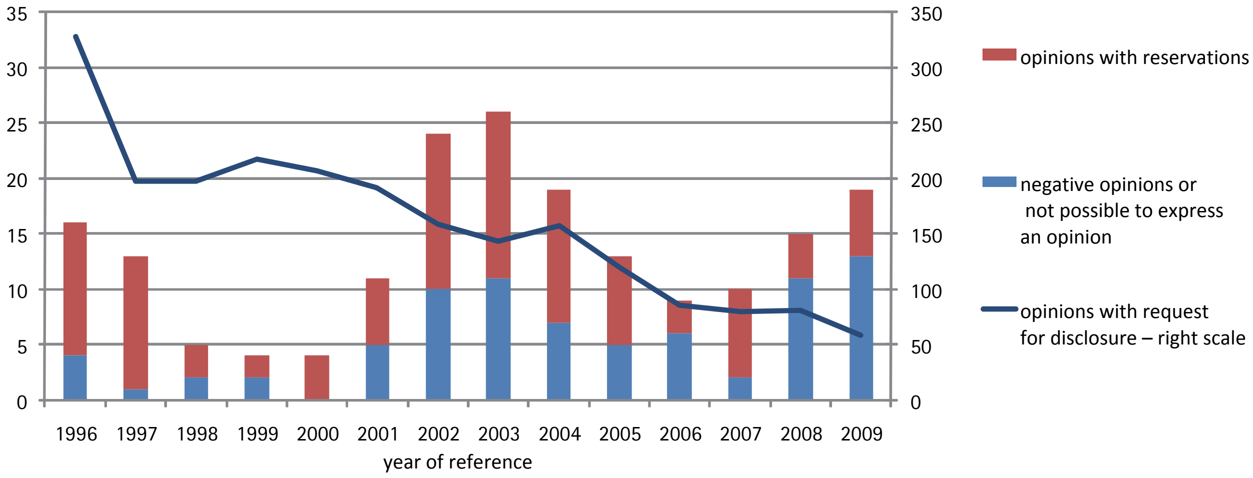
7 Supervision of independent auditors

Independent auditors entered on the special list held by Consob examined a total of 273 company financial statements and 259 consolidated financial statements for FY 2009 of issuers with shares admitted to trading on Italian regulated markets.

In 3 cases (Bioera, Seteco International, formerly Omnia Network, and I Viaggi del Ventaglio with reference only to the consolidated financial statements) the auditing firm expressed a negative opinion, while in 10 cases (Arena Agroindustrie Alimentari, Giovanni Crespi, Investimenti & Sviluppo, I Viaggi del Ventaglio as regards the individual financial statements, K.R. Energy, Mondo Home Entertainment, Montefibre, Olidata, Socotherm and Zucchi) the auditors instead stated that it was impossible to express an opinion. In 6 other cases (DMail Group, Kerself, Sadi, Società Sportiva Lazio, Sopaf and Unipol Gruppo Finanziario) an opinion was expressed with reservations. Finally, in 59 cases auditing reports were issued with requests for greater disclosure.

Overall, with respect to the figures for FY 2008, there was an increase both in the number of companies for which the auditing firm expressed a negative opinion (from 1 to 3) and in the number of issuers for which the auditors expressed an opinion with reservations (from 4 to 6). The number of cases in which the independent auditors stated that it was impossible to express an opinion remained, instead, constant with respect to 2008 (10), while the number of auditing reports with requests for greater disclosure fell significantly (from 81 to 59; Fig. 76).

Fig. 76 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.

With reference to reports containing requests for greater disclosure, it can be noted that in 15 cases these regarded the ongoing concern assumption, with a reduction of almost a third of cases compared with 2008. These requests, even in the presence of an opinion without reservations, are an important signal, as they indicate the existence of significant uncertainties such as to raise considerable doubts about the soundness of the going concern assumption.

The negative opinions derive from limitations on the auditing process and from disagreements over the accounting criteria adopted by the directors.

Moving on to cases in which it was impossible to express an opinion, the auditing firms stated that they could not make a judgement owing to many significant uncertainties, with possible significant cumulative effects on the financial statements, relating essentially to going concern problems.

In this regard it can be noted that in the cases of Arena Agroindustrie Alimentari, Giovanni Crespi, Investimenti & Sviluppo, I Viaggi del Ventaglio, the statement of no possible opinion was also based on significant and pervasive limitations on the auditing process which the auditors found themselves facing during performance of their auditing work.

Lastly, in the cases of the DMail Group, Kerself, Sadi Servizi Industriali, Società Sportiva Lazio, Sopaf and Unipol Gruppo Finanziario the auditing firm expressed an opinion with reservations.

As at 31 December 2010, there were 21 independent auditors entered on the special register kept by Consob, one less than the previous year.

Again as regards the Special Register, Art. 40, section 21, of Legislative Decree 39 of 27 January 2010, with which Directive 2006/43/EC on statutory audits of accounts was transposed, abolished the system of Art. 161 of the Consolidated Law on Finance, which gave Consob the duty of keeping the Special Register of auditing firms. However, as provided for in Art. 43, section 1, letter i), of Legislative Decree 39/2010, Art. 161 of the Consolidated Law on Finance continues to apply until the date of entry into force of the regulations to be issued by the Ministry of the Economy and Finance at which the Single Register of Auditors (natural and juristic persons) will be kept. In the transition period, therefore, Consob's duty of keeping the Special Register of Auditing Firms remains unchanged.

Entry into force of Legislative Decree 39/2010 determined a significant increase in the scope of Consob's supervision on the subject of audits, because the Institute is now required to monitor the work of independent auditors and independent auditing bodies performing auditing duties in public interest entities (PIEs). Art. 16, section 1, of Legislative Decree 39/2010 includes, in fact, in the PIE category also subjects – such as unlisted banks, payment institutes and financial brokers pursuant to Art. 107 of the Consolidated Law on Banking – for which, up to financial year 2009, the obligation to submit financial statements to independent auditors derived only from the provisions of the Civil Code (Arts 2409-*bis* et seq.).

With Resolution No. 17379 of 22 June 2010, the Commission confirmed for the year 2010 the amounts of the guarantees and insurance for independent auditors entered in the Special Register, previously established by Resolution no. 16291 for 2009, to cover risks deriving from independent auditing activities. The decision to leave unchanged the insurance cover, divided into nine progressive turnover classes, derives from the absence of market conduct that would indicate a risk assessment different from that on which the 2009 cover was established.

Again during 2010 the supervision of auditing firms was carried out through preventive quality control actions, which assumed a systematic nature, and subsequent actions on specific cases (enforcement).

Markets supervision II

1 Market abuse

As usual, the Institute was intensely occupied with supervision on observance of the rules on the subject of abuse of privileged information and market manipulation.

The Institute also adopted a structured and coordinated approach in monitoring the various information sources available, in order to improve both the efficiency and the effectiveness of the work of identifying and investigating cases of illegality.

In the first place, intermediaries were asked to increase the level of quality, rather than quantity, of reports of transactions suspected of market abuses which they are required to send under the terms of Art. 187-*nonies* of the Consolidated Law on Finance. To this end a series of meetings was arranged, on both an individual and a collective basis, with the employees of 15 intermediaries selected on the bases of their respective market shares, type of business carried on, type of customer, frequency and correctness of reports sent.

During the meetings Communication 10039224 of 30 April 2010 was illustrated. This provides indications on identifying manipulative conduct involving the issue and subsequent cancellation of orders.

The supervisory activity was also aimed at monitoring buy back transactions, manager transactions and stabilisation operations.

On the occasion of market anomalies recorded in proximity to significant corporate events, monitoring of the major specialised websites and on-line forums - which circulate rumours and comments on listed issuers of widespread securities - was also expanded.

As part of the actions taken to improve the prevention of market abuses, particular attention was paid to identifying the circumstances in which the confidentiality of regulated information may be compromised.

Particular attention was also paid, finally, to market practices permitted under the terms of Art. 187-*ter,* section 4 of the Consolidated Law on Finance.

In 2010 the Institute completed 29 investigations on the subject of market abuses, formulating charges of administrative and/or criminal offences in 10 cases relating, respectively, to insider trading (3 cases), disclosure manipulation (3 cases) and operational manipulation (4 cases; Table 28). In 8 cases a report was sent to the Judiciary and in 9 cases administrative proceedings were initiated.

Table 28 Results of investigations into market abuse[1]

	Charges of administrative and/or criminal offences		Cases in which no offences were found	*Total*
		of which alleged insider trading		
2005	4	2	4	*8*
2006	7	2	6	*13*
2007	10	3	3	*13*
2008	6	2	4	*10*
2009	8	2	6	*14*
2010	10	3	19	*29*

[1] See Methodological Notes.

In 2 of the 3 investigations in which charges of insider trading were formulated, the privileged information consisted of a plan to launch a takeover bid. In the third case the information concerned a planned joint venture with a foreign company (Table 29).

Table 29 Type of privileged information in cases relating to insider trading[1]

	Change of control – Takeover bid	Economic results. Financial performance and position	Share capital transactions. Mergers – Spin-offs	Others		*Total*
					of which alleged cases of front running	
2005	--	1	--	1	1	*2*
2006	--	--	--	2	--	*2*
2007	1	1	1	--	--	*3*
2008	1	--	--	1	1	*2*
2009	--	--	1	1	1	*2*
2010	2	--	1	--	--	*3*

[1] See Methodological Notes.

The 3 cases relating to market manipulation offences involving disclosures concerned respectively the distribution of a false notice of the Competition and Market Ombudsperson (AGCM), the posting on a website of false news about a football club and the distribution by a listed company of false information in several financial reports and in other announcements concerning interim economic situations and industrial plans.

Of the 4 cases relating to operational market manipulation offences, one concerned improper matched orders; the other 3, instead, involved the insertion of trading proposals at the auction stage with no intention to execute them.

The Institute found evidence of market abuse in the conduct of 14 natural persons and initiated administrative proceedings against 4 companies for joint liability and for the administrative liability of the entity (Table 30).

Table 30 Subjects involved in charges of market abuse[1]

	Authorised intermediaries[2]	Insiders Institutional[3]	Other subjects[4]	Foreign operators	*Total*
Insider trading					
2005	--	1	2	--	*3*
2006	--	7	--	--	*7*
2007	--	11	1	--	*12*
2008	--	2	20	12	*34*
2009	--	2	9	--	*11*
2010	--	4	1	2	*7*
Market manipulation					
2005	--	1	7	--	*8*
2006	--	6	2	--	*8*
2007	1	4	2	--	*7*
2008	--	--	5	--	*5*
2009	2	1	10	1	*14*
2010	1	2	8	--	*11*

[1] See Methodological Notes. [2] Banks, investment companies, asset management companies and stockbrokers. [3] Shareholders, directors and executives of listed companies. [4] Secondary insiders and "tippees" (pursuant to Article 180, section 2 of the Consolidated Law on Finance).

As regards administrative proceedings initiated for market abuses ascertained in previous years see paragraph 2 of Chapter IV below *"Disciplinary and precautionary measures"*.

The number of requests for data and information issued to intermediaries, listed companies, government departments and foreign supervisory authorities in 2010 totalled 142. Requests for assistance from foreign supervisory authorities with investigations on cases of suspected market abuses carried out by the latter totalled 13 (Table 31).

Table 31 Requests for data and information on market abuse

	Requests addressed to:							
	authorised intermediaries[1]	listed companies and their parent companies or subsidiaries	private individuals		government departments	foreign authorities	*Total*	
				of which hearings				*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*
2008	115	57	66	38	15	35	*288*	*43*
2009	78	53	93	47	17	27	*268*	*15*
2010	37	35	48	41	5	17	*142*	*13*

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

During 2010, Consob brought parallel civil proceedings in 3 new criminal proceedings on the subject of market abuse (of which 2 were for market manipulation and one was for insider trading). In all cases Consob had submitted a report to the competent Judiciary on the results of the supervisory investigations conducted. The charges formulated by the Public Prosecutor in the indictment describe events ascribed to the alleged offenders in terms that are generally in line with the results of Consob investigations (Table 32).

Table 32 Civil proceedings brought by Consob in criminal cases regarding insider trading and market manipulation

Year	Proceedings	Offence[1]	Outcome as at 31 December 2010
2004	2	Market manipulation	2 plea bargaining judgements 1 guilty judgement[2]
2005	6	Insider trading and market manipulation	4 guilty judgements[3] 2 plea bargaining judgements 3 judgements of no case to answer
2006	9	Insider trading, market manipulation	4 guilty judgements[4] 6 plea bargaining judgements 2 not-guilty judgements[5] 1 dismissal due to limitation of actions
2007	12[6]	Insider trading, market manipulation	3 guilty judgements 5 plea bargaining judgements 2 dismissals due to limitation of actions 1 judgement of no case to answer[7] 1 acquittal
2008	5	Insider trading, market manipulation	1 guilty judgement 1 plea bargaining judgement 1 dismissal due to limitation of actions 2 acquittals
2009	1	Market manipulation	1 guilty judgement
2010	3	Insider trading, market manipulation	1 acquittal

[1] Insider trading: Art. 2, Law 157/1991, then Art. 180 of the Consolidated Law on Finance, now Art. 184 of the Consolidated Law on Finance; market manipulation: Art. 5, Law 157/1991, then Art. 2637 of the Civil Code, now Art. 185 of the Consolidated Law on Finance. [2] The Milan Court of Appeal partially overturned the judgement of first instance, among other things finding guilty an employee of the company who had been found not guilty in the first instance for the crimes ascribed to him and ordering him to pay compensation for damages to Consob's reputation and work, confirming for the remainder the judgement of the lower court. [3] In one case the competent Court of Appeal reduced the amount awarded to Consob as compensation for damages, confirming, for the remainder, the judgement of the lower court. In one case the Court of Cassation, considering that the lower court had no geographical jurisdiction, quashed the judgement of the firsts and second instance and order transmission of the files to the Public Prosecutor of the Court, considered to have jurisdiction. [4] One guilty judgement was handed down following an abbreviated trial. In one case the competent Court of Appeal, in overturning the judgement of first instance, dismissed the case due to limitation of actions and revoked the civil orders favourable to Consob. In another case, the competent Court of Appeal dismissed the case due to limitation of actions, but confirmed the civil orders favourable to Consob. In a further case the competent Court of Appeal confirmed the guilty judgement and the civil orders against one person and, overturning the earlier judgement, found the other person not guilty, revoking the civil orders against him. [5] In one case, the judge also ordered transmission of the files for the possible application of administrative sanctions under the terms of Art. 187-bis of the Consolidated Law on Finance. In another, the judgement was issued with reservations under the terms of Art. 530, section 2, of the Code of Criminal Procedure. [6] In one case, after being sent back to the preliminary investigations stage, the case was dismissed during 2008. [7] With the judgement in question, the judge ordered that the files be forwarded to Consob for possible charging of administrative offences pursuant to Art. 187-bis of the Consolidated Law on Finance.

In 2010 three proceedings were also judged in the first instance in relation to market abuse, in which the Institute brought parallel civil proceedings. In one case there was recognition of the accused's liability and an order to pay compensation for damages to Consob; in the other 2, instead, the case was dismissed.

During 2010 the Milan Court of Appeal issued judgements on 4 cases of market abuse.

2 Management of regulated markets, multilateral trading facilities and systematic internalisers

On several occasions during the year amendments were approved to the Regulations of markets organized and operated by Borsa Italiana and related Instructions, under the terms of Art. 63, section 2 of the Consolidated Law on Finance.

Several times the Commission also exercised the power, provided for in Art. 64, section 1-*bis*, lett. a), of the Consolidated Law on Finance, to prohibit the execution of admission and exclusion decisions, or to order revocation of decisions to suspend financial instruments from trading, taken by the market management company, within 5 days of notice from the latter if, on the basis of different information from that assessed by the said company, it considers the decision contrary to the purposes of investor protection.

During 2010, several meetings were also held with the Financial Services Authority (FSA) for the purpose of exchanging information on the supervision of financial markets. The meetings are part of the ordinary activities of cooperation between the 2 supervisory authorities initiated following the integration between Borsa Italiana and the London Stock Exchange and the signing of the Memoranda of Understanding (MoUs) on the subject of trading (December 2007) and post-trading (September 2010).

With reference to multilateral trading facilities (MTFs) active in Italy, of which at the end of 2010 there were 8, it should be noted that the Commission for the first time activated the supervisory powers pursuant to Art. 77-*bis*, section 2, lett. a) of the Consolidated Law on Finance, requiring an MTF management company to suspend trading of a company's shares following the results of investigations carried out on the share placing process and on the information provided to the market, both before and after admission to listing.

In the field of systematic internalisers, the year 2010 was characterised by a start of business notice from 2 new banking subjects, and consolidation of business on the part of already operational subjects continued.

At the end of September, in the 20 active internalisation systems approximately 4,900 financial instruments were admitted, most of which were government securities and own bonds or bonds issued by companies in the group. In this regard, we can note the concentration of admissions in 4 internalisation systems, on which approximately 2,600 of the above financial instruments are admitted.

In January 2010, under the terms of Art. 63, section 2 of the Consolidated Law on Finance, the Commission approved the updated lists of

Italian markets and foreign regulated markets recognised through agreements with other supervisory authorities. With regard to the list of Italian regulated markets, the update concerns the markets managed by Tlx SpA following cancellation, at the specific request of the company itself, of authorisation to operate the Tlx regulated market and at the same time authorisation of the company under its new name of EuroTlx Sim SpA to provide investment services relating to the management of MTFs. With regard to the list of foreign regulated markets, in the absence of significant events, the list was merely updated to take into account the name change of Swiss Exchange, now Six Swiss Exchange.

3 Supervision of trading transparency

During the year the Commission continued its intense activity of monitoring fulfilment of the obligations of post-trading transparency, methods of publication of post-trading information used by authorised subjects, in accordance with the provisions of the Market Regulations, and possession on the part of distribution channels of information on the requisites of clarity, accessibility and reliability provided for both in community legislation and in Italian regulations and guidelines.

The supervisory approach was mainly based on comparing the information published by intermediaries with that available to the authority through the transaction reporting system, in order to detect any incongruities between the disclosure made available to the public and that reported to the Institute.

As regards supervision of short sales, the Institute continued the action initiated in 2008, ascertaining correct fulfilment of the obligation to deliver the shares on settlement, in order to identify any illicit conduct by operators with the aim of increasing the downward pressure on share prices through the use of short sales.

4 Clearing, settlement and central depository services

In November 2010 the central counterparty guarantee services offered by Cassa di Compensazione e Garanzia SpA were extended to the Domestic MOT segment of the electronic bond market. This extension entailed a revision of the Regulations of the guarantee systems managed by the said company. The amendments required were formally approved by the Bank of Italy, after Consob issued its consent, under the terms of Art. 52, section 2, of the Bank of Italy and Consob Order of 22 February 2008.

Cassa di Compensazione e Garanzia also introduced a guarantee system for the Collateralised Interbank Market, entitled *New Mic*, to replace the system initially managed, on this market, by the Bank of Italy.

During 2010 Consob, in agreement with the Bank of Italy, approved the changes to the Regulations of the Monte Titoli SpA centralised management service. These changes were to enable implementation of the model that makes paid capital increase operations (so-called Ecaps) more efficient. This model was developed during 2009 by the Technical Working Party whose members were, in addition to Monte Titoli SpA, Consob, the Bank of Italy, Borsa Italiana SpA, representatives of intermediaries and issuers and a number of industrial associations. Work in the Ecap field began following approval, by Consob and the Bank of Italy, of a document containing a number of guidelines aimed at making the operational methods of managing paid capital increases more efficient. The Ecap model became operational on 13 December 2010.

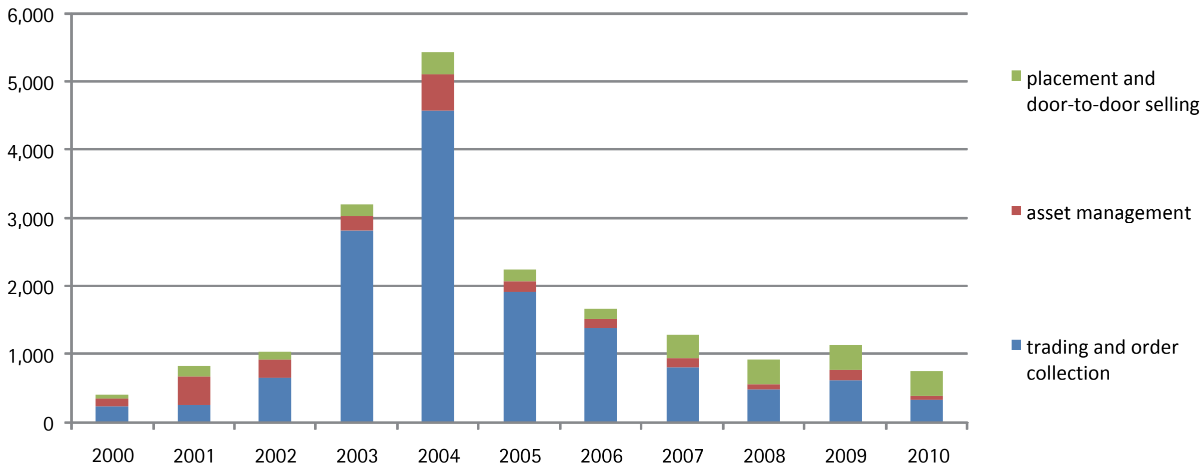
Supervision of intermediaries III

1 Banks, investment companies, stockbrokers and insurance companies

During 2010 supervision of intermediaries made use, as usual, of information acquired on the occasion of meetings with corporate executives, following formal requests for data and information, through reports received by the Institute and through investigations.

The supervisory activity was triggered also by a total of 738 reports, relating to provision of investment services and collective asset management. The decline compared with the previous year, when they amounted to 1,135, was due mainly to a reduction in claims regarding trading and order collection services (Fig. 77).

Fig. 77 Reports received on investment services



As regard inspections, in 2010 12 investigations were initiated respectively in relation to 6 investment firms, 2 banks and 4 asset management companies (Table 33).

Table 33 Inspections of intermediaries

	Investigations		*Investigations launched*					*Investigations concluded*				
	Launched	Concluded	Investment firms[1]	Banks	Asset Management co.s \SICAVs	Stockbrokers	Financial advisers	Investment firms[1]	Banks	Asset Management co.s \SICAVs	Stockbrokers	Financial advisers
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	--	--
2008	18	14	8	3	6	1	--	8	2	3	1	--
2009	13	15	3	9	1	--	--	3	8	4	--	--
2010	12	7	6	2	4	--	--	4	3	--	--	--

[1] Includes trust companies and Italian branches of community investment companies.

As regards investment firms, in 3 cases the investigations, as well as checking the transparency and correctness of methods of providing investment services, were also concerned with observance of rules for the prevention of money-laundering. In relation to 2 of the said investment firms, moreover, at the request of the Bank of Italy, the inspections also focused on aspects relating to governance, capital adequacy and the functioning of the internal auditing system.

Specific supervisory initiatives were also launched, moreover, in relation to the Italian branch of a French-law community investment firm.

As far as banks are concerned, in 2010 the Institute's work involved both major operators, selected on the basis of volumes and fee margins on investment services and the dimensions of the distribution networks, and the top 10 medium-sized banks.

The inspections (which began in 2009 following 3 cycles of meetings with executives of the banks involved) focused on the policies and criteria for remuneration of services, personnel bonus schemes, the logic underlying the preparation of economic and income budgets and methods of distributing own bonds to retail customers, in order to verify the effective transition towards a business model oriented to serving customers' interests as well as possible. Although these aspects can be traced back to the intermediaries' strategic decisions and business models, which is not the Institute's job to criticise or assess in detail, they require, however, particular attention, contributing to the definition of procedures and organisational solutions and it is necessary to assess their compliance with current regulations.

In the light of the results of the inspections carried out, in February 2010 the Institute ordered 6 of the largest banks to call meetings of their Boards of Directors to examine the critical issues identified and implement opportune corrective measures (under the terms of Art. 7, section 1, lett. b) of the Consolidated Law on Finance). These calls were published in Consob's newsletter, indicating also the intermediaries involved and the reasons for the measure (under the terms of Art. 3 of the Consolidated Law on Finance).

The effectiveness of the corrective actions taken by these banks will be verified in specific inspections and targeted initiatives to be carried out in 2011. During the year the Institute will also continue its supervisory activity in relation to medium-sized banks, including through inspections *in loco* and through direct supervisory initiatives.

During 2010 the Commission also ordered the convocation of the Boards of Directors of two leading banks, networks of financial advisers.

The Commission intervened also with regard to the offering of OTC (Over The Counter) derivatives to local authorities for hedging purposes carrying out, as part of an investigation launched at the end of 2008, targeted inspections in relation to 2 Italian banks to which most of these operations could be traced (besides those referable to community banks and investment firms active in Italy under free competition rules and as such not subject to direct supervision by Consob).

On the basis of the critical issues that emerged, the Institute ordered convocation of the Board of Directors of the two banks (under the terms of Article 7, section 1, letter b) of the Consolidated Law on Finance). These banks therefore prepared a specific action plan with the aim of resolving the critical issues identified.

As part of its collaboration with other authorities, during 2010 the Institute issued 7 opinions to the Bank of Italy, concerning authorisations of non-community investment companies and regulatory changes, and 4 opinions to the Ministry of the Economy and Finance. The Commission also requested from the Bank of Italy extensions of inspections in progress in relation to a bank and 6 investment firms.

Among the opinions provided to the Ministry of the Economy and Finance we can note the opinion on competence regarding the revision on an annual basis of the three-year plans and the distribution plan of the contributions charged to members of the "special management" of the National Investor Compensation Fund. The "special management", set up by Art. 62 of Legislative Decree 415/1996 (a law still in force), is governed by Ministerial Decree 238 of 18 June 1998 and has the aim of ensuring the financial coverage of benefits payable by the National Investor Compensation Fund and relating to previous insolvencies, meaning by such insolvencies of intermediaries whose liabilities were filed and made executive before 1 July

1998. Moreover, in the light of the non-closure of procedures relating to previous insolvencies, during 2010 the Commission provided the Ministry of the Economy and Finance with a positive opinion on an extension of the term of 30 June 2011 currently fixed for closure of the "special management". The National Investor Compensation Fund continued its new management of bankruptcy proceedings in relation to which liability statements were filed as of 1 February 1998 (Table 34) Specifically, the Compensation Fund has intervened in 29 cases of insolvency (18 investment companies, 9 stockbrokers and 2 investment firms). This management is carried out on alongside the aforementioned special management.

As regards supervision of the Register of Investment Firms, at 31 December 2010 110 subjects were registered, of which 4 trust companies (116 at the end of 2009).

Table 34 National Investor Compensation Fund intervention
(situation at 31 December 2008; monetary amounts in thousands of euro)

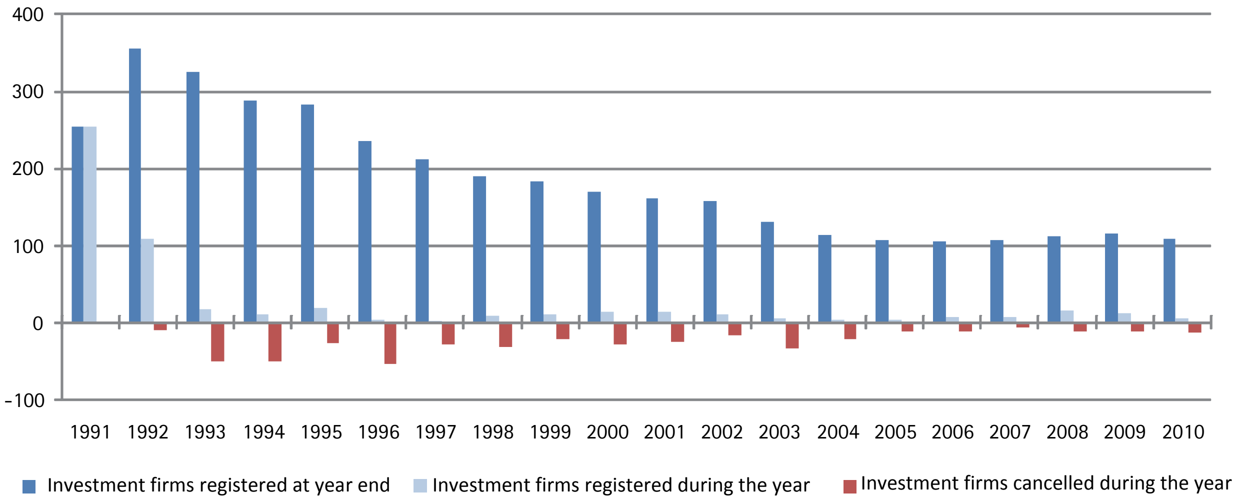
	Insolvencies[1]			
	Investment firms	Stockbrokers	Asset management companies	*Total*
1997	4	1	--	*5*
1998	2	3	--	*5*
1999	1	1	--	*2*
2000	1	--	--	*1*
2001	1	--	--	*1*
2002	--	2	--	*2*
2003	2	1	--	*3*
2004	--	--	--	--
2005	--	--	--	--
2006	4	--	--	4
2007	1	--	--	1
2008	--	1	--	1
2009	--	--	1	1
2010	2	--	1	3
Total insolvencies	*18*	*9*	*2*	*29*
of which with filing of liabilities completed	*17*	*9*	*1*	*27*
Number of creditors admitted	2,594	1,015	*1*	*3,610*
Amount of claims admitted[2]	28,252	43,715	*3751*	*75,718*
Fund intervention[3]	8,584	11,146	--	*19,730*

Source: Consob calculations based on National Investor Compensation Fund data. [1] Liabilities of which were filed as of 1 February 1998. [2] Amounts net of partial distribution ordered by liquidation procedure bodies.

During the year there were 7 registrations (of which 4 related to single-function intermediaries, operating in the new investment consultancy service) and 13 to cancellations, due mainly to transitions to other operating models, such as those of banks or asset management companies (Fig. 78).

As regards the section of the Register reserved for foreign investment firms, at the end of 2010, 2,046 community investment firms with freedom to provide services (of which 300 new registrations) and 48 community investment firms with branches (of which 10 new registrations) were registered. Given the possibility of providing services and carrying out investment business in Italy with or without branches, 43 community intermediaries are registered in both sections. No non-community investment firms are registered.

Fig. 78 Register of investment firms and trust companies



During 2010 supervisory activity continued in the field of transparency of financial products issued by insurance companies (for more details see paragraph 2 of Chapter I *"Supervision of issuers and auditing firms"*).

Of the 641 prospectuses filed, the Institute selected and examined 318 following the identification, by means of a structured system of indicators, of potential critical disclosure issues.

In general terms the critical issues relate substantially to correct presentation of transparency disclosures with particular reference to unbundling of investments, to the financial structure and risk profile of the investment proposal, to the revaluation mechanism for capitalisation products and to the table of probabilistic scenarios of potential yield (Table 35).

Table 35 Enforcement on insurance products in 2010

Type of contract	Prospectuses filed	Prospectuses subject to supervision	Supervisory action broken down by area					
			Investment unbundling	Financial structure and risk	Revaluation mechanisms	Yield scenarios	Other	Total
unit linked	513	259	83	216	--	97	91	487
index linked	35	16	10	6	--	11	--	27
capitalisation	93	43	37	9	2	--	8	56
Total	641	318	130	231	2	108	99	570

In 184 cases the examinations carried out led to prompt revision, during the placing, of the offer documentation in order to restore the completeness and consistency of disclosure to investors; in 20 cases investors were given right to withdrawal with no charges.

2 Asset management companies (AMCs)

During 2010 the Commission issued to the Bank of Italy 10 opinions on authorisation to provide collective asset management services (of which one contrary to granting authorisation), 5 opinions on requests to renounce authorisation and cancellation from the Register, 12 opinions on operating extensions and, finally, 12 opinions on cases of merger by incorporation. Authorisations to provide a collective asset management service were requested mainly by companies that intend to set up and manage real estate, hedge and private equity funds (9 cases out of 10). At the end of 2010 the number of AMCs and SICAVs entered in the Register was respectively 195 and 3 (201 and 3 at the end of 2009).

As part of the supervision carried out in the authorisation stage we can note, in particular, the initiatives of the Ministry of the Economy and Finance which led to entry into the sector of private equity funds and that of real estate funds of 2 major managers.

During 2010, the supervision of AMCs made use of ordinary working processes, such as meetings with corporate executives (14) and requests for data (22 cases). The Commission also took account of the complaints received from investors concerning, mainly, observance by the managers of their duties in relation to prior disclosure and of provisions of the management rules.

In the area of inspections, investigations were carried out in relation to 2 real estate fund AMCs with the aim of verifying correct formalisation of the investment decision-making process, with reference in particular to the roles and responsibilities of the different corporate units involved. The consistency of investments and disinvestments made was also compared with the indications provided in the business plan and the procedures and precautions adopted on the subject of regulation of relations between the AMC and the independent experts, for the purpose of valuing the assets in which the managed funds are invested.

With specific reference to the segment of open-ended mutual funds and managed assets, the Commission mostly monitored the procedural and operational mechanisms adopted by AMCs in order to verify their ability to enable efficient performance of management activity, with a view to correctness of behaviour and investor protection.

In particular, an investigation was launched involving the top 10 AMCs in terms of assets managed. This investigation was based on regular paper documentation and on further information acquired at meetings with corporate executives.

The analysis brought out issues requiring attention concerning macro-areas of conduct relating to the business strategy followed by the companies, the organisational processes through which the companies selected predefined the *modus agendi* to be followed in the provision of collective and individual portfolio management services and management operations carried out, with particular reference to the management of benchmark and flexible funds.

During the year an investigation was carried out on an AMC jointly with the Bank of Italy, on the basis of a functional division of the respective powers. As regards Consob's responsibilities, this investigation was aimed at verifying both the ability of procedures relating to the decision-making process and to ensure efficient performance of the management services, and the correspondence between the investments and disinvestments made for the portfolios managed and the strategic and tactical asset allocation guidelines.

In the context of collaboration with the Ministry of the Economy and Finance in the field of regulation of collective investment management, Consob provided, during the year, an opinion concerning certain changes to the regulations implementing Art. 37 of the Consolidated Law on Finance on the general criteria to which mutual investment funds are subject (see paragraph 3 of Chapter V *"Regulatory and interpretative activity and international developments"*).

In the segment of real estate funds, in continuity with the activities carried out during the previous year, Consob, in cooperation with the Bank of Italy, was occupied in supervising revision by AMCs of the "General application guidelines on the subject of the process of assessing real estate properties of mutual investment funds", contained in the joint Bank of Italy - Consob Communication of 29 July 2010 (see Chapter V *"Regulatory and interpretative activity and international developments"*).

The supervisory activity was concerned in particular with two public offerings on listed real estate funds which showed the link between correctness and transparency of the process of valuing the property assets and management of conflicts of interest.

During 2010 supervision continued on hedge fund AMCs, almost all consisting of funds of funds. The checks focused above all on methods of performance of the due diligence activity relating to the target funds.

Examination of the structure of the AMCs' boards of directors and the presence of the independence requisites of directors continued also in 2010.

The composition of boards of directors of the largest 17 banking and insurance AMCs by assets managed (corresponding to approximately 82 per cent of total assets of Italian-law harmonised funds) were analysed, comparing them with the same data for 2009.

With reference to the sample examined, in 2010 the total number of directors decreased by 8, going down from 151 in 2009 to 143.

As regards independent directors, it can be observed that the number of the same increased compared with the previous year (going up from 35 to 38), with an average of 2.7 independent directors for every 10 (2.3 independent directors for every 10 in 2009). This figure is less than that for listed companies (according to Assonime surveys, 3.5 directors for every 10).

Another area worthy of attention is that of directors, who, although classified as independent, hold positions in other group companies (6 directors, of whom one is also a member of the board of directors of the parent company and the remaining 5 of the boards of other group companies) (Table 36).

Table 36 Offices held by directors of AMCs in other companies of the same group
(number of directors)

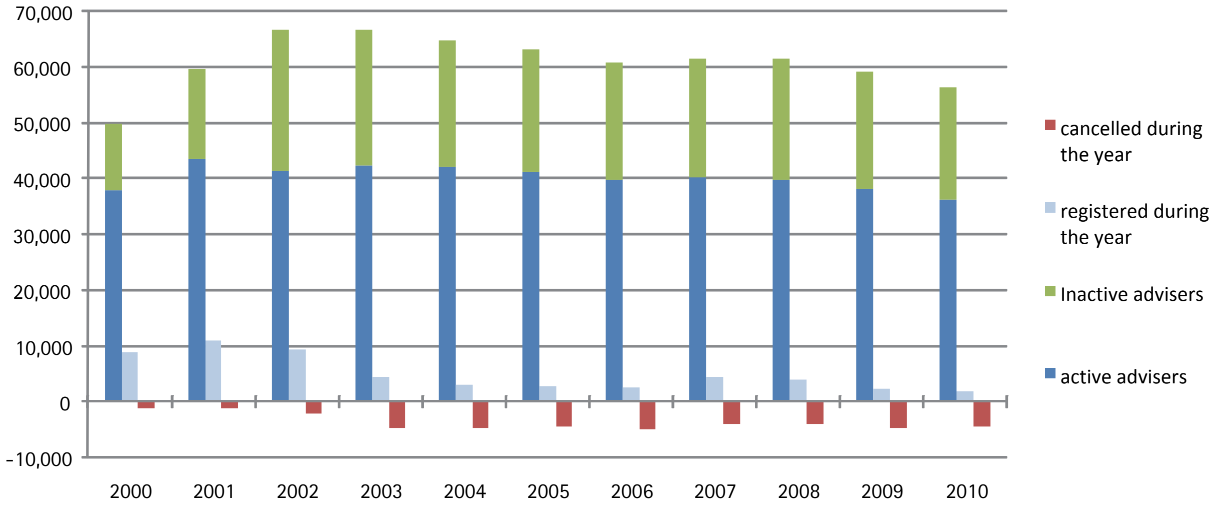
	Office held in the asset management company							
	Managing director	Director	Executive director	Independent director	Chairman	Chairman, executive director	Chairman, independent director	*Total*
2009								
Office held in the parent company	1	14	2	1	5	1		*24*
Chairman		1						*1*
Deputy Chairman								
Managing director								
Director	1	3		1	3	1		*9*
Executive director		2	1		1			*4*
Independent director								
Director General		3						*3*
Deputy Director General			1					*1*
Manager		5			1			*6*
Office held in other group companies	6	40	4	6	3		5	*59*
No office held in other group companies	5	32	2	23	1			*68*
Grand total	*12*	*86*	*8*	*30*	*9*	*1*	*5*	*151*
2010								
Office held in the parent company	2	10		1	5	1		*19*
Chairman	1	1						*2*
Deputy Chairman								
Managing director								
Director	1	4		1	3	1		*10*
Executive director		2			1			*3*
Independent director								
Director General		1						*1*
Deputy Director General								
Manager		2			1			*3*
Office held in other group companies	5	48	3	4	6		1	*67*
No office held in other group companies	3	20	1	29	1		3	*57*
Grand total	*10*	*78*	*4*	*34*	*12*	*1*	*4*	*143*

Source: prospectuses. Figure for the top 20 AMCs by assets managed in 2010 which are part of banking or insurance groups. Period end data. In the case of directors holding office in both in the parent company and in other group companies, representation of the position in the parent company is considered prevalent. To identify the concept of executive director reference was made to Art 2381 of the Civil Code, while to identify the concept of independent director reference was made to the definition of the Assogestioni autonomy protocol.

3 Financial Salesmen

At the end of 2010, 56,416 people were entered in the Register of Financial Salesmen (-4.5 per cent compared with the previous year) of which 36,324 were active (Fig. 79).

Fig. 79 Register of Financial Salesmen



The work of supervising financial advisers carried out during the year was more timely thanks to the standardisation and schematisation of the information required from intermediaries (number of customers involved, amount of damage caused, nature of any sanctions envisaged for the single cases of illegal actions, any recidivism), which facilitated the classification of crime reports on the basis of their seriousness.

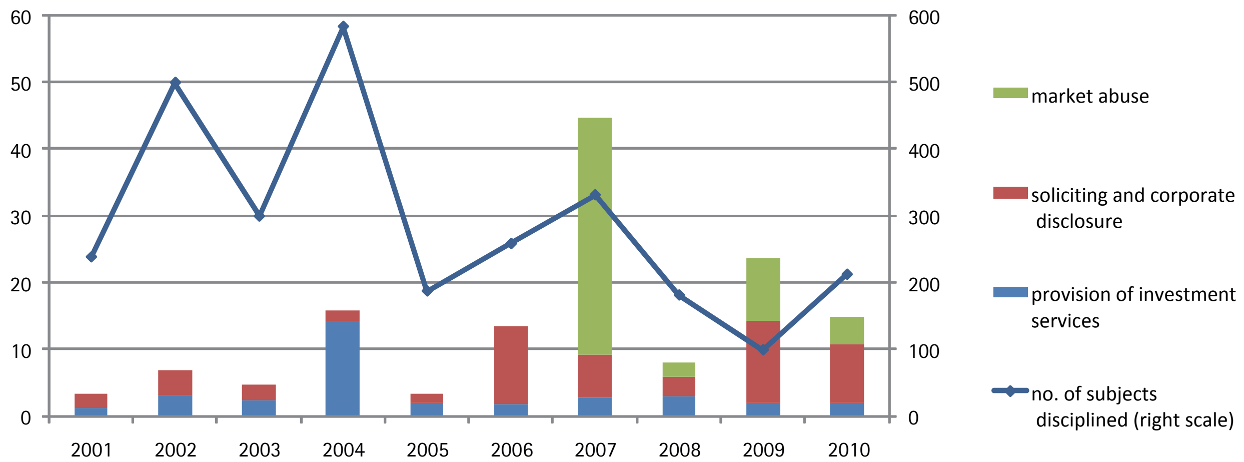
Sanctions and precautionary measures IV

1 Sanctions

During 2010 disciplinary measures increased sharply compared with the previous year. The number of disciplinary proceedings completed, in fact, substantially doubled, rising to 296 from the 155 of 2009; the number of disciplinary measures taken also grew, to 241 (138 in 2009).

The total amount of fines imposed, on the other hand, fell from the previous year from 21.1 million euro to 14.6 million. This contraction was attributable to the fact that some illegal conduct sanctioned during 2009, above all in the market abuse area, was marked by the application of single fines of a particularly high amount owing to the seriousness of the crimes detected (Fig. 80).

Fig. 80 Fines imposed by Consob[1]
(millions of euro)



[1] The data include payments of reduced amounts. The item "performance of investment services" includes fines imposed on financial advisers. For years prior to 2006, the data refer to sanctions proposed to the Ministry of the Economy and Finance and those imposed directly on financial advisers.

The number of intermediaries and their corporate executives disciplined also grew, as did, even more significantly, that of subjects that carried out infringements of the legislation on issuers; the disciplinary measures taken against financial advisers, finally, doubled.

2 Disciplinary measures on market abuse

In 2010 the Commission inflicted sanctions for market abuse offences in a total of 15 cases (17 in 2009), of which 11 concerned insider trading and 4 market manipulation.

The fines imposed, for a total amount of 4.2 million euro (approximately 9.2 million euro in 2009), regarded 20 subjects, of which 19 natural persons and 1 legal person, the latter fined under the terms of Art. 187-*quinquies* of the Consolidated Law on Finance (for so-called "entity's liability"; Table 37).

Table 37 Disciplinary measures for market abuse offences
(amounts in thousands of euro)

		number of cases	number of persons involved	amount of fines	amount of confiscated assets	number of persons involved in additional penalties	Additional penalties (months)
2008	Insider trading[1]	5	6	2,052	5,478	6	18
	Manipulation[2]	--	--	--	--	--	--
	Total	*5*	*6*	*2,052*	*5,478*	6	18
2009	Insider trading[1]	11	16	7,490	20,893	14	130
	Manipulation[2]	6	7	1,729	14.6	6	22
	Total	*17*	*23*	*9,219*	*20,908*	20	152
2010	Insider trading[1]	11	13	2,404	2,025	12	55
	Manipulation[2]	4	7	1,810	--	7	28
	Total	*15*	*20*	*4,214*	*2,025*	19	83

[1] Crime sanctioned under the terms of Art. 187-*bis, quater, quinquies* and *sexies* of the Consolidated Law on Finance. [2] Crime sanctioned under the terms of Art. 187-*bis, quater, quinquies* and *sexies* of the Consolidated Law on Finance.

The additional mandatory prohibitive measure was also 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 holding administrative, management or auditing positions in listed companies and in companies of the same group as the listed companies) for a total of 83 months, for a minimum of 2 months to a maximum of 15 months per head. In relation to the same subjects, moreover, the confiscation was ordered, under the terms of Art. 187-*sexies* of the Consolidated Law on Finance, of assets belonging to the perpetrators of the infringements for a total value of approximately 2 million euro (20.9 million euro in 2009 of which, however, approximately 20 million euro referred to a single case).

In the early months of 2010 disciplinary proceedings were completed involving asset managers operating for foreign-law intermediaries (Schroder Investment Management Ltd, Gartmore Investment Ltd, Dexia Asset

Management Belgium SA, ODDO Asset Management SA) in relation to operations to purchase Banca Italease shares carried out by the same in January 2006.

Other cases of infringement of the market abuse rules were ascertained in relation to large purchases of Cdb Web Tech shares, carried out in proximity to the distribution by the said issuer of a press release (published on 28 July 2005), making it known that the board of directors had asked the company's Chairperson to "assess the methods to begin investment activity in industrial companies in difficulty, mainly concentrated on projects for the recovery and return to profitability of medium-sized Italian businesses".

Another case of market abuse concerned ascertained manipulation of Alitalia stock by a natural person, in the period between August and December 2007, carried out through the distribution of information on the intentions and economic and financial capacity of certain subjects (allegedly combined in a so-called cartel, intending to set up a "Newco" with a considerable endowment of capital) to work together to acquire the 49.9 per cent equity interest in the Alitalia capital, put up for sale by the Ministry of the Economy and Finance.

An ample and in-depth investigation, again on the subject of market abuse, was conducted also in relation to the issuer Uni Land SpA, from which there emerged serious infringements of the legislation of reference by the controlling shareholder and chief executive officer up to 15 April 2008 and then general manager of Uni Land SpA.

In 2010 the first disciplinary proceedings for infringement of Art. 187-*nonies*, of the Consolidated Law on Finance, in relation to organisational and procedural shortcomings ascertained in relation to a bank in managing and reporting to Consob transactions carried out by its customers, suspicious on the basis of the rules on the subject of market abuses.

A further disciplinary measure was, finally, adopted in relation to a case of infringement of Art. 187-*quinquiesdecies*, of the Consolidated Law on Finance (for causing delay in Consob's supervisory action).

3 Measures regarding intermediaries and salesmen

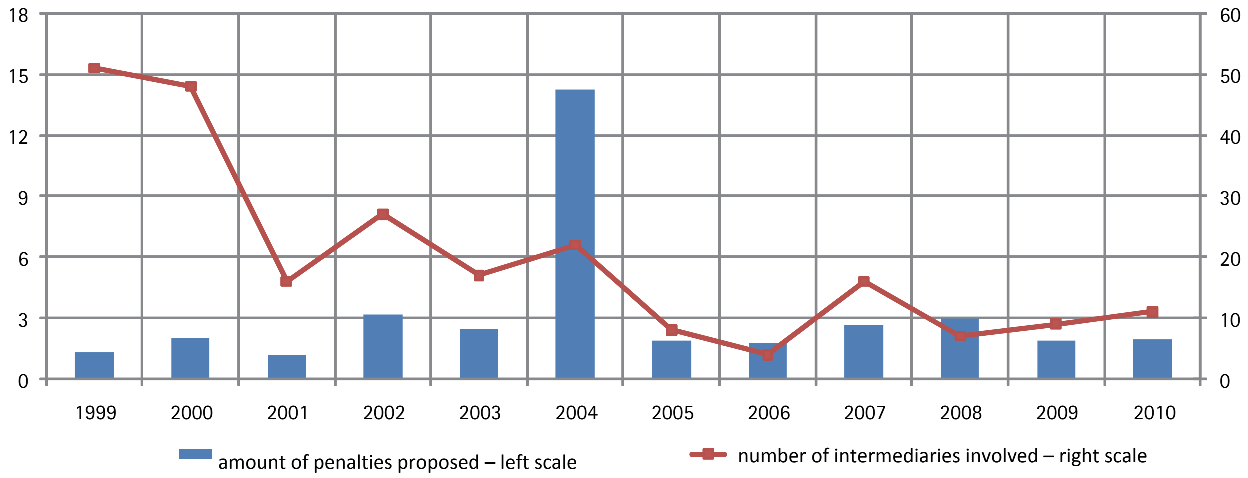
11 investigations concerning investment service-related infringements were completed in 2010 (9 in 2009) with the infliction of sanctions; they involved 2 banks, 7 investment firms and 2 AMCs. The related financial penalties, totalling around 2 million euro (1.9 million euro in 2009), were imposed on 82 corporate executives (44 in 2009)(Table 38; Fig. 81).

Table 38 Fines proposed to the Ministry of the Economy and Finance or imposed directly by Consob on investment 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*
2008	5	1	--	1	*7*	85	13	--	5	*103*	*2,807*	29	--	109	*2,945*
2009	1	4	2	2	*9*	16	6	2	20	*44*	156	380	415	945	*1,896*
2010	2	7	--	2	*11*	15	50	--	17	*82*	194	1,262	--	511	*1,967*

[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.

Fig. 81 Fines proposed to the Ministry of the Economy and Finance or imposed directly by Consob on investment intermediaries[1]
(millions of euro)



[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.

Among the most significant disciplinary measures taken in 2010 in relation to intermediaries, we can note those relating to a bank and 2 investment firms, following investigations carried out on the operations of the same on the occasion of a capital increase launched by the company Seat Pagine Gialle in March 2009, with strongly dilutive effects.

Other disciplinary measures concerning infringements of the rules for intermediaries were those adopted against corporate executives of 2 AMCs (Helm Finance Sgr SpA and Independent Global Managers Sgr SpA) in relation to serious irregularities in management activity.

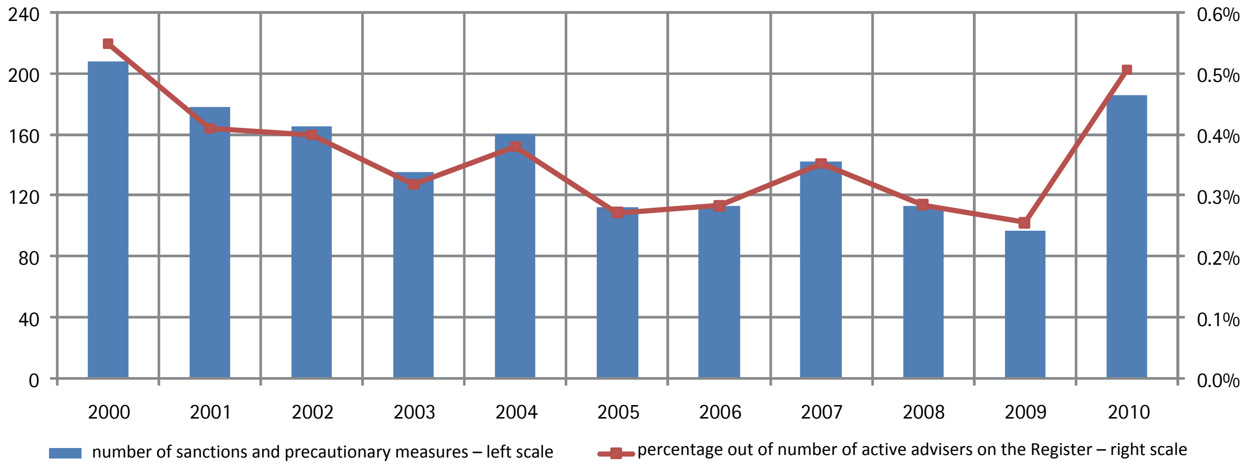
With regard to financial advisers, 146 disciplinary measures were imposed in 2010 (74 in 2009), including 78 disqualifications from the register, 61 fixed-term suspensions, one fine and 6 written reprimands. The Commission also sent 57 reports to the Legal Authorities for criminal offences emerging during the course of investigations (Table 39; Fig. 82).

Table 39 Disciplinary and precautionary measures regarding financial advisers

	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[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
2008	4	44	43	2	*93*	20	42
2009	5	43	25	1	*74*	23	43
2010	6	78	61	1	*146*	40	57

[1] For the years 1997 and 1998 the figure includes measures adopted under the terms of Art. 45, section 4, of Legislative Decree 415/1996 and, from 1 July 1998, under the terms of Art. 55 of the Consolidated Law on Finance.

Fig. 82 Disciplinary and precautionary measures regarding financial advisers



The most common irregularities carried out by financial advisers regarded: i) the acquisition of cash belonging to investors, often associated with acceptance methods of payment different from those permitted by the legislation on the sector; ii) communication or transmission to investors of untrue information or documents (mostly for the purpose of hiding appropriation); iii) failure to execute orders issued by customers or also performance of unauthorised operations also combined with forging of investors' signatures; iv) abusive use of customers' passwords for access to on-line operations.

4 Issuer-related measures

The disciplinary measures concerning infringements of the rules for issuers taken by the Commission in 2010 totalled 47 (more than twice those in 2009, when they were 21) and regarded infringements of the legislation on offerings to the public of financial instruments (4 cases), takeover bids (8), communication of significant shareholdings in listed companies (34) and shareholders' agreements (one case).

In response to the illegal conduct detected, fines were imposed for a total of approximately 6.6 million euro (9.7 million euro in 2009).

During 2010 numerous disciplinary proceedings were also completed in relation to illegal conduct in the area of corporate disclosure which led to the imposition of fines for a total of 1.2 million euro (compared with 0.3 million euro in 2009). These proceedings, totalling 19 (17 in 2009), regarded in 18 cases of infringements of the rules on the subject of continual disclosure to the market and in the remaining case failure to communicate internal dealing operations within the deadline (Table 40).

Further disciplinary proceedings regarded, for the first time, the ascertained infringement of the obligations of listed issuers on the subject of disclosure before and after shareholders' meetings.

Table 40 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 proxies[1]
(amounts in thousands of euro)

	Number of cases						Number of persons sanctioned					Total penalties					
	Public offerings	Takeover bids	Corporate disclosure	Significant shareholdings and shareholders' agreements	Voting proxy	*Total*	Public offerings	Takeover bids	Corporate disclosure	Significant shareholdings and shareholders' agreements	Voting proxy	Public offerings	Takeover bids	Corporate disclosure	Significant shareholdings 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*
2008	--	2	18	10	--	*30*	--	3	18	10	--	--	179	923	408	--	*1,510*
2009	3	1	17	17	--	*38*	11	8	17	18	--	1,283	2,655	297	5,840	--	*10,075*
2010	4	8	19	35	--	*66*	16	16	20	55	--	4,420	872	1,208	1,311	--	*7,811*

[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.

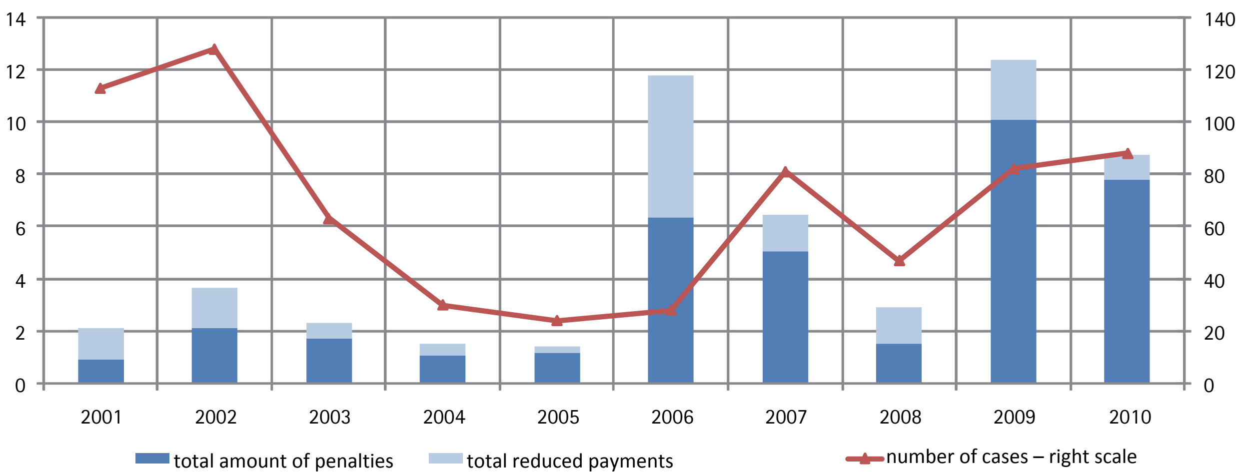
There were also 22 disciplinary proceedings, for infringement of the rules on communication of significant shareholdings, which were terminated in advance, as the subjects involved took the option of reduced payment (pursuant to Art. 16 of Law 689/81), for a total amount paid of 930 thousand euro (Table 41; Fig. 83).

Table 41 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						Total payments made of a reduced amount					
	Public offerings	Takeover bids	Corporate disclosure	Significant shareholdings and shareholders' agreements	Voting proxy	*Total*	Public offerings	Takeover bids	Corporate disclosure	Significant shareholdings and shareholders' agreements	Voting proxy	*Total*	Public offerings	Takeover bids	Corporate disclosure	Significant shareholdings 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*
2008	3	--	--	14	--	*17*	27	--	--	18	--	*45*	327	--	--	1,081	--	*1,408*
2009	--	--	--	44	--	*44*	--	--	--	53	--	*--*	--	--	--	2,320	--	*2,320*
2010	--	--	--	22	--	22	--	--	--	22	--	*22*	--	--	--	930	--	*930*

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

Fig. 83 Administrative sanctions regarding public offerings and corporate disclosure[1]
(millions of euro)



[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.

In 2010, moreover, a disciplinary measure was adopted against an auditing firm, in relation to work carried out on the consolidated financial statements of the Aicon Group at 31 August 2006 and at 31 August 2007.

As part of the investigation carried out with regard to alleged infringement of regulations on public offering of financial products, investigations continued on the diffusion of initiatives concerning offers of innovative financial products, in many cases made over the internet or through mailings with the aim of contacting potential investors.

The investigations carried out made it possible to ascertain concrete conduct in relation to the public through the websites inspected and led to the adoption of 5 precautionary measures (suspensions) and 5 orders prohibiting solicitation of investment, as well as to 4 actions to shut down the websites involved (Table 42).

Table 42 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*
2008	2	1	--	*3*
2009	6	4	--	*10*
2010	5	5	--	*10*

[1] In 2006 one precautionary suspension was adopted that was later withdrawn. In 2008 one of the cases of suspension then generated a related prohibition order during the same year which is also shown in the table.

V Regulatory and interpretative activity and international developments

1 Regulation of issuers

During 2010 the Commission carried on an intense regulatory activity, mostly arising from the need to transpose at the level of secondary legislation some important community directives, such as Directive 2007/36/EC, on the exercise of certain right of shareholders' of listed companies, and Directive 2004/25/EC concerning takeover bids.

In implementation of Legislative Decree 27 of 27 January 2010, which transposed Directive 2007/36/EC, and following consultations begun in August, changes to the Issuers Regulations were approved and, on the basis of reciprocal agreements between the supervisory authorities, changes were made to the Bank of Italy and Consob Order of 22 February 2008, governing centralised and liquidation services, guarantee systems and their management companies (Post-trading Order).

As regards the Issuers Regulations, the amendments adjust the regulations to the primary laws amended, in particular on the subject of disclosures before shareholders' meeting, list voting and solicitation of voting proxies. Implementing specific delegated regulatory powers, in order to encourage also cross-border participation in the shareholders' meetings of listed companies, the Institute, moreover, proceeded to indicate the criteria for dividing the expenses relating to requests for identification of shareholders, to define the methods of exercising postal or electronic votes and to define the content of the form for delegation to the representative designated by the company, and to regulate cases of voting differently from the instructions.

With regard to the joint Bank of Italy and Consob Order on post-trading, the amendments were mainly aimed at adjusting the specific provisions concerning communications and certifications enabling the exercise of rights relating to centralised financial instruments to the changes introduced by Legislative Decree 27/2010; on the occasion, among other things, the content of the rules on the subject of centralised management of financial instruments was reorganised.

During 2010 the process of approval of the rules on transactions with related parties was completed. In March the relevant Regulations were adopted (Consob Resolution 17221, subsequently modified in June with

Resolution 17389), while in September, after public consultation, a notice was issued containing indications on the orientations that the Institute intends to follow in the supervisory activity on the implementation of the Regulations.

With the regulatory change in June, accepting the request received from the market to have longer terms, the 2 intermediate deadlines, relating to transparency rules for operations of greater significance and to the definition of the procedures, were prolonged. Both deadlines, from the first of October, were extended to the first of December 2010. The term of 1 January 2011 for application of the new regulations was, instead, confirmed.

The Communication on supervisory activity in September deals, instead, with the main aspects of the new rules, specifying the Commission's point of view on the methods of applying the Regulations considered most capable of achieving the objectives of transparency and substantial and procedural correctness identified by parliament, without forgetting the need to assess case by case the concrete conduct of companies both with regard to the definition of procedures and in their actual application.

In particular, with the Communication, the Commission was able to better clarify certain aspects regarding the identification of related parties where shareholders' agreements are involved, application of the rules on transactions implemented by subsidiaries of a listed issuer and the identification criteria for standard transactions for which companies may decide not to apply the rules.

Again during 2010, the Issuers' Regulations underwent other significant changes (Consob Resolution 17326), made following ample public consultation, which, taking into account the applicative experience and the market's requests, had the aim of clarifying the scope of rules that caused operators doubts over their interpretation, of updating certain regulations also in the light of the evolution of the primary legislation and the changed context of the financial markets, and of simplifying certain obligations imposed on operators.

The changes regarded the following subjects: i) procedure for the choice of the member state of origin; ii) information on extraordinary operations; iii) exemptions on the subject of periodic information; iv) rules on disclosure of shareholders' agreements; v) administration and auditing bodies.

Implementing the Transparency Directive (2004/109/EC), in 2009 provisions governing the stages of dissemination, storage and filing with Consob of regulated information were introduced into the Issuers Regulations. In this regard, during 2010, taking account of the extension of the period for identifying subjects interested in managing the dissemination service and the storage mechanism, which should be authorised by Consob, the transitory rules were applied.

Since the new rules came into force, as of today, no applications for authorisation have been received either for regulated information dissemination services or for storage mechanisms. In the absence of authorised subjects, Consob will assess whether to organise and manage itself a regulated information dissemination and storage service, as provided for in Art. 113-*ter*, section 4, lett. c), of the Consolidated Law on Finance.

2 Regulation of independent auditors

As part of the regulatory activity on the subject of independent auditing, under the terms of Article 43, section 9, of Legislative Decree 39 of 27 January 2010, the Commission laid down rules, with Resolution 17439/2010, defining the methods and terms for registration of independent auditors, in the Special Register of Auditing Firms, and of the auditing entities of other countries, not members of the European Area, which for these purposes includes the countries of the European Union, Norway, Iceland and Lichtenstein. In this regard, considering that the above decree establishes the legal invalidity of audit reports by foreign auditors not entered in the Register of Auditing Firms which when the system is fully operational will be kept by the Ministry of the Economy and Finance, Legislative Decree 39/2010 established a transitory framework that gives Consob the task of administering the registration of non-EU foreign auditors in a specific section of the Special Register "according to the terms and methods laid down by the same”.

In October, finally, the Commission issued for consultation a document containing rules implementing Article 7, section 2, of Legislative Decree 231 of 21 November 2007 on the organisation, procedures and internal audits developed to prevent the use for money-laundering and terrorist-financing purposes of auditing firms registered in the Special Register provided for in Art. 161 of the Consolidated Law on Finance and at the same time entered in the Register of Auditing Firms.

3 Regulation of intermediaries

In the second half of 2010 the Institute began work on transposing into Italian legislation the first level Directive 2009/65/EC and the second level Directives 2010/42/EU and 2010/43/EU, which will replace, abolishing it, Directive 85/611/EEC (known as the UCITS Directive) on the subject of harmonised UCITS.

These directives, identified altogether as “UCITS IV”, build a legislative framework which significantly innovates the community rules in force on the subject of: i) mandatory conduct, organisational requisites and conflicts of interest of management intermediaries (in relation to which the supra-national legislators acted to change the rules deriving from the MiFID with a view to creating a level playing field); ii) notification procedures for cross-border marketing of UCITS; iii) structure and content of the offer documentation to be delivered or made available to investors. Further elements of change with respect to the previous legislative scenario are the introduction of so-called master-feeder structures, of cross-border mergers between funds and of the possibility to set up a UCITS in a member country other than the state of origin of the management company.

The work of transposing this legislative corpus entails, besides adjustment of the rules laid down by the Consolidated Law on Finance, some action on the current regulatory framework, concerning, as regards the Institute's responsibilities, the correctness and transparency of the conduct of AMCs and SICAVs, the procedures, the internal auditing system and the management of conflicts of interest in the provision of the collective management service and the public offering of UCITS units or shares. These actions, relating respectively to the Intermediaries Regulations, the Issuers Regulations as well as to the joint Consob - Bank of Italy of 29/10/2007, will be completed in the first half of 2011, in order to enable full transposition of the directives by the deadline envisaged to come into effect (1 July 2011).

In April 2010, following a process of consultation begun in 2009, the Commission defined the new disclosure obligations of intermediaries (Resolution 17297 of 28 April 2010). The scope of application of the new rules regards the provision of services and investment and collective asset management businesses, and the distribution of financial products issued by banks and insurance companies. The disclosure obligations, moreover, were grouped together into 3 macro-categories: periodic documentation, "event" documentation and structured data.

During the year Consob also provided its contributions to the development of new legislative rules on real estate funds introduced by Art. 32 of Legislative Decree 78/2010 and converted with amendments into Law 122/2010. These rules will have a significant impact also on the Institute's supervisory work.

On the basis of the results of the survey of AMCs managing retail real estate funds carried out in 2009 (which was followed by discussions with AMCs and industrial associations on the first orientations set forth in Quaderno di Finanza 65/2009), in July Consob and the Bank of Italy issued a joint communication on "General application guidance on the valuation process for real estate assets of mutual funds". This communication specified certain duties of an organisational and procedural nature that place the moment of real estate valuation in an absolutely central position in the business processes of asset management companies managing real estate funds. In this sense, the communication steers asset management companies towards defining full, transparent and traceable procedures, above all suitable for their corporate bodies responsible for the correct asset valuation for funds managed on behalf of the fund investors.

At the beginning of 2010, with Resolution 17130 following ample consultation, the Commission issued Regulations for implementation of Arts. 18-*bis* and 18-*ter* of the Consolidated Law on Finance on the subject of natural person financial consultants and financial consultancy companies.

In December, the Commission took action on the subject of the Register and business of financial advisers, approving amendments to the Intermediaries Regulations (Resolution 17581). These changes, preceded by public consultation, were part of the three-year revision of the regulations, provided for in Article 23, section 3, of Law 262 of 28 December 2005, and were developed in order to take account of the application experience accumulated during the early months of operations of the Organisation that keeps the Register of Financial Advisers and of the need to supplement and clarify the scope of certain rules.

With reference to the guidelines set forth by the intermediaries' associations, during 2010 and applying the procedure published on 2 May 2008 ("*Policy for the validation of guidance prepared by financial intermediaries' associations*"), the Commission assessed, as compliant with the legislative framework of reference, certain updates which Assoreti decided to make to its guidelines, already validated in 2009, on the service relationship with customers.

4 Market regulations and other regulatory actions

During 2010 fine-tuning changes were made to the Market Regulations on the occasion of the aforementioned revision of the Regulations on the subject of related party transactions, implemented with Resolution 17389/2010. In particular, the amendments concerned Article 37 of the Regulations and aimed at making the market rules fully consistent with the new regulatory provisions on related party transactions.

In September 2010 the Commission also issued a communication regarding interpretation of the provisions of Directive 2004/39/EC (the MiFID) and related level 2 measures on post-trading transparency and transaction reporting of transactions recorded to the errors account as a result of incorrect execution of customer orders.

In January the Commission circulated for public consultation draft regulations concerning proceedings for the adoption of general regulations, implementing Art. 23 of Law 262/2005. The consultation came to an end in March, but the final text of the regulations has not been approved yet; the process should be completed in the early months of 2011.

In April, the Commission approved, with Resolution 17283, a number of amendments to its own Regulations identifying types of sensitive and judicial data and operations performable under the terms of the "privacy code". The amendments to the Regulations, adopted by Consob in Resolution 15318/2006, became necessary to govern also the processing of sensitive and judicial data following the establishment at Consob of the Conciliation and Arbitration Chamber.

VI International affairs

1 International cooperation

Consob continued its international cooperation activity in 2010 with the supervisory authorities of EU member states and of other countries.

In particular, the Institute forwarded a total of 91 requests for cooperation to other authorities (61 in 2009) about a half of which related to allegations of insider trading and market manipulation (Table 43).

Requests for information from foreign authorities totalled 77 (compared with 59 in 2009) and concerned above all cases of verification of the requirements of integrity and professionalism.

During 2010, Consob signed a Memorandum of Understanding with the Bank of Italy and the British supervisory authority (UK FSA - Financial Services Authority) in order to facilitate - given the integration between the London Stock Exchange Group and Borsa Italiana - cooperation in the field of supervision of market infrastructure managers (multilateral trading systems, regulated markets and post-trading service providers).

Consob also signed, in October, a cooperation agreement with the French supervisory authority AMF (*Autorite des Marches Financiers*) for coordinated monitoring of the Italian branch of the investment firm *Européenne de Gestion Privée* (EGP).

Table 43 Exchange of information between Consob and foreign Supervisory Authorities

Subject	2004	2005	2006	2007	2008	2009	2010
Information requests issued to foreign Authorities							
Insider trading	8	12	16	18	25	23	20
Market manipulation	8	6	12	9	27	14	23
Unauthorised public offerings and investment services	2	4	5	1	2	3	10
Transparency and corporate disclosure	9	10	5	1	2	1	8
Major holdings in listed companies and authorised intermediaries	1	2	4	3	2	2	9
Integrity and professionalism requirements	7	4	--	9	--	--	--
Infringement of rules of conduct	2	--	1	--	--	3	3
Transaction reporting pursuant to Art. 25 of the MiFID	–	–	–	–	1	1	--
Short selling	–	–	–	–	42	6	4
Requests sent to remote members pursuant to Art. 57 of the MiFID	–	–	–	–	11	2	5
Suspicious operation reports	–	–	–	–	1	6	9
Total	*37*	*38*	*43*	*41*	*113*	*61*	*91*
Information requests from foreign authorities							
Insider trading	18	18	17	18	18	5	9
Market manipulation	3	4	14	2	3	2	4
Unauthorised public offerings and investment services	3	9	9	3	2	8	6
Transparency and corporate disclosure	--	4	3	--	1	1	2
Major holdings in listed companies and authorised intermediaries	--	4	--	1	1	--	1
Integrity and professionalism requirements	44	31	46	37	18	36	41
Infringement of rules of conduct	--	--	--	3	2	2	5
Transaction reporting pursuant to Art. 25 of the MiFID	–	–	–	–	1	--	--
Short selling	–	–	–	–	--	--	--
Requests sent to remote members pursuant to Art. 57 of the MiFID	–	–	–	–	--	--	1
Suspicious operation reports	–	–	–	–	2	5	8
Total	*68*	*70*	*89*	*64*	*48*	*59*	*77*

2 Activities within the European Union

In 2010 Consob's participation in European Union activities continued for the preparation and approval of proposals for directives and regulations, and in negotiations relating to establishment of the new European supervisory architecture in the financial sector.

After the ordinary legislative co-decision procedure had been defined, on 24 November 2010 the European Parliament and Council approved definitively the so-called "supervision package" with the aim of redesigning the entire European supervisory structure in the financial sector.

The new supervisory architecture, operational from 1 January 2011, is based on 2 pillars: i) the establishment of 3 new European Supervisory Authorities (ESAs) which constitute, together with the national authorities, the European System of Financial Supervision (ESFS), dedicated to safeguarding the solidity of individual financial firms and investor protection; ii) establishment of a European Systemic Risk Board (ESRB), responsible for macro-prudential supervision.

The ESAs comprise the European Banking Authority (EBA) for the banking industry, the European Insurance and Occupational Pensions Authority (EIOPA) for the insurance and company or o professional pensions industry and the European Securities and Markets Authority (ESMA) for the securities investment industry and for supervision of ratings agencies and replace, starting from 1 January 2011, the existing third level committees (CEBS - Committee of European Banking Supervisors, CEIOPS - Committee of the European Insurance and Occupational Pensions Supervisors and CESR – Committee of European Securities Regulators).

The "supervision package" includes the so-called Omnibus Directive (Directive 2010/78/EU), in the negotiations for which Consob also took part.

For the financial investments sector, the changes introduced by the Omnibus Directive involved the Market Abuse Directive (2003/6/EC), the Prospectus Directive (2003/71/EC), the MiFID Directive (2004/39/EC), the Transparency Directive (2004/109/EC) and the UCITS IV Directives (2009/65/EC).

Consob also took part in negotiations relating to the proposed changes to the Prospectus Directive (2003/71) definitively approved on 24 November 2010. The changes introduced by Directive 2010/73/EU aim to simplify its content, reduce the administrative costs for companies that intend to have recourse to the capital market and strengthen investor protection. The Directives must be transposed by the Member States by 1 July 2012.

Among the most significant changes made to the existing directive it is worth noting the greater role attributed to disclosure made in the summary notes and the concentration of its contents in the so-called "key information".

Some provisions amending the Prospectus Directive should facilitate the performance of supervision on non-equity products. This aim is pursued on one hand by attributing to the level 2 legislation the task of defining schemes of final conditions in the base prospectus and on the other the obligation, for issuers that have requested notification of the base prospectus in other countries (European passport), of transmitting to the authorities of the host countries also the final conditions. The lack in the existing directive of this last rule prevented, in practice, each country from finding out about non-equity products, issued on the basis of a programme, distributed in its own country. The definition of schemes of final conditions should therefore enable abuses in the use of "passported" prospectuses to be prevented without complicating recourse to the instrument of the base prospectus to reduce phenomena of regulatory arbitrage.

The Institute took part in negotiations relating to the adoption of implementing measures of the new Directive on harmonised mutual investment funds.

The Institute also took part in negotiations on the proposed Directive on managers of alternative investment funds.

Consob also took part in the work on amending Regulation 1060/2009/EC on rating agencies.

Again of the subject of ratings, on 5 November the European Commission published a consultation document to tackle issues not governed by the current community legislation.

With the aim of making the financial market safer and more transparent, the European Commission adopted two regulation proposals, in negotiating which Consob took part, relating respectively to short selling and credit default swaps (CDSs) and OTC derivatives.

Consob also took an active part in negotiations relating to the proposed changes to the Directive on investor compensation systems.

On 16 August 2010 the European Commission presented a proposed amendment to Directives 98/78/EC, 2002/87/EC and 2006/48/EC concerning supplementary supervision of financial companies belonging to a financial conglomerate.

During 2010 the European Commission carried out consultations regarding possible changes to be made to the Transparency Directive and to the Directive on market abuses.

A public consultation was also launched, on 8 December 2010, on making possible changes to the MiFID Directive.

The main subjects dealt with in the document, relating to market regulations, regard: i) the rules on trading venues; ii) pre- and post-trading transparency on the equity markets; iii) the introduction of a pre- and post-trading information transparency system for non-equity markets; iv) the consolidation of post-trading information; v) specific aspects of the micro-structure of the markets (high frequency trading, co-location, sponsored access and tick size); vi) the market for derivatives on commodities; vii) possible extensions of the system of transaction reporting to the Authorities.

On the subject of intermediaries, the main issues discussed in the consultation document regard: i) application of the directive to the direct sale of financial instruments issued by banks and investment firms; ii) regulation of investment consultancy activities, also following the community work on the subject of pre-assembled investment products; iii) the precautions that must be adopted by intermediaries for the launch of new products, operations or investment services; iv) the remuneration of workers in the commercial network in the light of the rules on conflicts of interest.

A further subject on which the European Commission took action, with a communication published on 8 December 2010, concerns strengthening of the disciplinary system in the financial services sector. In the document, the Commission indicates possible actions with the aim of improving and strengthening the convergence and efficiency of the disciplinary system applied in the individual member states.

During the year Consob took part in meetings of the European Group of Auditors' Oversight Bodies (EGAOB), the Expert Group set up by the European Commission, for coordination among public organisations for the control of independent auditors and auditing firms at the community level.

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

In 2010, Consob took part in the work carried out by the standing committees, working parties and Task Forces set up within CESR.

The Institute participated in the Post-Ecofin Task Force, responsible for preparation of documents, common positions and opinions destined for the European Commission with a view to the transformation of the CESR into the new European Authority, ESMA, starting from 1 January 2011.

The work of the Investment Management Standing Committee (IMSC), chaired by Consob, continued during the year.

On 20 December 2010 the CESR published level 3 measures, prepared by the Investment Management Standing Committee, on the subject of the transitory regime for transition from the simplified prospectus to the KIID (CESR/10-1319), the language and layout of the KIID (CESR/10-1320), the KIID template (CESR/10-1321) and the selection and presentation of performance scenarios in the KIID for structured UCITS (CESR/10-1318).

Following an analysis carried out by the IMSC, the CESR prepared guidelines on a common definition of "money market funds" (CESR/10-049), providing for a distinction between short-term money market funds and funds with a longer maturity, also for providing information to investors.

After approval of the new Directive on Alternative Investment Fund Managers (AIFMs) the European Commission is called upon to adopt level 2 measures to implement the rules of the first level directive; to this end, on 2

December 2010, it sent CESR a request for assistance on the content of such implementing measures.

During the year, Consob took an active part in other standing committees and working parties set up within CESR. It is worth noting, in fact, the work done by the Secondary Markets Standing Committee and by the Investor Protection and Intermediaries Standing Committee in order to provide technical opinions to the European Commission in the context of revision of the MiFID Directive.

On the subject of the prospectus and transparency obligations of listed companies, Consob took part in the work of the Standing Committee on Corporate Finance.

The work of the Standing Committee on Corporate Reporting on financial information, and the enforcement sub-committee, European Enforcers Coordination Sessions (EECS), continued in 2010 to establish instruments to guarantee effective coordination of financial reporting enforcement activities at the European level.

Consob took part in the work of the CESR-Pol (Standing Committee on cooperation and exchange of information for surveillance purposes) in relation to a harmonised system of transparency on short selling . In its work on the revision of the MiFID Directive, the CESR-Pol, among other things, contributed to the preparation, for the European Commission, of a technical opinion on the changes to make to the rules relating to financial instrument transaction reporting.

The Institute, moreover, took an active part in the work of the Review Panel (standing committee for implementation of the CESR standards by member states) on mapping the supervisory powers attributed to the supervisory authorities of member states in implementing the MiFID.

The Review Panel also carried out a mapping of the powers available to the national supervisory authorities in tackling crisis and emergency situations, and a reconnaissance of application in each member state of the discretions and options contained in the Transparency Directive.

On the subject of rating agencies, the corresponding CESR standing committee, of which Consob is a member, prepared 2 technical opinions for the European Commission assessing the equivalence between the regulatory framework of the United States (CESR/10-332) and of Japan (CESR/10-333), in the light of the new European regime on the subject; the committee also continued its work on preparing another 2 opinions on the equivalence between the regulatory and supervisory regimes adopted in Australia and Canada.

The work of the joint Task Force between the level 3 committees (CESR, CEBS and CEIOPS) also continued. This group discusses the problems associated with investment products destined for retail customers.

4 Activities within the International Organization of Securities Commissions (IOSCO) and other international bodies

In 2010 Consob took part in the Technical Committee and the Executive Committee of the International Organization of Securities Commissions (IOSCO) and was a member of its standing committees, working parties and task forces.

Jointly with the Supervisory Authority of the United Kingdom (FSA), the Institute chairs the Task Force on Unregulated Entities set up by the Technical Committee in order to coordinate the auditing initiatives relating to unregulated entities.

In February 2010, on the basis of the work done by the Task Force on Unregulated Entities, IOSCO published the minimum information that the supervisory authorities should obtain from hedge fund managers in order to assess possible systemic risks. This initiative aims at making more comparable the data gathered in the various jurisdictions and facilitating cooperation and analysis of data coming from different countries.

The IOSCO Technical Committee also set up a Task Force on Supervisory Cooperation with the aim of improving coordination of the work of overseeing intermediaries and markets operating on a cross-border basis.

Consob took part in the work of other IOSCO Task Forces, set up to tackle the crisis on the financial markets and to coordinate the general regulatory measures, in support of the objectives indicated by the G-20. The work of the Task Forces was the basis of the publication of new international standards developed to facilitate further convergence of the national standards in the respective areas of competence.

During the year the Institute's participation continued in the standing committees of the IOSCO Technical Committee on the subjects of transparency and accounting profiles (Standing Committee 1), secondary markets (Standing Committee 2), intermediaries (Standing Committee 3), problems of cooperation (Standing Committee 4), collective investment schemes (*Standing Committee* 5) and rating agencies (Standing Committee 6).

Consob took an active part in the work of the Implementation Task Force (ITF) in relation to the IOSCO Objectives and Principles on Securities Regulation and in the

Within IOSCO, in October the Technical Committee set up a new Task Force for the purpose of coordinating initiatives taken by the competent authorities to increase and improve supervision of derivative products traded outside the market.

Consob took part in the work of the Joint Forum, a group made up of representatives of the supervisory authorities in the banking, financial and insurance industry to examine in greater depth subjects of common interest.

The Institute also took part in the work of the Financial Stability Board, an organisation set up to coordinate, at the international level, the work of the national supervisory authorities and of the organisations responsible for preparing the international standards and developing and promoting the implementation of effective regulation and supervision policies.

In particular, during 2010, Italy was subjected by the Financial Stability Board to an inspection on the level of implementation of the recommendations on regulation and supervision, included in the banking and financial industry assessment programme of the International Monetary Fund and the World Bank. The inspection had a positive outcome.

On the subject of auditing, the Institute took part in the IFIAR (International Forum of Independent Audit Regulators), a group set up to facilitate cooperation between supervisory authorities.

Consob chairs the Steering Group on Corporate Governance, which coordinates and guides the work of the Organisation for Economic Co-operation and Development (OECD) on corporate governance, including the problems associated with privatisation and with the insolvency procedure.

VII Consob's internal management and external relations

1 Financial management

The total expenditure budgeted for financial year 2010 amounted to 110.7 million euro, a little more than 2 million euro less than the final figure for the previous year (Table 44).

Current expenditure, in particular, amounted to a little more than 108 million euro, a drop of 2 million compared with the same figure for 2009; capital expenditure also decreased, from 3.2 to 3 million euro.

Table 44 Summary table of revenues and expenditure
(millions of euro)

Items	2004[1]	2005[1]	2006[1]	2007[1]	2008[1]	2009[1]	2010[2]
Revenues							
Previous year surplus[3]	11.7	15.3	12.8	24.0	29.7	11.5	6.5
State funding	26.7	25.4	13.1	10.7	9.8	7.9	1.0
Supervisory fees	49.2	46.9	75.2	75.1	75.0	87.8	108.9
Sundry revenues	3.5	3.7	7.5	9.9	17.2	11.1	6.7
Total revenues	*91.1*	*91.3*	*108.6*	*119.7*	*131.7*	*118.3*	*123.1*
Expenditure							
Current expenditure							
Members of the Commission	2.2	2.0	2.2	2.6	2.6	2.6	2.1
Staff	44.6	48.0	55.1	60.2	70.6	72.5	80.5
Goods and services	19.4	19.4	20.8	23.0	23.3	17.3	19.2
Expenses for restoration and extension of properties	4.3	4.3	4.1	4.1	4.0	3.4	4.2
Provisions for risks associated with possible compensation for damages	—	4.3	0.0	0.0	18.3	12.2	0.4
Unclassified expenditure	5.2	0.3	0.1	0.1	0.8	1.7	1.3
Total current expenditure	*75.7*	*78.3*	*82.3*	*90.0*	*119.6*	*109.7*	*107.7*
Capital expenditure	2.6	1.5	1.9	1.7	2.0	3.2	3.0
Total expenditure	*78.3*	*79.8*	*84.2*	*91.7*	*121.6*	*112.9*	*110.7*

[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 2009 surplus is recorded among 2010 revenues.

Total revenues in 2010 (net of the previous year's surplus) amounted to approximately 117 million euro, of which 93 per cent is referable to supervisory fees, approximately one per cent to the Fund financed by the State and the remaining 6 per cent to sundry revenues (essentially interest received). Revenues from supervisory fees are mainly ascribable to categories of subjects that solicit investments from the public, and to intermediaries (banks, investment firms and stockbrokers) followed by issuers and auditing firms (Table 45).

Table 45 Fees by category of supervised person
(millions of euro)

	Investment firms and stockbrokers	Banks	Independent auditors	Promoters of financial services	Market entities[3]	Issuers	UCITS[4]	Supervision of public offerings	Other	*Total contribution revenues*
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[1]	1.0	10.4	5.5	12.9	4.8	13.1	8.3	16.3	2.8	*75.1*
2008[1]	1.1	11.3	6.3	11.7	4.7	12.7	7.1	18.4	1.7	*75.0*
2009[1]	1.3	13.1	9.0	5.0	5.4	14.7	8.6	29.1	1.6	*87.8*
2010[2]	1.6	16.9	11.9	5.5	5.7	19.8	10.7	34.8	2.0	*108.9*

[1] Annual accounts. [2] Budget data. [3] This category includes Borsa Italiana SpA, Tlx SpA (up to 2008), Mts SpA, Cassa di compensazione e garanzia SpA, Monte Titoli SpA and Organismo Promotori Finanziari (from 2009). [4] Includes the supervisory fees paid by asset management companies for individual portfolio management services.

2 Human resource management

At 31 December 2010, the staff of the Institute consisted of 575 employees, of which 45 held temporary contracts; although 14 new employees were recruited in 2010, the staff decreased by 3 resources compared with the previous year as a result of the termination of employment of 17 employees (one of which was temporary; Table 46 and Table 47).

Table 46 Personnel[1]

	Permanent employees				Employees with temporary contracts	*Total*
	management career	operating career	career in general services	*Total*		
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*
2008	198	295	13	*506*	50	*556*
2009	231	287	13	*531*	47	*578*
2010	239	270	21	*530*	45	*575*

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

Table 47 Breakdown of personnel by grade and organisational unit[1]

	Executives	Managers	Employees	Other	*Total*
Divisions					
Issuers	15	62	33	-	*110*
Intermediaries	3	24	34	-	*61*
Inspectorate	3	19	15	-	*37*
Markets	7	21	35	-	*63*
Legal Studies	3	4	3	-	*10*
Economic Studies	4	12	16	-	*32*
External Relations	4	6	14	-	*24*
Legal Services	5	17	14	-	*36*
Administration and Finance	4	9	36	20	*69*
Resources	6	14	16	-	*36*
Computer Systems	4	9	15	-	*28*
Other Offices[2]	11	17	40	1	*69*
Total	*69*	*214*	*271*	*21*	*575*

[1] Data at 31 December 2010. Temporary employees are classified according to the equivalent permanent grades. [2] Includes offices not coordinated by the Divisions. The item "Other" includes personnel with a career in general services.

Implementing the Recruitment Plan approved by the Commission, during the year 7 competition procedures were published for the permanent recruitment of 16 people with the grade respectively of co-director, manager, assistant and deputy assistant; 2 openings were also published for recruitment with a temporary subordinated employment contract of 6 resources with professional legal qualifications. The recruitment is aimed at strengthening both the Institute's offices, involving the assignment of 13 resources to Rome and 9 to Milan.

As regards training, in 2010, there was a slight drop in expenditure (475 thousand euro compared with 480 thousand in 2009) and in the number of hours provided (41,525 compared with 43,550 in the previous year).

3 External relations and investor education

During 2010 the centrality of the website was confirmed as tool for the Institute to communicate with the outside world, as emerges also from the high number of visits to the various sections devoted to the dissemination of information destined for investors, supervised entities and market operators in general (Table 48).

Table 48 Visitors to Consob's website

Pages	2004	2005	2006	2007	2008	2009	2010
Home page (What's new)	1,563,957	2,040,414	2,674,672	2,130,146	1,802,657	1,872,681	1,818,803
Investors	156,023	158,124	303,315	343,988	188,489	172,552	192,756
For entities monitored	69,071	101,098	358,795	367,472	509,550	308,741	387,965
For journalists[1]	–	–	–	–	12,021	12,052	12,237
Consob	157,075	229,123	–	846,986	1,126,879	1,454,345	1,254,389
Issuers	2,567,876	2,811,214	3,936,630	2,791,044	2,878,956	3,679,389	3,275,432
Intermediaries and markets	234,561	289,627	889,495	1,690,854	1,435,906	1,020,299	1,120,854
Consob Decisions/Newsletter	421,345	519,469	596,785	695,790	734,231	968,085	934,567
Legal framework	501,071	727,141	955,965	2,116,752	2,394,500	1,905,754	2,127,004
Publications and press releases[2]	495,005	521,198	634,400	750,300	–	–	–
Other websites	29,087	14,098	17,980	9,716	8,925	209,465	8,501
Site search engine	245,013	275,192	276,195	313,236	255,997	209,465	195,658
Integrated automatic systems[3]	–	–	–	–	946,569	1,745,657	6,421,786
Help and site map	72,354	89,210	25,125	26,300	58,050	14,917	15,733
Interactive area[4]	–	–	–	–	–	43,893	96,636
English version	136,357	141,498	428,925	296,892	273,761	844,559	290,318

[1] The data on journalists up to 2007 were included in the item Home Page. [2] In the year 2008 the data were included in the item Consob. [3] The figure relating to 2008 (available starting from October) refers to accesses to the Integrated Automatic Financial Adviser Supervision System and Register (SAIVAP) and to the Integrated Automatic Auditing Appointments Supervision System (SAIVIC); from June 2009 and from October 2009 the figure includes accesses, respectively, to the Integrated System for the Exterior (SIPE) and to the Integrated Automatic Insurance Company Supervision System (SAIVIA). [4] The data are available starting from June 2009, the date on which the new interactive area was published.

In order to improve the institutional website and facilitate access to the related information assets, the interactive section of the Integrated System for the Exterior (SIPE) was expanded through the preparation of specific guided routes that make it possible to request information, send observations, and take part in events organised by the Institute (public consultations, open hearings and conference). Through the SIPE 1,599 requests for assistance and information were received regarding also legislative texts and prospectuses (Table 49); to this figure must be added requests made over the telephone (almost two thousand).

Table 49 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*
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*
2008	193	2,545	*2,738*	60	900	1,675	103	*2,738*
2009	175	2,640	*2,715*	80	1,100	1,470	65	*2,715*
2010	308	1,291	*1,599*	178	264	763	394	*1,599*

With a view to dematerialising documents, we also launched a specific portal for filing prospectuses of financial and insurance products (dedicated to the SAIVIA Integrated System) and for the disclosure obligations of auditing bodies on accumulation of administration and auditing positions (SAIVIC Integrated System).

With reference to financial education activities, during the year the Institute signed a protocol of understanding with the Bank of Italy, COVIP, ISVAP and the Competition and Market Ombudsperson to promote and create joint initiatives on the subject, strengthen the existing reciprocal cooperation tools and coordinate future activities.

During the year, moreover, the Institute organised two conferences with the aim of contributing to the debate on the protection of small investors also in the light of the evidence of behavioural finance.

On the subject of conciliation and arbitration Consob approved, in March 2010, the Statute and Code of Conduct for conciliators and arbitrators adopted by the Chamber of Conciliation and Arbitration in February. The Institute also began a review of Regulation 16763 of 29 December 2008, concerning the Chamber of Conciliation and Arbitration, in the light of Legislative Decree 28 of 4 March 2010 on the subject of mediation with the aim of settling civil and commercial disputes of the related implementation of the decree of the Ministry of Justice 180 of 18 October 2010.

In order to enable the Chamber to start operations, Consob prepared a website (www.camera-consob.it), where it is also possible to consult the legislation governing the sector and comprehensive information concerning conciliation and arbitration procedures.

In 2010 the Chamber defined the lists registering 1,005 arbitrators and 1,702 conciliators, out of a total of approximately three thousand applications received.

4 IT systems

During 2010 Consob's information systems were involved in the implementation of the first stage of the three-year strategic plan which defined the evolution of Information and Communication Technology (ICT), with the adoption of technological and methodological lines for innovation and integrated management of the Institute's Central Information Systems.

During 2010 the computer platforms that make up Consob's Central Information System were characterised by the adoption of innovative technologies for the evolution of the ICT services.

During the year the provision methods for outsourcing service were activated. Through these methods the Institute provides ITC services making use of tools and methodologies that enable the management of ITC activities and projects efficiently and in line with its strategic and operating needs.

In 2010, new software systems were created for a total of approximately 5 thousand function points, that expanded the capacity of the existing ITC systems.

In the context of evolution and expansion envisaged by the Institute's three-year plan, the Transaction Reporting information system was renewed and the information system for supervision of the Register of Financial Advisers (SAIVAP) was reconditioned. The Content Publication and Management System of the Internet and Intranet platforms was also updated. Finally, as was mentioned earlier, the information system was created for the Conciliation and Arbitration Chamber at Consob, which makes use of a new website devoted to the organisation's activities (www.camera-consob.it). The system is provided by an ITC platform through a management system for applications and proceedings and through a communication system of certified electronic mail (CEM).

Methodological notes C

Methodological notes

Instructions

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

-- quantity identified as zero;

— non-existent phenomenon;

.... existent phenomenon but figures unknown;

.. figures are below the significance threshold.

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

Figs. 1, 4, 5, 7

The leading Italian non-financial listed groups are represented by a "closed" sample of groups for which a complete series of financial statements since 1998 is available and included in Mediobanca's R&S yearbook. This analysis therefore covers almost the entire share list range 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 2010 financial statements indicated in brackets): Enel (since 2005 Terna is considered separately because it is no longer consolidated in Enel), Eni (Snam Rete Gas, Saipem), Telecom Italia (which since 2003 consolidates TI Media), Exor (formerly Ifi; it consolidated Ifil, then incorporated in 2009; Juventus; Fiat, which was considered separately from 2004 to 2009 because it was not consolidated in Exor), Edizione (which consolidates Autogrill, Benetton and, since 2007, Atlantia, formerly Autostrade, considered separately up to 2006), Aurelia (Autostrada TO-MI, Sias), Italmobiliare (Italcementi), Luxottica, A2A (formerly AEM), Fininvest (Mondadori, Mediaset), Edison, Erg (Erg Renew, formerly Enertad), Acea, Pirelli & C. (Pirelli RE), Cofide (Cir, L'Espresso, Sogefi), Buzzi Unicem, Tenaris (up to 2000 the data are for Dalmine, revoked by the listing in 2003), Impregilo, Intek (up to 2006 the data are for Gim, incorporated into Intek in 2007; it consolidates the KME Group, formerly SMI, and Ergy Capital since 2008), RCS MediaGroup (Dada), Finmeccanica (Ansaldo STS), Caltagirone (Cementir, Vianini Industrie, Vianini Lavori and, since 2004, Caltagirone Editore), Indesit Company (formerly Merloni), Bulgari, Davide Campari. In order to maintain consistency in the historical series of the Telecom Group financial statements, the Seat Pagine Gialle Group was also considered (formerly consolidated into Telecom). In some cases, Mediobanca takes into consideration the consolidated financial statements of the holding parent company even if not listed (in particular, for Fininvest, Edizione and Aurelia).

Tables 9, 10, 11, 12, Fig. 18

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 over-allotment 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 might 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 take 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 equity interest 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 in 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 12

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.

Figs. 52, 53, 54, 55, Table 19

Data refer to the following Italian banking groups: Intesa SanPaolo, UniCredit, MPS, BNL, Mediobanca, UBI, Banco Popolare and Banca Popolare di Milano. This sample essentially represents 2/3 of the entire Italian banking system in total asset terms. For the years prior to 2009 the figures include the main banks subsequently incorporated into the banking groups considered through merger and acquisition operations, with the exception of HVB which is included in the data only from the date of consolidation in the Unicredit financial statements (1 November 2005).

Fig. 52

Net interest income includes the balance of interest rate hedging transactions, dividends on holdings and profits and losses of holdings carried at equity. Revenues from investment services include gains on financial transactions (i.e. from the 2005 financial statements, prepared according to IAS/IFRS standards, net gains/losses from trading, hedging, assets and liabilities carried at fair value and gains/losses from the disposal or buyback of receivables and financial assets and liabilities) and net commissions from investment services and collective management (including foreign currency trading, consulting, custody and administration of securities, depository bank services and the placement of insurance and financial products). 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. The item "Other net commissions" includes 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.

Figs. 65, 66, 67

Multifinanziaria Retail Market is a sample survey conducted by GFK Eurisko Srl, which gathered questionnaires from a sample of 2,500 households in which the financial head of the household is aged between 18 and 74 (bank employees, insurance company employees and financial advisers are excluded from the survey). The financial head of the household is the person with the highest earnings (if no-one works the most senior male, and if there are 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.

Fig. 67

The GfK Eurisko questionnaire provides data concerning household savings (the total value of investments in deposits, government securities, shares, corporate bonds, life policies, pension funds, investment management and post office products) and investments in different financial assets. Since data on savings and investments are provided at regular intervals, for each household a punctual amount of financial wealth and investments was attributed, calculating the average of the furthest points of the interval (the only exception being the last open interval of financial wealth, for which the lower point value has been considered).

Two different approaches are used in gauging investments in different financial assets.

According to the first method, the punctual value of each investment is multiplied by the punctual value of each household's savings, in order to estimate the monetary value of the investment in each financial asset. The average of the monetary value of the investment in different financial assets for the whole sample is equal to the weighted average of the monetary amount invested by each family (weights are provided by GfK Eurisko). The average portfolio is estimated for the whole sample summing up the average of the monetary values of the investments in different products; percentages of each financial asset derive from this figure.

According to the second method, GfK Eurisko weights are multiplied by the punctual value of each household's investments in order to obtain the simple average of investments in each financial asset type.

Fig. 76

The types of opinion issued by independent auditing firms are described below.

1) Opinion with reservations. The auditor expresses an opinion with reservations if it ascertains: 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) Opinion impossible owing to serious limitations. 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) Opinion impossible owing to uncertainties. 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 the business continuing to be a going concern, auditors must issue a disclaimer when they consider that the action taken by the directors is based on highly questionable assumptions.

Tables 28, 29, 30

For the year 2005-2009, the data were restated in order to distinguish between allegations of administrative breaches by the Institute and reports of criminal allegations to the Judicial Authority. Any incongruities with respect to the data presented in the Reports for previous years are ascribable to such restatement.

Table 46

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.

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