

# Annual Report 2020

Rome, 31 March 2021



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# CONSOB

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COMMISSIONE NAZIONALE  
PER LE SOCIETÀ E LA BORSA



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Rome, 31 March 2021

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# CONSOB

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# Introduction

This Report regards CONSOB activities in 2020 and the programmatic lines for 2021.

Supervisory and support activities continued despite the measures taken to contain them following the pandemic. This has made it possible to cope with the increasing pace of decisions required because of the health emergency and the innovations of the reference regulatory framework. In 2020, 110 Commission meetings were held over 48 weeks (the figure was 101 in 2019 for 45 weeks), during which 1,297 files were examined (1,246 in 2019) and 459 resolutions were issued (443 in 2019). Among these, 26 concerned measures against the pandemic (29 of them at 16 February 2021) and 237 the closure of unauthorised websites (the total number of sites blacked out between 1 July 2019 and 26 March 2021 is 410). The Commission and the Offices participated remotely in a number of international activities.

It was necessary to intervene to ensure orderly trading and investor protection, guarantee a more intense flow of information on the ownership structure of listed companies, prevent financial crime and combat unauthorised activities, draw the attention of market operators to the need to provide adequate information on the impact of the pandemic on their activities. These measures involved intensive coordination activities both domestically and internationally.

In 2020, the Commission worked to seize the opportunities of applying new surveillance technologies. In order to develop a digital and data driven strategy, CONSOB, in addition to continuing the modernisation of IT structures, initiated the integration of its data warehouse with new information sources and with a smart dashboard to support supervision, and planned the innovation of the processes, systems and tools at its disposal, also through the study of prototypes, based on text mining techniques, to analyse documents sent by supervised entities. In-depth analyses were also carried out regarding the enhancement of cyber-security systems and processes. In perspective, the activities of technological rationalisation of IT infrastructures, the sharing of supervisory data through the so-called data lake, the testing of artificial intelligence algorithms to expand supervisory information assets with structured and unstructured data are also particularly important.

Implementing the digital strategy will enable CONSOB to proactively address the transformation of the financial system already in place for some time and accelerated by the health emergency. This is a profound transformation, requiring renewed attention to multiple profiles, including the extension of the scope of regulation and supervision in the face of increasing digitalisation, the challenges and opportunities posed by sustainable finance, the actions to be taken to support recovery also by developing capital markets, the need to intensify convergence and the coordination of supervisory practices at international level.

The European Commission's Digital Finance Package includes legislative proposals aimed at establishing a harmonised regulatory framework at European level, concerning, among other things, crypto-assets markets (MiCA Regulation), a pilot regime for market infrastructures based on distributed ledger technology (Pilot Regulation regime) and the operational resilience of the financial sector (DORA).

The Renewed sustainable finance strategy, an integral part of the European Green Deal presented by the Commission in 2020, will help to design a regulatory framework that encourages the development of investments in sustainable activities together with the measures implementing the 2018 Sustainable Finance Plan.

The new Capital Markets Union (CMU) Action Plan innovates the actions to promote the development of integrated and inclusive capital markets to support a green, digital and resilient economic recovery and to facilitate access to financial markets for savers and businesses. In line with these objectives, the Capital Markets Recovery Package provides actions to encourage the recapitalisation of companies affected by the economic impacts of the pandemic.

CONSOB has made its contribution to changes in the international regulatory framework in institutional forums, also based on initiatives undertaken domestically.

In 2020, with particular reference to the digitalisation of financial markets, the Commission explored the innovative methods of raising capital on the market through the use of both crypto-assets other than financial instruments (so-called Initial Coin Offerings or ICOs) and security tokens (so-called security token offerings or STOs). In January, following a broad consultation carried out in 2019, the final report on 'Initial offers and trades in crypto-assets' was published, which represented CONSOB's first contribution to the debate to define a regulatory regime for crypto-assets not assimilated to financial instruments. Subsequent analyses made it possible to identify the legal and regulatory obstacles that may inhibit the use of STOs and propose possible solutions. These activities have involved many of CONSOB's organisational units across the board, also within the Steering Committee on FinTech.

Supervision will have to take into account the increased use of the digital channel in the relationship between intermediaries and retail customers, following the measures related to containing the pandemic. Looking ahead, this phenomenon can generate both opportunities, in terms of greater participation of savers in capital markets, and risks especially for sections of the population characterised by low financial and digital skills. In this context, it will also be important to strengthen financial education activities.

With regard to the actions taken in support of sustainable finance, in 2020 the Commission published a call for evidence to obtain useful elements from stakeholders on the reasons for the limited adherence to the voluntary non-financial reporting regime, with particular regard to the costs and benefits associated with companies not currently subject to this obligation publishing non-financial statements. Further research, study and analysis activities concerned the consideration of environmental, social and governance (ESG) factors in the choices of institutional and retail investors and market developments also with respect to ESG ratings and scores. There was an intense activity of communication with European institutions, academics and market operators in the context of seminars and meetings. Staff training continued, also in order to promote a proactive approach to supervising non-financial statements. Also in this case, the work benefited from the transversal contribution of several of the Commission's organisational units within the Steering Committee on Sustainable Finance.

In conjunction with the European Commission's proposal for the new CMU Plan, CONSOB continued its analysis of regulatory and supervisory practices with a view to encouraging listing and reducing the burden on businesses. The proposed acquisition by Euronext of the Borsa Italiana Group, which according to the announcement is expected to be completed by the first half of 2021, could generate important synergies in services supporting SMEs, family-owned companies and technology companies through the integration of the programmes already developed by the two groups. Additional stimuli could come from the Capital Markets Recovery Package, in relation to which the Commission provided its contribution to the Ministry of the Economy and Finance during the European legislative negotiation.

During 2020, the Commission continued its work to manage the United Kingdom of Great Britain and Northern Ireland leaving the European Union (Brexit). Brexit will have important effects on European markets. Initial ESMA analyses seem to confirm the expectation of a possible migration of equity trading from UK to European venues and its positive impacts in terms of volumes and liquidity, which could also benefit SMEs. Brexit will also have significant impacts on the provision of investment services and surveillance. Most UK operators have chosen to relocate their activities within the EU under the freedom to provide services, with the result that they will only be able to operate with qualified counterparties and professional clients by law.

CONSOB will increase its supervisory commitment, having to verify compliance with the rules of conduct by British companies through its information, inspection and sanctioning powers.

In the post-Brexit context and in the face of the efforts to increase integration of EU capital markets, the need to 'level the playing field' becomes more relevant. Uneven national supervisory practices may have consequences in multiple jurisdictions, in the presence of supervised entities that are active on a cross-border basis through complex group structures and value chains. During 2021, the European Commission will consider proposing measures for stronger coordination of supervision or for direct supervision by European authorities in the context of the actions envisaged in the new CMU Action Plan. Meanwhile, the first 'joint supervision' exercises in the European field, in which CONSOB has participated over the last two years under the coordination of ESMA, are moving towards a convergence of controls. These exercises envisage supervisory actions carried out simultaneously in several Member States on a specific issue and will lead to the recognition by ESMA of functions of coordination of domestic supervisory activities that are more incisive and stringent than the current ones, referring to the identification of the thematic areas to be studied further.

The Report is organised as follows. Part A, 'Strategic lines', describes the programmatic lines for 2021, which, while continuing from the previous year, aim to implement the digital surveillance strategy, to allow CONSOB to seize the opportunities while proactively addressing the complexities and risks associated with the rapid evolution of the reference context.

Part B, 'Institutional activities', illustrates the most relevant activities of last year with regard to all areas of institutional interest, highlighting the main innovative profiles.

The document concludes with the 'Statistical Appendix' in Part C, which is an abridged version of the *Relazione per l'anno 2020* available at <https://www.consob.it/web/area-pubblica/relazione-annuale>.

Strategic lines A



# Strategic lines

CONSOB started operating in 2021 according to innovative guidelines that will be reflected in the new Strategic Plan for the three-year period 2022-2024 (which will be approved during 2021).

The context in which the Authority operates today has changed considerably compared to the previous three years: the Covid-19 pandemic and the accelerated use of technological tools (FinTech) have made it even more urgent to solve some structural problems in the Italian financial market, requiring us to be ready to seize every opportunity to support the process of economic recovery.

In the coming years, CONSOB will act within a new framework of EU rules, defined by all the initiatives taken by the European Commission during 2020 (CMU, Digital Finance Package, CMRP, Next Generation EU) to promote the development of a pan-European capital market in its various components (issuers, intermediaries, investors and market infrastructures), oriented towards the sustainable growth of the real economy.

The new market environment may also be potentially favourable to the recovery, both for expansionary public actions and for the possible positive impacts, in terms of market growth and liquidity, deriving from Brexit and the aggregation between Borsa Italiana and Euronext. The success of some segments of the Italian market, such as AIM and post-trading, could find a broader presence and a new centrality in Europe.

At a domestic level, the PNRR (National Recovery and Resilience Plan) will provide an investment and reform programme, including tax reforms, which will be able to support that part of the industry featuring positive potential in terms of productivity, innovation and exports.

In general, a more favourable overall institutional approach to regulatory simplification, innovation and incentives (tax and non) is being consolidated, in the interests of both companies with good growth prospects and investors.

In 2021 and in the years to come, the Commission's primary objective will be to support the process of channelling savings to the real economy in order to support the recovery, making a more agile use of existing instruments, identifying new ones and ensuring adequate levels of protection of savings on an ongoing basis.

This objective will be developed along three lines:

- *INNOVATION and SUSTAINABILITY* - to support sustainable economic growth and capital market innovation, encouraging simplifications and reforms that facilitate matching investment demand and supply to include the largest number of potential users;
- *TRUST and PROTECTION OF SAVINGS* - so that the integrity of the market and the interests of savers and investors are continuously monitored in the process of recovery and reform, also by rethinking the safeguards against greenwashing;
- *DIGITALISATION and ASSESSMENT OF THE COMMISSION* - to facilitate the Commission's technological transition, in order to make the supervisory action more effective and efficient while taking advantage of new technologies and making its organisational structures suitable for digital transformation.

The projects serving these strategic lines will be subject to periodic evaluation, to take into account the need to adapt them to the constant evolution of the reference scenarios, especially in the technological field.

In 2021, CONSOB intends to launch initiatives to promote access to risk capital for medium-large companies, through initiatives aimed at reducing listing costs, especially during the phase of issuing financial instruments; forms of direct access to markets and new market practices. Further simplifications and cost reductions in the changeover to the main market of issuers already traded on the AIM are being considered. In this context, the instruments for simplifying and standardising accounting information will also be enhanced, through the transposition for listed issuers of the European Electronic Single Format (ESEF) Regulation, which requires the preparation of annual financial reports in electronic format.

Similarly, initiatives to promote market access for SMEs and to mobilise new savings flows will be strengthened, encouraging the development of a differentiated range of investment instruments, including long-term ones (ELTIF, PIR, funds of funds) and more 'agile' ways of raising capital, such as crowdfunding. The development of the Italian Stock Exchange AIM market demonstrates the vitality of the small and medium-sized enterprises sector, but it is advisable for it not to remain a solitary option. An ecosystem that is generally favourable to SMEs and start-ups is the main route for the Italian market, where many companies of significantly smaller size operate compared to other European countries. CONSOB is studying, also to formulate proposals within the EU, hypotheses of regulatory segmentation of the investor concept, to identify the categories of subjects potentially most suitable - in terms of 'need for protection' - for participation in the SME securities market, and the segmentation of the same definition of SMEs to introduce specific consideration for micro-enterprises, also in terms of the further streamlining of regulatory obligations.



From 10 November 2021, the regulatory framework on crowdfunding will change radically. The foundations are laid to progressively develop a pan-European market that could also benefit Italian companies, which are still underrepresented or unaware of the instrument. CONSOB intends to support the Italian market, ensuring adequate supervisory safeguards, within the framework of the competences that will hopefully be consolidated when implementing the European Regulation.

Education and information initiatives will be promoted, valuable for all categories of issuers, but essential for SMEs, which often do not have adequate resources and support functions, such as study offices or compliance structures. CONSOB is planning to set up a virtual information desk dedicated to the world of SMEs, to disseminate a market culture and the knowledge of the costs and benefits of opening up capital, also with regard to the new opportunities offered by digitalisation and the issues of sustainability and financial reporting.

In the overall action targeting SMEs, the European Commission has already established an expert group on growth markets for small and medium-sized enterprises (such as AIM Italia), which will identify issues requiring new actions or different policy approaches, such as: lighter listing requirements, incentives for research on SMEs, development of dedicated market indices and greater attractiveness of SME equities traded on these markets. CONSOB will make its contribution.

Transparency and visibility of SMEs are essential to attract investors. The provision of a single point of access to financial and non-financial information is a primary objective, though not short-term and complex to achieve. This would encourage not only the liquidity of securities on the secondary market, but also the dissemination of information on environmental, social and governance (ESG) factors that could attract the growing flow of investment directed towards sustainable activities. The Italian system, and in this context CONSOB, will participate in the initiatives to create a national hub that could be part of the context of the European Single Access Point (ESAP) for which a consultation was launched in 2021.

On 30 November 2020, CONSOB concluded, among other things, the public consultation to acquire useful elements for a proposal to reform the national framework on non-financial statements (NFS), which currently translates into a very small number of companies publishing non-financial reports. The proposed action will be inspired by the principle of proportionality, identifying sets of information related to the size of the company. However the actions will propose incentives for voluntary sustainability reporting, modulating its contents in a proportional manner and introducing benefits/incentives, both fiscal and non-fiscal.

The most significant positive impacts for the market are expected from the development of FinTech capital raising solutions, such as security

token offerings, the use of DLT and the development of incubators/accelerators.

CONSOB is considering launching an experimental laboratory to cooperate with the market in order to identify technological options that are compatible with investor protection standards, any barriers to innovation and the need to update and revise the rules and supervisory approaches in force. In this laboratory, operators would receive information and guidance on innovation choices that comply with the regulatory framework, with a view to synergising regulatory and technological know-how.

The Commission will complete the definition of the rules on using DLT in the offers of digital financial instruments (security token offerings or STOs). The project, in cooperation with public institutions and market operators, aims at the technical and theoretical understanding of the phenomenon of digital representation of financial instruments, identifying any regulatory obstacles to the development of this technology and hypothesising solutions that allow the issue and circulation in the distributed register of financial instruments that do not fall within the scope of EU regulations. It will be possible to create the conditions for a new funding model, as an alternative to issuances in paper form and managed centrally.

CONSOB is preparing to start sandbox trials. As part of the Digital Finance Strategy, the European Commission proposed a regulation called the Pilot regime on testing in the STOs market, identifying potential regulatory obstacles in the regulation applicable to market infrastructures (operators of trading venues and securities settlement systems of central depositories). Once approved, the experimental regime will allow CONSOB, in coordination with ESMA, to grant those market infrastructures that use DLT to be temporarily exempt from certain provisions of the ordinarily applicable regulations (CSDR and MiFID) with reference to simple and less liquid financial instruments. At national level, the forthcoming MEF regulation will allow CONSOB, together with the other supervisory authorities, to set up a sandbox for extensive FinTech trials that will have to take place in compliance with EU law, but to which temporary derogations or non-application of supervisory guidelines, general acts and rules or regulations will be permitted. It will also be the venue for identifying legislative, regulatory and supervisory barriers to innovation.

The reforms and initiatives under way must guarantee, also and above all in exceptional conditions such as those created by the pandemic, adequate investor protection safeguards.

The development of new technologies has in fact designed a new and rapidly changing world, in which retail investors could participate in the market more widely, but also in a more disintermediated manner.

The role of financial education will be central. CONSOB intends to continue promoting financial literacy actions from school upwards and

strengthening its institutional communication while focusing on innovation and sustainability, to increase investors' awareness of risks and rights and the correct perception of the role of the supervisory authority.

Supervision will be increasingly conducted from a risk-based perspective, through early warning and rating systems. Ad hoc analyses will be carried out on real estate fund managers, PIRs, AIF offer documents and direct marketing activities. From 2021, CONSOB will have automated analysis models that produce periodic reports on the liquidity risk of Italian and foreign UCITS. In 2021, a specific ESMA Common Supervisory Action will cover the cost profile charged to UCITS funds. By analysing the offer documents (prospectus, KIID and KID) of the UCITS, it will be possible to identify new risk profiles, with particular regard to closed AIFs marketed to retailers and ELTIFs, identify the actual target markets and evaluate the possible exercise of product intervention powers.

Similarly, some specific risks may emerge from the new methods of remote interaction between intermediaries and customers (through apps or via the Internet), sharply intensified during the pandemic. It should be remembered that in Italy, according to CONSOB surveys, the level of activity of savers with reference to cryptocurrencies, online trading and phenomena such as robo advice and crowdfunding is contained. However, the share of individuals requiring remote financial services is growing significantly, both as a result of the pandemic and of the acceleration in FinTech initiatives. Communications that travel on the web and on social media could constitute investment recommendations, for which the existing rules on conflicts of interest and fair presentation should be activated. CONSOB intends to explore these phenomena which are becoming, also internationally, a new supervision priority. An exchange of information with the Alternative Financial Dispute Resolution Scheme (ACF) will be defined as early as 2021 to share the elements of concern emerging from the examination of the appeals received.

The increased demand for remote financial services is accompanied, as mentioned above, by a growing general awareness of sustainability issues. The supply and demand for investment products benefiting from green or ESG brands is growing. Even the international efforts being made to reach converging disclosure standards and metrics in the field sustainability are accelerating, but have not yet succeeded in defining a complete and unified framework. CONSOB intends to initiate an urgent analysis to compare the methodologies and criteria currently used to issue sustainability ratings, prevent greenwashing and protect investors. The analysis will cover sustainability rating agencies, credit rating agencies, data providers and benchmarkers.

In line with the supervisory priorities set by ESMA for 2020 NFSs, CONSOB will analyse the information on the impacts of the pandemic disseminated with non-financial statements. This analysis will be combined with that on the financial information published by listed issuers, that on the

methods of the internal control bodies of issuers exercising surveillance and that on Key Audit Matters, in relation to the audit reports for the 2020 financial statements.

CONSOB has started refreshing its institutional website, as part of an overall review of its communication activities. The project of a new portal aims to renew the website according to parameters of high modularity, usability and searchability. The content will be enriched with video lessons for financial education and an e-learning platform will be created. At the same time, we want to increase the Commission's presence, visibility and understanding of its investor protection role also on social media.

CONSOB activity in the coming years will have to evolve in line with the major changes taking place in the institutional system and in the market. Technological innovation applied to supervision (SupTech) will be able to define innovative paradigms, with reference to both data management and analysis and to managing internal processes. The capacity for innovation and data governance will increase synergies, reduce administration times and give certainty to conduct.

In 2020, the digital transition of CONSOB processes and the enhancement of data driven supervision were initiated. The first supervision prototypes will be defined in 2021. As a result of the trials, it will be possible to identify new operating methods to carry out CONSOB administrative and organisational processes.

In 2021, trials will be conducted to innovate supervisory procedures on prospectuses/KID PRIIPs/NFSs (artificial intelligence). During the year, technical specifications will be developed and prototypes tested to use artificial intelligence instruments. The success of the trial will allow the introduction of technology in the risk data driven policies for exercising supervision, reducing analysis times and incorporating qualitative-quantitative parameters by developing algorithms. The methodology can then be progressively extended to the different areas of CONSOB expertise.

The CONSOB data warehouse construction project is being completed. The project enhances CONSOB supervisory information assets. There are actually almost 50 structured databases in the Commission for a total of more than 20 terabytes and estimates show a doubling of data size in just three years. The completion of the project will allow the integration of all databases, including recent ones (former-EMIR data), and the widest sharing of information assets for supervision purposes.

The complete and usable structuring of the Commission's information assets is being accompanied by the construction of CONSOB data lake, through an artificial intelligence project that will create a series of software levels to organise and classify data and correlate, through artificial intelligence algorithms, the different structured and unstructured information sources (through both specialised AI engines and intelligence crawling

engines). Benefits are expected from the project on the analysis models, including predictive ones, deriving from supervisory algorithms.

The growing phenomenon of financial unauthorised activity via the web requires CONSOB to be able to monitor a universe with potentially limitless borders. CONSOB wants to accelerate the supervision of the phenomenon and a prompt action to defend investors, through an intelligent crawling project. A prototype of this tool will be created that, with an increasing capacity for self-learning, will have to 'scan' the web to intercept the unauthorised distribution of financial products at an early stage. Cooperation protocols with other institutions will be strengthened.

The aim is to create the prototype of a text mining technique application that should provide qualified warning signals from all the data and information contained in the inspection documentation. An experiment in this sense was already carried out in 2020, combining the new methodology with that of traditional surveys and evaluating their impact.

An innovative prototype is being developed that exploits artificial intelligence also to navigate big data related to trading on the markets and reports of suspicious transactions from intermediaries. Thus the aim is to enhance the ability to promptly intercept hypotheses of market manipulation through the 'typification' of some categories of subjects.

These prototypes are the first steps taken by the Commission towards using intelligent techniques aimed at reducing the time to analyse the wealth of information that is acquired in the context of supervisory activity.

The mentioned lines of change must necessarily be based on human capital and organisational and technological infrastructures appropriate to the challenge.

Significant training programmes focused on new technologies were already launched in 2020 and will continue in 2021. Collaborations with universities and research centres of excellence and internship programmes are already underway. Encouraging results have come from the months of smart working in terms of infrastructure resilience and staff productivity; these results will have to be consolidated over time.

The aim is to assess the resilience of the current organisational structure when faced with changes and the need for its possible reform in order to fully grasp all the synergies and risks inherent in the ongoing transformations. At the same time, more effective instruments will be identified for monitoring costs (thanks to an 'integrated accounting' system), for defining the financial needs of the Commission and for identifying more analytical methods of determining the contributions required from the different categories of supervised entities.

Finally, a technological infrastructure that is adequate in terms of performance, resilience and security is required. Thanks to the results of an internal assessment completed in 2020, the risks identified have already been monitored. New resources will be allocated to the overall modernisation of existing infrastructures. CONSOB will launch all of the new project initiatives according to the principle of security by design, providing for the analysis of possible vulnerabilities right from the embryonic version of the projects, in order to minimise the risks deriving from the exposure of the systems on the network. At the same time, an assessment is underway on the strategy and criteria that will guide the introduction of the cloud within the Commission. The project will consist of a first pilot phase of migrating to the cloud, a second phase of migrating the identified applications and a final phase of application re-engineering consistent with the cloud architecture.

Institutional activities B





## 1 Innovative profiles

During 2020, the supervision of trading venues (regulated markets, multilateral trading facilities or MTFs and systematic internalisers or ISs; Table aI.1 – Table aI.5) took place in a complex and changing context, influenced by the health emergency, the digitalisation of the financial system, the aggregation processes that are affecting market infrastructures, as well as Brexit.

### *Pandemic-related activity*

In view of the high volatility of the markets caused by the pandemic, CONSOB intensified the daily monitoring of the adequacy of the safeguards put in place by trading platforms and the proper functioning of trading halt mechanisms. It verified the regular activation of contingency plans by market infrastructures. As part of these activities, the Commission interacted on a daily basis with the operators of trading venues, selected liquidity providers/market makers and, for infrastructures, both with the other competent domestic authorities within CODISE (structure for the coordination of operational crises in the Italian financial market) and with ESMA.

As part of the supervision of trading, the Commission intensified the real-time surveillance of the main regulated markets and, in particular, of the segments and/or sectors (pharmaceutical, energy, banking) most exposed to the effects of the crisis. Preliminary analyses were initiated in a timely manner to verify the existence of alleged market abuse, also in cooperation with foreign supervisory authorities.

With regard to the integrity of market disclosure, the Commission monitored the releases made by issuers and the information provided on the effects of the pandemic on corporate activity (see Chapter III 'Supervision of public offerings and corporate disclosure').

### *Digitalisation and cyber security of market infrastructures*

Financial digitalisation and the crisis triggered by the pandemic have reiterated the need to strengthen the operational resilience and cyber security of market infrastructures, also due to the systemic effects of possible operational discontinuities and the increasing frequency of cyber-attacks.

In this context, CONSOB and the Bank of Italy have outlined a common strategy to strengthen the cyber security of Italian financial infrastructures. The implementation of this strategy includes, among other things, using Cyber Resilience Oversight Expectations for Financial Market Infrastructures (CROE) and evaluating the use of European Threat Intelligence Based Ethical Red Teaming (TIBER EU) as supervisory tools to assess the resilience of market infrastructures. In line with the objectives of the strategy, the process of evaluating CROEs with reference to Italian trading venues and post-trading infrastructures was launched in 2020, which is expected to be completed in the second half of 2021.

#### *Market infrastructure aggregation projects*

In 2020, CONSOB and the Bank of Italy launched investigations relating to the acquisition by the London Stock Exchange Group (LSEG) of the Refinitiv Group, with consequent impacts on LSEG's shareholders and, in turn, on the qualifying holding in Borsa Italiana Spa and MTS Spa aimed at the prior evaluation of the transaction with reference to Cassa di Compensazione e Garanzia Spa (pursuant to Regulation (EU) no. 648/2012 – EMIR – and the recent amendment to art. 64–*bis*, Consolidated Law on Finance (Testo unico della finanza – TUF)). Following the notification, received on 5 November 2020, of the acquisition of a significant indirect shareholding in Cassa di Compensazione e Garanzia by the Refinitiv Group, which entered the LSEG shareholder base in exchange for the 'all share' acquisition of Refinitiv by LSEG, on 29 December the Bank of Italy, in agreement with CONSOB, adopted a non-opposition decision. The procedure relating to the acquisition of indirect qualifying shareholdings in Borsa Italiana and MTS was completed in January 2021.

On 9 October 2020, LSEG and the Euronext Group announced the signing of a binding agreement for the acquisition by Euronext of 100% of the capital of the sub-holding company that controls the Borsa Italiana Group. The proposal, which also involves CDP Equity Spa and Intesa Sanpaolo Spa, was approved by the shareholders at their respective meetings, held at the end of 2020. This proposed acquisition was also the subject of analysis by CONSOB, in coordination with the other competent Italian authorities for the purpose of issuing the necessary clearance in relation to the various companies of the Borsa Italiana group.

#### *Brexit-related activity*

In 2020, CONSOB continued its activities to ensure the continuity of operations of Italian and British trading venues, given the impossibility for them to carry out their activities in the United Kingdom and Italy, respectively, in the absence of an 'authorisation' measure by the Commission.

To this end, on 26 March the Commission published two calls for attention inviting the trading venues concerned to submit an application to extend operations in Italy and the United Kingdom at the end of the transitional period and urging those that had already obtained a recognition/authorisation measure in 2019 or clearance subject to the 'no-deal scenario' to confirm their interest in obtaining a new measure. Therefore, CONSOB granted the necessary clearance, with effect from the end of the transitional period provided for in the withdrawal agreement, pursuant to Article 50 of the EU Treaty. Given the recent approval of the supplementary partnership agreements between the EU and the UK, in 2021 the Commission will take the necessary steps to ensure the continued operation of the UK and Italian trading venues in Italy and the United Kingdom respectively, taking into account regulatory developments in this area.

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

In 2020, in addition to the activities already illustrated in the previous paragraph, CONSOB verified compliance with sectoral legislation of the changes made by managers of trading venues to the regulations of the respective markets and the related implementing provisions (for details see Table a.6 and Table a.7 in the Italian version). With particular reference to Borsa Italiana, these changes became necessary due to Brexit or to promote the alignment of the rules of the managed markets or improve some microstructural and organisational aspects. Supervision of the operation of systematic internalisers focused, among other things, on verifying compliance with the guidelines provided by CONSOB with the Operational Guide 'Systematic Internalisers: definition and listing requirements'.

Following the checks carried out, the Commission decided not to oppose the suspension and withdrawal of financial instruments during the year (Table a.8).

In 2020, a sample verification of compliance with EU legislation on the adequate disclosure of inside information to the public through the web was carried out. In particular, the audit involved a sample of issuers (with securities listed on MTA, AIM, Extramot, Extramot-Pro, Hi-Mtf as well as with widely held securities) involved in important corporate or delisted transactions, with regard to the accessibility and structure of the related websites relating to the publication of releases containing regulated and inside information.

In the context of the sanctioning proceedings initiated during the year, in addition to those for violations of the regulations on disclosing price-sensitive information to the public (see Chapter III 'Supervision of public offerings and corporate disclosure'), irregularities were alleged in the

management by a company of the list of persons who have access to inside information. 12 proceedings were also initiated against significant shareholders of the issuer and directors and associated persons or managers, for the failed or late disclosure of transactions carried out on the issuer's securities (pursuant to the internal dealing regulations, provided for by art. 19 of the MAR, and the regulations on transactions carried out by relevant parties, provided for by art. 114, sec. 7, TUF; for completed sanctioning proceedings, see Chapter VIII 'Sanctions).

CONSOB continued to monitor the correctness of the reports of the transactions transmitted by the supervised entities when applying the transaction reporting regime. In September 2020, an Operational Guide on the subject was published, containing detailed technical guidelines to better implement the European regulation, having regard to the specificity of the national framework and the clarifications provided by ESMA.

With regard to pre- and post-trade transparency profiles, in continuity with the initiatives implemented in 2019 and as part of a project conducted by ESMA with a view to the possible revision of MiFID II and MIFIR, CONSOB focused on verifying the ways in which trading venues make market data available and publish price lists on their institutional sites.

With regard to the waiver of pre-trade transparency, seven applications submitted by Italian trading venues were analysed and authorised, after a positive assessment by ESMA. These waivers were expressed in the amendments to the regulations of the individual trading venues concerned, based on the provisions of the Market Regulation. Four requests to defer post-trade transparency presented by Italian intermediaries were also analysed and authorised in 2020.

During the year, the Commission launched 12 investigations and took six measures to suspend the use of waivers from transparency on shares as a result of exceeding the threshold of 8% of the total volume traded on all EU venues. For the purpose of calculating the parameters necessary for the operation of the transparency regime, the Commission carried out in-depth checks, also in coordination with other European authorities, on the correctness and completeness of the trading data received from ESMA pursuant to the MiFIR.

### 3 Benchmarks

During 2020, supervision of the benchmarks focused on monitoring compliance with Regulation (EU) 1011/2016 (Benchmark Regulation) of the activity of Italian data contributors belonging to the panel of banks that set the Euribor index. The checks, carried out in cooperation with the Bank of Italy, also aim to ascertain that the activities of the contributing banks were

not in any way compromised by adopting remote working methods related to social distancing measures.

CONSOB participated in the activities of the Euribor College, consisting of ESMA, the Belgian authority FSMA, responsible for supervising the administrator (European Money Markets Institute) and the competent authorities of supervised contributors (see Chapter X 'International activity').

## 4 Post-trading and OTC derivatives

As part of supervising the reporting obligations of derivative contracts provided for by the EMIR, as amended by Regulation (EU) 834/2019 (REFIT Regulation), CONSOB carried out numerous checks on the correctness and completeness of the reports relating to derivative contracts.

With regard to the possibility introduced by REFIT to exempt intra-group transactions from the reporting requirement, the Commission put in place a procedure that streamlines and simplifies the proceeding for the notification of the relevant request by issuers. During the year, the Commission considered the conditions to exempt counterparties from the reporting requirement as met in 40 cases and granted an exemption from the exchange of bilateral margins for intra-group transactions.

With regard to supervising central counterparties and non-financial counterparties, CONSOB complied with the two recommendations issued in May 2020 by the European Systemic Risk Board (ESRB), addressed to the competent authorities and aimed at strengthening the system's resilience to the effects of the crisis.

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

## 5 Short selling

During 2020, specific measures were taken by both ESMA and CONSOB to address the market turbulence triggered by the spread of the pandemic and to ensure a more intensive flow of information to supervisory authorities.

In particular, ESMA lowered the thresholds for the obligation to notify the national authorities about the assumption of net short positions (NSP) on shares, while CONSOB, like other European national authorities, prohibited the assumption and increase of NSPs on all shares traded on the

MTA of the Italian Stock Exchange for a period of three months. Following the application of the ban, a gradual normalisation of general market conditions was observed, which however has been accompanied by a trading liquidity reduction. In light of these circumstances, CONSOB, in coordination with ESMA and the other authorities that adopted the ban, lifted it on 18 May 2020. Two brief bans on short selling were also adopted during 2020.

Overall, over 10,000 NSPs on Italian shares were notified to CONSOB in 2020, of which about half are below the 0.2% threshold and 14% are equal to or greater than 0.5% of the share capital of the issuer (for further details see Table al.9). 16 Italian intermediaries benefited from the exemption from the notification obligation of NSPs for market making activities at the end of 2020; 15 intermediaries, mostly foreign, benefited from the exemption for primary dealers of Italian government bonds.

## 6 Company studies and ratings

In 2020, the monitoring of studies produced by financial intermediaries and of reports disseminated by rating agencies was intensified and focused on examining the assessments of the impact of the pandemic on the macroeconomic context and sovereign debt, sectors of activity and listed companies. Cases of potential criticality were subject to further investigation.

With reference to the investment recommendations concerning Italian listed issuers, eight recommendations were requested, following the presence on the market of news or rumours on the content of such studies, which could provide investors with an incorrect representation of the relevant information framework, as well as a significant change in the market price or trading volume of the financial instruments covered by the recommendations (for further details see Table al.10 - Table al.11).

During the course of the year, sanctioning proceedings were initiated against a qualified party in relation to violations relating to fair presentation and disclosure of conflicts of interest, concerning the production and dissemination of various investment recommendations, regarding a listed issuer with which the intermediary issuing the recommendations had a number of interests.

As part of rating checks, CONSOB sent two reports to ESMA, as the competent authority in the matter. The first related to the dissemination of a report, by a banking intermediary, containing assessments of a possible downgrading of Italy's rating and of positions to be taken with respect to the related government bonds held in the portfolio by the same intermediary, in order to assess whether this could constitute a rating activity; the second related to the dissemination of a rating action on Italy's sovereign bonds, by a

leading rating agency, in order to assess the existence of the conditions of possible violations of European regulations in this field.

## 7 Market abuse

### *Prevention*

Supervision of market abuse focused on corporate operations of economic significance involving highly market capitalised companies in 2020. In many cases, the checks, relating to transactions in financial instruments carried out in the vicinity of price sensitive events, made it possible to provide adequate feedback to claims and requests for collaboration from several prosecutors of the Republic, also through the Guardia di Finanza, and relating to cases of abuse subject to judicial investigations.

In 2020, an in-depth study was conducted on the sale of packages of ordinary shares through the accelerated bookbuilding offer (ABO) procedure in view of their number and the attention profiles concerning the management of inside information. In fact, while such transactions meet the liquidity needs of the sellers, they necessarily entail significant changes in current market prices, which, depending on the case, may be temporary or permanent, since they are carried out at a discount compared to the market price. Therefore, the privileged information content accessed by the parties organising the transactions (usually specialised intermediaries) and the parties invited to participate (usually institutional customers) becomes important. As provided for by MAR (Regulation (EU) 596/2014), market sounding rules apply to such transactions, which include a series of conditions that specialised intermediaries must comply with to prevent the disclosure of information to customers from constituting market abuse. From 2010 to 2020, more than 120 transactions were carried out through an ABO, for a total value of approximately 26 billion euro (Table al.12 - Table al.13). During the same period, CONSOB launched nine investigations into alleged market abuse, as a result of which it administratively sanctioned 18 parties.

### *Reports of suspicious transactions*

As usual, the monitoring of orderly market trading was also based on reports of suspicious transactions received from intermediaries. In 2020 CONSOB received 455 reports, mainly from Italian subjects, obliged under the MAR, and relating in a third of cases to possible abusive conduct performed during significant corporate events (Table al.14). Like in other years, the financial instruments reported were mainly equities (63%) and bonds (24%). CONSOB sent reports of suspicious conduct on foreign markets (see Chapter X 'International activity').

### *Repression of abuse*

During 2020, investigations into market abuse implied that 539 requests for news, data and documents were sent (Table al.15), in three cases leading to reporting administrative offences, the subject of as many reasoned reports to the Judiciary (Table al.16). An additional four investigations for insider trading and two investigations for informational market manipulation were closed without notices of offence.

Among the cases of offences, one case relates to conduct attributable to insider trading, concerning the transfer of the majority package of a listed company and the consequent promotion of a takeover bid. A second case concerns the hypothesis of operational market manipulation and refers to transactions in shares of a listed company carried out for a few years by the controlling shareholder as well as CEO and Chairman of the Board of Directors. The third case concerns the hypothesis of informational market manipulation and refers to the publication by an intermediary of research relating to a listed company containing an operational judgment unchanged from that of the previous research and a target price only slightly lower than the one contained in the same previously published research, but much higher than the one resulting from applying the fundamental valuation methodologies used in practice by financial analysts, including those of the intermediary in question.

CONSOB initiated administrative sanctioning proceedings for market abuse against 10 individuals, two entities for joint and several liability under art. 6, sec. 3, of law 689/1981 both for joint and several liability and for own liability under art. 187-*quinquies*, TUF (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

In 2020, the Commission, at the request of the Ministry of Justice, assessed six codes of conduct on market abuse prevention submitted by five associations, considering them all suitable as a valid reference to exclude the entity's liability for market abuse in the form of administrative offences, whose assessment and related imposition of sanctions are CONSOB responsibility.

During the year, a measure (*desistat*) was also taken against a retail investor, in order to put an end to conduct that is highly recurrent and abstractly attributable to a combination of manipulative practices defined by Regulations (EU) 596/2014 and 522/2016 as '*layering and spoofing*' and '*placing orders with no intention of executing them*' (included among the indicators of manipulation consisting in providing false or misleading indications and setting prices).



### *Representation in court*

During 2020, CONSOB intervened as a civil party in two new criminal proceedings concerning market abuse (both for insider trading; Table al.17).

Furthermore, three criminal proceedings were settled at first instance (all for insider trading) in which the Commission had been a civil party; in two cases the liability of the defendants was recognised and they were sentenced to pay damages in favour of CONSOB (in one of the two some of the defendants were also acquitted); in another case the proceedings were settled with a plea bargain.

In one of the aforementioned decisions, pronounced during the abbreviated procedure, the GUP of Milan, in motivating the criminal liability by way of concurrence of an accused (*extraneus*) who instigated the primary source (*intraneus*) to reveal inside information, specified that the concurrence of *extraneus* in the offence of insider trading is realised «*when the outsider, aware of the qualification held and the functions performed by the insider, instigates, determines them (moral concurrence) or helps them - putting in place a part of the typical conduct or an atypical conduct of effective support with respect to the realisation of the typical conduct (material concurrence) - knowingly to perform one of the insider trading conducts provided for by art. 184, TUF*».

A judgement for market manipulation (as well as for obstructing the exercise of the functions of public supervisory authorities) was settled with the capacity to appeal with confirmation of the ruling of first instance, including the relevant civil findings in favour of CONSOB.

In the aforementioned decision, with regard to the redress of the patrimonial damage item in favour of CONSOB, the Court of Appeal of Milan stated: "*the pursuit of the institutional purposes of the public or private Entity does not exclude the recognition of damage resulting from the expenses incurred to eliminate or prevent the harmful consequences produced by the offence. Case law of legitimacy recognises the patrimonial damage compensable in favour of the Entity, deriving precisely 'from the diversion and disturbance' of its activity. Therefore, it is fair to compensate the Entity - in this case Consob - for the expenses incurred for the specific control activity, which resulted in the administrative sanctioning proceedings, put in place as a consequence of the conduct in dispute, as documented in records*".

In a ruling for insider trading, the Court of Appeal of Milan, III Criminal Division, with ruling no. 2923 of 28 September 2020, filed on 9 October 2020, when referring the case to the High Court in accordance with the principles set out on *ne bis in idem* by the High Court in ruling no. 39999 of 15 April 2019, filed on 30 September 2019, taking into account the administrative sanctions and confiscation imposed by CONSOB, redetermined the prison sentence already imposed on the accused in one year and four

months of imprisonment and, as a consequence, also the ancillary penalties equal to the main sentence, as well as the fine of 40 thousand euro; the Court of Appeal also reduced the amount of confiscation to just over 168 thousand euro (equal to the profit achieved only) and confirmed the rest of the rulings of the first instance ruling, including the civil rulings favouring the Commission.

In the grounds of the decision it was stated that in this case there was *«no situation of exceptional exorbitance, such as to justify the complete non-application of the sanctioning treatment adopted in criminal proceedings, which at most, by virtue of the criterion of proportionality, appears liable to redetermination in mitius, reducing the prison and pecuniary sentences. This in consideration of the incisiveness, albeit not absorbing, of the administrative sanction, as well as the elements, inspired by the more general parameters provided by art. 133 of the Italian Criminal Code (...)»*.

# Supervision of issuers and audit firms II

## 1 Innovative profiles

Innovative factors related to the pandemic, which significantly affected the supervision of issuers and audit firms, stimulated the adoption of measures that in some cases could remain even after the health emergency is resolved. Additional innovative profiles refer to the evolving regulatory framework concerning the transposition of Directive (EU) 2017/828 (SHRD II), developments in sustainable finance and gender quotas in administrative and control bodies.

### *Activity related to the pandemic and digitalisation*

In March 2020, CONSOB, exercising the powers referred to in art. 120, sec. 2-bis and 4-bis, TUF, adopted a temporary regime of enhanced transparency of shareholdings in listed companies with a high current market value and particularly widespread shareholding, in order to highlight any opportunistic and speculative manoeuvres fuelled by the decline in share prices triggered by the health crisis. The adoption of these measures is temporary and exceptional compared to the ordinary regime, given that the aforementioned power of the Commission was designed to remedy systemic critical issues, the result of an adverse economic and financial situation such as the one occurring as a result of the pandemic. In this perspective, the enhanced transparency regime cannot become permanent, as it would be much more stringent than that provided for in the Transparency Directive.

With regard to takeover and exchange bids, in 2020 the Commission applied the regulation on special powers of the State referred to in Legislative Decree 21/2012 (so-called Golden Power Decree), introduced in order to safeguard the structures of companies operating in sectors deemed strategic and of national interest, acting in close coordination with the Presidency of the Council of Ministers. Seven of the 13 takeover and exchange bids carried out during the year were notified by the bidder to the Presidency of the Council pursuant to the aforementioned guidelines, or conditioned, for their effectiveness, on the non-exercise of the aforementioned special powers. The latter, in particular, were activated in only one case by imposing specific conditions and requirements (in two cases offers were not subject to the exercise of special powers while in the remaining four cases they were deemed not to fall within the scope of the discipline).

With regard to corporate governance, CONSOB provided clarifications regarding the interpretation of the measures introduced by art. 106 of Legislative Decree 17/2020 (so-called Cura Italia Decree), which

allowed, limited to the emergency period, the remote participation of shareholders in shareholders' meetings by, alternatively, exercising electronic or correspondence voting, resorting to the proxy to the appointed Representative, using telecommunications means also in derogation from the statutory provisions. The Commission verified the procedures for holding corporate meetings, ascertaining that 92% of the shareholders' meetings held after the entry into force of the Decree conferred a proxy exclusively to the appointed Representative, while only residually using remote voting instruments. In no case was the meeting held exclusively by means of electronic participation instruments. In light of this evidence, which foresees the emergence of remote participation as a more efficient and alternative method than physical participation even after the pandemic is resolved, CONSOB will explore the application of new technologies (already allowed by the Issuers' Regulation) in the conduct of the meetings, also taking into account the recommendations made in the context of the new Action Plan on the CMU.

The measures adopted by CONSOB in response to the pandemic also concerned the corporate supervisory bodies, i.e. auditors and boards of auditors, to which attention was drawn in April 2020, aimed at strengthening the information flows between companies and supervisory bodies. In light of the persistence of the health emergency, of the support measures adopted by the Government and of the possible impacts deriving from their termination, the Commission published another reminder in 2021 on the information to be provided, among other things, in the 2020 financial statements and at meetings to resolve on capital.

#### *Activity connected to developments in the regulatory framework*

In 2020, CONSOB completed the review of the regulatory framework on related party transactions and the transparency of remuneration and asset managers, in order to complete the transposition of SHRD II (see also Chapter XI 'Transposition of European regulation and regulatory activity'). In 2021, it will revise the guidelines contained in Communication no. 10078683 of 2010 on related-party transactions.

The Commission participated in the consultation of the EU Commission on renewing the Sustainable Finance Strategy, aimed at discovering the positions of stakeholders on important issues of corporate governance, long-term orientation and investor engagement, and in the consultation on Sustainable Corporate Governance on possible initiatives on sustainable corporate governance (including the duty of care of directors and the notion of social interest; due diligence obligation with reference to the supply chain; stakeholders engagement; part of the variable remuneration linked to non-financial objectives). CONSOB highlighted the need to evaluate the proposals in consultation with extreme caution, due to the effects on very sensitive aspects of corporate law and the need to verify the concrete application of the recent legislative innovations introduced by Directive

2014/95/EU (NFRD) and SHRD II. The Commission emphasised that in any case a flexible discipline based on the principle of comply or explain is preferable, also in line with the approach recently adopted by the new Code of Corporate Governance Committee which provides as the main objective of the governing body the pursuit of the 'sustainable success of the company'.

CONSOB carried out in-depth studies on the amendments made by Law 160/2019 to the regulations on gender balance in the administrative and control bodies of listed companies, which led to the amendment of the Issuers' Regulations, and analysed the statutory amendments adapting to the new regulations proposed by listed companies. These innovations will also be analysed within the Interinstitutional Observatory on gender quotas (in which CONSOB, the Bank of Italy and the Department for Equal Opportunities under the Presidency of the Council of Ministers participate) and which in 2020 prepared a first survey on the state of implementation of the legislation on gender balance in listed companies, banks and publicly controlled companies and private companies for the period 2011-2019 (the survey was published on 8 March 2021).

## 2 Ownership structure disclosure

In 2020, the flow of communications relating to changes in major shareholdings in Italian listed companies received by CONSOB increased significantly to 719 from 457 in 2019 (Table all.1). Of these, 49% are attributable to the aforementioned temporary regime of enhanced transparency of ownership structures, initially planned for a period of three months and subsequently extended most recently until April 2021, referring to the disclosure of significant shareholdings pursuant to art. 120, sec. 2, TUF (introducing reduced additional thresholds, equal to 1% and 3%, respectively, for companies that are not SMEs and SMEs pursuant to art. 1 *w-quarter.1*, TUF).

The Commission received 41 declarations of intent pursuant to sec. 4-*bis* of art. 120, TUF (mainly acquisitions of shareholdings for investment purposes followed in many cases by divestment); in about half of the cases, these declarations were attributable to the temporary introduction of the additional threshold of 5%, upon reaching or exceeding which the disclosure obligations of the investment objectives arise.

Among the further communications received from CONSOB, 63 concerned changes in shareholdings in financial instruments and/or aggregates (83 in 2019) and six related to equity-related financial instruments provided for by art. 2351, sec. 5 of the Italian Civil Code (with which art. 122-*bis* of the Issuers' Regulation was applied for the first time, which envisages transparency obligations also for these types of instruments).

The relevant shareholders agreements pursuant to art. 122, TUF were the subject of 150 communications, referring to 55 listed companies.

With regard to the supervision of the ownership structure of listed companies, the following activities were particularly relevant: Mediobanca, following the entry in September 2019 of a significant shareholder pursuant to art. 120, TUF and the authorisation granted to it by the European Central Bank to exceed the 10% threshold up to 19.99% of the share capital; Cattolica Assicurazioni, for the multiple profiles subject to supervision, also carried out in cooperation with IVASS; Astaldi with regard to the methods of executing the composition plan as a going concern, carried out in exemption from the takeover bid obligation for transactions aimed at 'rescuing companies in crisis'; Trevi Finanziaria, for which the conditions for applying the exemption from the takeover bid obligation for transactions aimed at 'rescuing companies in crisis' were deemed to be met *ex lege* (in the presence of a restructuring agreement).

In January 2021 CONSOB published a list of 155 companies qualifying as listed SMEs (pursuant to art. 1, sec. 1, letter *w-quater.1*), TUF, for which a different threshold is arranged for communications on the transparency of ownership structures and mandatory takeover bids. The list will be updated annually.

### 3 Takeover bids and exchange tender offers

In 2020, a total of 13 offerings to the public were promoted, of which 11 takeover bids, with consideration in cash, and two takeover and exchange bids, with a monetary component and one represented by listed shares of the same bidders (Table all.2); an offering was ineffective due to the failure to reach the minimum percentage of share capital to which it was conditioned. Although the number of transactions is down slightly compared to 2019, in terms of value the amount collected (about 6.8 billion euro) is among the highest in the last decade. Just over 80% of the result is attributable to the takeover and exchange bids promoted by Intesa Sanpaolo Spa (Intesa) on ordinary shares issued by Unione di Banche Italiane Spa (UBI).

All offers in 2020 concerned shares listed on the MTA: six voluntary (of which four totalitarian) and seven mandatory. Offers were promoted by domestic entities in six cases, European in three cases and non-European in the remaining four cases. In eight cases, the offer document indicated as a future programme the withdrawal from trading of the security (Table all.2), which was then actually carried out in six cases.

Among the main offers of 2020, the aforementioned voluntary totalitarian takeover and exchange bids of Intesa on UBI shares was characterised by an articulated preliminary procedure, also due to the

connection of the operation with the first phases of the spread of the pandemic. The drastic change in the scenario has actually given rise to divergent positions between the offering company and the target company on the effectiveness of the offer with particular reference to the fulfilment of the Material Adverse Change (MAC) condition. In light of the risks associated with unforeseeable events such as a pandemic, the Commission requested more detail, compared to the formulation found in the offer documents of previous operations, in the description of the events and effects to which the effectiveness of the offer must be conditioned according to an approach that will conform to supervision in the future. Other aspects monitored by CONSOB in terms of fairness and transparency of the conduct of the interested parties regarded: the positions taken by the shareholders gathered in shareholder agreements as well as the share purchases made pending the offer; the ongoing promotional campaigns of exchange bids with regard to which the Commission asked UBI to restore the completeness of information concerning a calculation tool contained on the company's website and consequently extending the terms of the offer, which then ended with delisting UBI.

As usual, also during 2020, CONSOB issued an opinion in response to numerous questions on takeover bids and ownership structures, providing guidelines for the application of rules of its own competence that are useful for all operators. Of particular importance among these are: Communication 0685312 of 15 July 2020 in response to a question relating to a non-proportional partial demerger transaction with an 'asymmetric' option; Communication 5/2020 of 8 May 2020 on the application of the rules on increased voting pursuant to art. 127- *quinquies*, TUF; Communication 0301889 of 6 April 2020 on the disclosure obligations of transactions 'concerning derivative financial instruments related to the products subject to the offer'; Communication of 18 June 2020 in relation to promotional messages disseminated during the takeover bid pursuant to art. 41 of the Issuers' Regulation and Communication 1187953 of 24 November 2020, relating to the exercise of the stock option in the context of a liquidation procedure of the shares subject to withdrawal pursuant to art. 2437- *quater* of the Italian Civil Code.

## 4 Transactions with related parties and supervisory bodies

### *Transactions with related parties*

A total of 55 information documents were published in 2020 for transactions of major significance with related parties pursuant to Regulation 17221/2010 (Regulation on related party transactions), including that

relating to the extraordinary transaction concluded between Telecom, Vodafone and Inwit (Table all.3).

In light of the critical issues connected with the spread of the pandemic, CONSOB removed, until 30 June 2021, some obstacles to companies completing capital strengthening operations. In particular, the Commission suspended the application of the rules of the Regulation on related party transactions, making it possible, even for those companies that have not provided for this possibility in their procedures and/or in their by-laws (i.e. more than 60% of listed companies) to use the opt-out option in urgent cases. With reference to transactions for which the shareholders' meeting is responsible, it has been clarified that the need to deal with the health emergency is a case of urgency 'linked to situations of corporate crisis' for which exemption is possible.

#### *Control bodies*

Based on the actions adopted by ESMA and the reminder to audit firms adopted by the Committee of European Auditing Oversight Bodies (CEAOB) in March 2020, CONSOB published a reminder also addressed to the control bodies of listed companies to strengthen information flows with the administrative body and with the auditors. The subsequent reminder no. 1 of 16 February 2021 also referred to this point, underlining the duty of the supervisory bodies to promote a timely discussion with the corresponding bodies of the subsidiaries, as well as to pay particular attention to the assessments made by the directors regarding the existence of the going concern assumption and the adequacy of the internal control system, also taking into account those cases in which the company has applied the temporary suspension of the rules on capital reduction for losses (Articles 2446 and 2447 of the Italian Civil Code), provided for by art. 6 of Italian Legislative Decree 23/2020 (as last amended by the 2021 Budget Law), and the risks related to the difficulties of carrying out on-site checks due to the restrictions related to the pandemic. With reference to suspending the rules on the reduction of capital due to losses, the issuers' attention was drawn to providing adequate information in the explanatory reports prepared pursuant to art. 125-ter, TUF, at the time of the meetings convened pursuant to articles 2446 and 2447 of the Italian Civil Code. The supervisory bodies must pay particular attention when preparing comments to the report on the company's statement of assets and liabilities published pursuant to art. 2446, sec. 1, of the Italian Civil Code. In relation to all the issues referred to, the supervisory bodies must provide detailed information on this in the reports to the financial statements pursuant to art. 153, TUF.



## 5 Audit firms

At the end of 2020, there were a total of 38 audit firms and independent auditors authorised to perform statutory audit of Public Interest Entities (PIEs) and entities subject to intermediate regime (ESRIs), of which 25 were audit firms (Table all.4). The statutory audit market remains highly concentrated, as shown by the distribution of assignments attributable to approximately 91% of the top four operators (Table all.5). The overall number of cases of early termination of appointments, allowed by law, was 92 after the increase in 2019 attributable to the reform of cooperative credit banks (Table all.6).

The audit firms declared their impossibility to express an opinion for 2019 for six listed issuers, while there were two qualified opinions (Table all.7). There were eight requests for disclosure regarding doubts and uncertainties about business continuity.

In 2020, quality checks were carried out on seven audit firms (five of which were small and medium-sized and two large), three of which ended with sending the report, as provided for by art. 26, s. 9 of EU Regulation 537/2014, containing the main conclusions and recommendations arising from quality control.

The investigations were carried out by using the methodology also followed by the competent authorities of other EU countries (Common Audit Inspection Methodology - CAIM), developed within CEAOB, which also has the task of facilitating the exchange of information and specialist knowledge among member states. In the context of the restrictions imposed by government measures on containing and managing the epidemiological emergency, the inspection activities were carried out starting from March 2020 with off-site methods through remote interaction with the companies inspected by using electronic channels.

The inspections focused on the understanding and adequacy of the organisational model and of the procedures adopted by the audit firms and the reference networks, the audit methodology followed and how these aspects are reflected in the performance of audit engagements.

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

In particular, the strengthening of the quality controls contained in the procedures under examination was requested with reference to the following aspects: adequacy of the value assigned to the quality of the statutory audit work within the parameters used in the process of evaluation and remuneration of the partners of the audit firms; correct identification and assessment of the risks to independence associated with the nature of non-audit services and documentation of the prior acquisition of authorisation to provide them by the Audit Committees; how to document the audits and conclusions reached from the independent quality review carried out on the individual assignments by the responsible parties (Engagement Quality Reviewer - EQR); introduction of adequate 'root cause analysis' in order to ensure greater effectiveness of the remedial actions to be implemented in response to the deficiencies found as a result of internal monitoring activities on the procedures and assignments.

With regard to the performance of audit assignments, measures were recommended to raise the awareness of professional staff on the aspects of audit activity in respect of which deficiencies were found, with particular reference to the documentation of the checks carried out regarding the reasonableness of the main assumptions underlying the impairment tests on intangible assets and the performance of these tests on equity investments. Appropriate use of experts in a bank's credit risk measurement and assessment models was recommended to support the auditor's execution of the procedures relating to the item 'loans to customers', as well as to subject the aspects on which the deficiency profiles emerged to a special independent review by the EQR.

With regard to the other audit firms for which the inspection phase has been completed, the Final Reports are being prepared. During 2020, two additional quality controls were launched and are currently under way.

During 2020, as a result of the investigations carried out into the methods of executing the assignments, eight sanctioning proceedings were initiated (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

In 2020, in line with previous years, CONSOB continued to participate in two Technical panels, jointly with the Ministry of Economy and Finance (MEF) and industry representatives, which deal with developing auditing standards (taking into account the ISA international auditing standards), as required by art. 11 of Legislative Decree 39/2010, and the principles of professional ethics, confidentiality, professional secrecy, independence and objectivity, pursuant to articles 9, 9-bis and 10 of the same decree.

In this regard, the process of drawing up 22 new auditing standards, which was adopted following the favourable opinion of the MEF, has been concluded. These standards, which enter into force for the statutory audits of financial statements as at 31 December 2020, have incorporated the changes

made by the IAASB in recent years to the set of ISA international auditing standards. During 2020, the technical panel on auditing standards developed an additional new audit standard to be issued soon, relating to the issuance by the auditors of Italian issuers of the opinion on the compliance of the consolidated financial statements, included in the annual financial reports, with the ESEF format required by Delegated Regulation (EU) 2019/815.

# III Supervision of public offerings and corporate disclosure

## 1 Innovative profiles

### *Pandemic-related activity*

In the face of the health emergency, CONSOB published numerous warnings regarding the information to be provided in the offer and admission to trading prospectuses and in the accounting documents of the supervised companies on the impact of the crisis on the business, prospects and risk profiles of the issuer (these measures also concerned the issuers of financial instruments widely distributed among the public; Table aIII.1). These initiatives, for the profiles that relate to corporate information, are in line with the public statements and the Questions & Answers published by ESMA from March 2020 and could be extended to further information areas, with relevance even after the end of the pandemic.

### *Incentives to go public: CONSOB initiatives*

In 2020, the analysis continued in order to consider the possible rationalisation of the legislation and the improvement of supervisory policies in order to incentivise listed companies and reduce the burden on companies while maintaining high levels of protection for investors. In detail, also in cooperation with Borsa Italiana, the Commission initiated a series of analyses and insights regarding the process of admission to the regulated market, in particular for SMEs with high growth potential and oriented to technological innovation. As part of the transposition of the Prospectus Regulation, the Commission also took into account the objective of eliminating provisions diverging from the European regulations (goldplating), proposing specific amendments to the TUF (see Chapter XI 'Transposition of European regulation and regulatory activity') and to the Issuers Regulation and regulating the control on the prospectus (with Communication no. 77 of 9 July 2020). During ESMA activities, CONSOB drew attention to the need to improve the structure of the SME Growth Markets and increase their attractiveness, including through any further simplification measures.

In 2020, CONSOB also contributed to the MEF during the legislative negotiations on the Capital Markets Recovery Package (for details see Chapter X 'International activity'). This initiative aims to promote the capitalisation of companies affected by the crisis. On a transitional basis until December 2022, in fact, companies with shares traded on regulated markets or on SME growth markets will be able to use a new 'EU recovery prospectus' (shorter than the secondary issues prospectus) for capital increases with shares issued up to 150% of the shares already issued in the last 12 months.

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

In 2020, 13 prospectuses for admission to trading were approved, referring to issuers already listed in seven cases and first admission to trading by SMEs in the remaining six cases; prospectuses for five capital increases were approved (Table all.2). In line with the trend observed in recent years, the majority (five out of six) of the first admission to trading operations, all of which were successful, concerned companies already admitted to trading on AIM Italia (growth market for SMEs pursuant to MiFID II), which requested the transition to the MTA (so-called transfer) in order to benefit from greater liquidity on the securities traded and greater visibility among national and international investors. For the transfer, two companies used the simplified prospectus for secondary issues, introduced by a specific amendment to the Prospectus Regulation. None of these companies made a concomitant offer of shares under subscription or for sale.

During the year, the pandemic led ten companies to renounce or postpone the listing process, which in some cases had already begun.

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

In 2020, the measures for the approval of documents relating to non-equity instruments concerned 18 bond issues (17 relating to bank issuers), 13 certificates, four admissions to trading of warrants and 319 prospectuses of UCITs (Table all.3). The placement of banking products in 2020 recorded a sharp contraction that affected all investment products (Table all.4). With reference to UCITs, the bid documentation intended for retail investors was analysed also in order to assess the consistency between the key information contained in the Key Investor Information Documents (KIIDs) and the more detailed information presented in the prospectus. The advertising activity on UCITs offered to the public in Italy was monitored and, in particular, the compliance of the contents of the advertising messages to the characteristics of the products advertised. During the year CONSOB authorised an issue of savings securities of the southern economy for a placement value of almost 8 million euro (Table all.5).

CONSOB verified the documentary completeness and regularity of the approval certificate of 528 documents approved and notified to the Commission by EU Authorities (Table all.6).

As part of the supervision of the Key Information Documents (KIDs) related to Packaged Retail and Insurance-based Investment Products (PRIIPs), in 2020 more than one million and 190 thousand KIDs were notified to

CONSOB, mainly updates, relating to products designed by manufacturers mostly of foreign nationality, under the prior notification regime that remained in force until 31 December last year (Table aIII.7 - Table aIII.8). With the elimination of the obligation of prior notification of the KIDs, as a result of Legislative Decree 165/2019 and at the end of the consultation process initiated in July 2020, the new methods of access by CONSOB to the documents of the products marketed in Italy to retail investors were defined. In particular, in December 2020 the Commission amended the Issuers Regulation, stating that the creators of PRIIPs must make the KIDs relating to the products designed electronically accessible to CONSOB, according to the methods stated in specific operating instructions. Since November 2020, following the launch of the new mechanism for the storage of prospectuses at ESMA as provided for by the Prospectus Regulation, CONSOB has devised a system for filing prospectuses and has adapted its DEPROEM system for electronic filing and metadata acquisition. CONSOB is continuing the project of automation of the processes of acquisition and analysis of the data contained in the KIDs (see Chapter IX 'IT systems and other back-office activities').

## 4 Corporate disclosure

As part of the supervision of corporate disclosure and ownership structure, during 2020 CONSOB formulated 314 requests for information pursuant to art. 115, TUF and 33 requests for publication of data and news pursuant to art. 114, TUF; in one case the Commission resolved to exempt issuers from disclosing data and news pursuant to art. 114, sec. 6, TUF. Licensed parties were also requested, pursuant to art. 69-*novies*, sec. 2, of the Issuers' Regulation, to publish eight investment recommendations. The Commission also sent out a letter of warning and initiated non-compliance proceedings pursuant to art. 154-*ter*, sec. 7, TUF. During the year the Commission received 323 communications of delay in the dissemination of inside information by issuers with shares traded on the MTA and on the AIM, pursuant to art. 17, sec. 4, of Regulation (EU) no. 596/2014 (MAR). In two cases, the Commission reported to the Judiciary facts potentially relevant from a criminal point of view established in the performance of its activities (Table aIII.9).

During the year, three administrative sanctioning proceedings were initiated for violations of the regulations on the disclosure to the public of price-sensitive information by as many issuers, also in combination with the omission or incorrect activation of the instrument of delay in the disclosure of inside information (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

### *Financial information*

As anticipated, in 2020 ESMA and CONSOB guided companies, through public statements and reminders, on the information to be made available to the market on the effects of the crisis.

As part of the supervision of financial information, in line with a risk-based approach, the Commission has selected the companies to be examined pursuant to art. 89-quater of the Issuers' Regulation, taking into account both the information that emerged from the half-yearly reports 2020 on the effects of the pandemic and the indications provided by ESMA in the European common enforcement priorities for 2019 annual financial statements (ECEP 2019), which identifies the supervisory priorities for the documents published in 2020. In light of the possible impacts of COVID-19, the following were considered as significant parameters: i) the trend in operating margin, ii) information concerning the creditworthiness of issuers, iii) the ratio of market capitalisation to book equity.

Another issue that CONSOB focused on in 2020 was the accounting representation of non-performing loans classified in the unlikely-to-pay (UTP) category, due to the growing interest of banks in the sale of UTP portfolios to investment funds, in exchange for shares issued by buyer funds (so-called 'paper for paper transactions'). Although these transactions were not significant in 2019, CONSOB, Bank of Italy and IVASS published document no. 8 on 14 April 2020, drawing attention to the need to ensure that the accounting treatment applied to these transactions is defined in compliance with the provisions of IAS/IFRS international accounting standards. The most relevant profiles concern: i) the potential consolidation of the investment fund in the financial statements of the parties involved in the transaction; ii) the derecognition of the transferred UTP receivables; iii) the initial recording and valuation of the units of the investment fund subscribed; iv) the information to be provided in the periodic accounting statements.

In October 2020, ESMA highlighted the implications of the pandemic, stressing in the ECEP 2020 document the need to give greater transparency to the consequences of the health emergency. Another new element lies in the reference, in a specific section of the document, to the Priorities related to non-financial statements, which thus become autonomous and of equal level to the priorities relating to IFRS financial statements (see the following paragraph). The indications of ESMA are reiterated in Warning Notice no. 1 of 16 February 2021 on the contents of financial and non-financial information in light of the consequences of the Covid-19 pandemic.

As regards the additional periodic disclosure requirements, introduced by the Commission pursuant to art. 114, TUF for listed companies in financial difficulty, 23 and 17 issuers were subject to monthly and quarterly disclosure requirements as of 31 December 2020.

### *Non-financial information*

In 2020, 204 non-financial statements were published pursuant to Legislative Decree 254/2016, of which 149 by companies with listed shares, 22 by issuers with securities listed on regulated markets other than domestic ones, 23 by banks and unlisted insurance companies and ten were drafted voluntarily.

Supervision of NFSs was carried out on a sample selected on the basis of risk-based parameters as well as on the basis of ESMA's indications, which in ECEP 2019 continued to pay attention to so-called narrative information (contained in financial reporting but not directly governed by international accounting standards), which includes non-financial reporting. In particular, the selection of the sample took into account the cases in which the appointed auditor had issued a certification with findings, as well as the additional elements that emerged from the supervisory investigations pursuant to art. 89- *quater* of the Issuers' Regulation and any information elements coming from the market on environmental, social and governance (ESG) risk profiles. Supervision has also taken into account possible greenwashing behaviours, the incidence of which is destined to increase as the consideration of ESG factors in investment choices rises.

In the future, the supervision of NFSs may also be developed in line with guidelines that ESMA is planning to publish in order to promote an effective convergence of supervisory practices and overcome the current lack of homogeneity in the application of the NFRD within the EU as also highlighted in the ECEP 2020. Among the topics under investigation is the need to integrate financial and non-financial risks already in the phase of selection of the supervisory sample, according to an approach that CONSOB has already adopted. In the aforementioned Reminder no. 1 of 16 February 2021, the Commission invited those companies that publish an NFS to take into account what is indicated in the ECEP 2020, including the impact of the pandemic on non-financial issues, risks related to climate change and the interconnections between financial and non-financial information.



# Supervision of intermediaries IV

## 1 Innovative profiles

### *Digitalisation of financial intermediation and trends in financial product supply*

In its activity to protect investors, CONSOB has taken into account the increased use of the digital channel in the relationship between intermediaries and retail customers, following the measures related to containing the pandemic. Looking ahead, this phenomenon can generate both opportunities in terms of greater participation of savers in capital markets and potential risks, especially for segments of the population featuring low financial and digital skills.

Over the year, there was also an increase in offering relatively risky and complex financial products and instruments. In particular, the marketing of the European Long Term Investment Fund (ELTIF) and non-reserved alternative investment funds (AIFs) to retail customers increased, also following the introduction by Legislative Decree 34/2020 (so-called Relaunch Decree) of alternative long-term PIRs, i.e. products typically characterised by a medium-long term horizon, reduced liquidity and a high risk profile. In line with previous years, about 90% of the products most offered among PRIIPs were represented, also in 2020, by certificates and covered warrants, confirming the interest of savers in products featuring combinations of financial instruments and derivatives whose final payoff depends on the performance of one or more underlying assets. In view of these developments, the Commission carried out in-depth investigations into transactions on behalf of retail customers in certificates, ETCs, ETPs and other complex instruments by qualified banking intermediaries.

### *Pandemic-related activity*

The measures adopted in response to the health crisis concerned both intermediaries authorised to provide investment services and managers of crowdfunding platforms. Due to the turbulence observed in the markets, the safeguards prepared by the managers of the open-end UCITs for the management of liquidity risks were monitored. The checks carried out showed a good resilience of Italian open-end mutual funds, which regularly met the large redemption requests related to the sharp declines in prices of financial assets.

### *Brexit-related activity*

During 2020, CONSOB continued the activities necessary to ensure an orderly management of Brexit's effects on British companies providing investment services in the domestic environment, also with a view to the possibility of continuing to operate in Italy no longer based on the principle of mutual recognition but subject to authorisation as third-country companies.

In particular, the Commission published two notices and a communication, stressing the need for UK intermediaries providing investment services in Italy to take all the measures to ensure continuity of operations with Italian customers and to plan and carry out an orderly exit from the domestic market where they are committed to doing so. The Commission carried out a survey of the plans of every UK company registered with it and provided feedback on the requirements and fulfilments set at domestic level for obtaining the necessary authorisations to continue to operate in Italy as third-country companies after the end of the transitional period.

At 31 December 2020, 21 companies were authorised to continue operating in Italy, of which 18 were under the freedom to provide services and three were authorised to do so through the establishment of a branch. Further investigations are under way with reference to 40 British investment companies (data at 15 February 2021), which submitted an application for authorisation near the end of the transitional period (and which therefore benefited from the period of business continuity provided for by Legislative Decree 183/2020 – so-called Milleproroghe – valid until 30 June 2021), and to ten companies that submitted an application from 1 January 2021.

### *Simplification of the rules on professional training of financial advisors*

In March 2021, CONSOB innovated the reference regulatory framework, requesting that the assessment of the methods of training and professional retraining of the subjects involved in financial advice be entrusted to the same intermediaries and no longer to a detailed prescriptive regulation. With this the Commission intends to allow greater flexibility of the organisational safeguards of each intermediary based on the principle of proportionality (for details see Chapter XI 'Transposition of European regulation and regulatory activity').

## 2 Banking intermediaries authorised to provide investment services

Supervision of banks authorised to provide investment services (amounting to 414; Table aIV.1) was based, also in 2020, on a risk-based approach, which allowed checks to be oriented towards the most significant subjects and/or phenomena. The health emergency required an adaptation of the supervisory tools (e.g. meetings with corporate officers took place via video and audio-conferencing) and greater flexibility in the paperwork actions that took into account the possible obstacles to timely feedback by operators (Table aIV.2).

In line with the activity carried out in 2019 and with the inspection plan launched in the same year, the supervision of banking institutions authorised to provide investment services involved the main national operators and focused on applying the derived MiFID II regulation (for details see Chapter VI 'Inspection activity'). Based on the results of the first evidence, corrective actions were initiated against five banking intermediaries to ensure full alignment of the procedures with the requirements imposed by the Community framework on the product governance of the producer and distributor and the adequacy assessment. Following the assessment of alleged infringement of sector regulations, sanctioning proceedings were initiated against a bank, accompanied by the simultaneous initiation of a corrective action aimed at removing the identified critical issues (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

In 2020, checks continued on the self-placement of instruments subject to bail-in regulations by banks, with particular regard to managing conflicts of interest. In this context, investigations continued into the concentration in the customer portfolio of securities issued by banks, transactions in treasury shares by banks issuing widely held securities and maturities of bank bonds in customers' assets under administration.

During the year, also following CONSOB reminder no. 1/20 on providing investment services and ESG issues, monitoring was initiated on the methods with which ESG factors are taken into account when providing investment services, by administering a questionnaire to a sample of banking intermediaries.

In 2020 the Commission published a Recommendation on how to comply with *ex post* reporting requirements of costs and charges related to the provision of investment and ancillary services, continuing the analysis of the operating processes implemented by intermediaries to inform customers about the costs of financial instruments and services.

The application of the adequacy assessment framework was also the subject of a thematic survey under the new ESMA Common Supervisory Action (CSA) for 2020. The analysis covered more than a third of the assets managed by intermediaries operating in the domestic market, relating to retail customers and subject to advice. The results were shared by ESMA with the other competent national authorities in January 2021 and will be used in domestic supervisory activity. The survey followed the CSA on appropriateness of 2019, which on 29 January 2021 led to launching a consultation on the new ESMA Guidelines on appropriateness, also defined with the contribution of CONSOB.

With regard to the supervision of intermediaries operating under the freedom to provide services in other Member States, CONSOB participated in a Europe-wide monitoring activity coordinated by ESMA. In particular, the initiative was conducted by examining the contents of a specific reporting model intended for national intermediaries in order to acquire standardised information on the type of business free to provide services.

### 3 Investment firms

At the end of 2020, there were 64 Italian investment firms and trust companies authorised to provide investment services (Table aIV.1 and Table aIV.3). Following Brexit, the number of subjects registered on the list of EU investment firms authorised to operate in Italy through a branch decreased from 74 at the end of 2020 to 37 at 1 January 2021.

During the year, in addition to the aforementioned activities related to the United Kingdom leaving the EU, the monitoring of complaints sent to CONSOB by Italian investors against investment firms operating in Italy under the freedom to provide services continued (for details on complaint management see Chapter VII 'Additional actions for investor protection'). In April, CONSOB adopted an order to obscure a website, pursuant to art. 36, sec. 2-*terdecies*, of Legislative Decree 34/2019, converted by Law 58/2019 (see Chapter V 'Actions against unauthorised business activities').

Other supervisory activities include formulating a proposal to the Bank of Italy, then accepted, for the extraordinary administration of an investment firm, pursuant to art. 56, TUF, and the initiation of sanctioning proceedings against an investment firm and four corporate officers, in order to ascertain an alleged infringement of sector regulations (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

## 4 Crowdfunding platforms for SMEs capital raising

At 31 December 2020, 45 subjects were registered in the ordinary section of the Register of managers of equity crowdfunding platforms and one subject in the special section dedicated to banks and investment firms (Table aIV.4). As of 18 March 2021, four operators already registered started offering bonds and debt securities or set up an electronic bulletin board (only two operators carry out both activities).

In the context of supervision, audits focused on the correctness and transparency of operators' behaviour and on the management of conflicts of interest and were carried out through requests for data and news as well as meetings with corporate officers.

The adaptation by operators to the new provisions of Regulation (EU) 2020/1503 (Crowdfunding Regulation) was monitored. These eliminated, among the capital requirements for registration and permanence in the register of online platforms, the obligation to subscribe to an indemnity system that protects investors while maintaining the only obligation of insurance coverage on professional liability. For an operator, the authorisation lapsed due to the loss of the capital requirement, resulting in deletion from the register.

Following the measures related to the pandemic, monitoring activities have been started, which will continue in 2021, aimed at verifying the measures adopted by the online platforms in order to ensure the continuity of the activities carried out as well as the timely publication of any updates provided by the offeror, including information on any significant new facts occurring after the publication of the offer.

Following the approval on 7 October 2020 of the Crowdfunding Regulation, contributions were provided within ESMA to define and develop technical standards for regulation and implementation.

## 5 Asset management companies

Supervision of the managers of undertakings for collective investment in transferable securities (UCITs) focused, according to a risk-based approach, on the correctness of behaviour related to investment choices, also in terms of adherence of these choices to the investment policy described in the offer documentation, on the basis of information acquired through 16 requests for data and news, 78 meetings with corporate officers, including through teleconferencing systems, and inspections carried out also in cooperation with the Bank of Italy.

With regard to the provision of portfolio management services, in 2020 the reasons behind the investment of significant portions of assets under management in securities attributable to the group the operators belong to were examined in greater detail.

With reference to AIFs, CONSOB examined the documentation concerning the marketing (in Italy and in the EU) of these funds in order to verify the completeness, comprehensibility and consistency of the offer documentation. In particular, prior to the issue of the authorisation for the marketing of AIFs, the Commission verifies the content of the information documentation with respect to the information that the operator must provide pursuant to EU legislation on alternative investment fund management (AIFMD). In addition, for non-reserved AIFs and ELTIFs, the offer to the public is subject to the legality check provided for in the EU legislation on prospectuses and long-term European investment funds. In light of the new regulatory framework outlined by MiFID II, the transparency investigations referring to non-reserved AIFs and ELTIFs in particular have been conducted with regard to the specific needs of the retail customers to which these products are addressed.

In the context of the opinions issued to the Bank of Italy for the registration in the Register of new fund managers, worth noting is the one relating to the first Simple Investment Company (SiS), a particular type of fund manager introduced by the so-called Growth Decree. These companies, characterised by a smaller size and less complexity than ordinary managers, are subject to a special regulation, more streamlined than the one envisaged for alternative UCITs managers and focused on the first level legislation contained in the TUF. Additional SiSs are in the process of being authorised. During 2020, CONSOB and the Bank of Italy jointly submitted for consultation the Supervisory Guidelines for the SiSs that indicate the expectations of the two Authorities on how these companies will have to comply with the new regulations in the TUF.

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

Finally, having ascertained the hypotheses of violation of the law concerning the correct provision of the collective investment service, sanctioning proceedings were initiated against an asset management company and one of its corporate officers (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

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

In 2020, CONSOB supported the Supervisory Body and keeping of the single register of financial advisors (Organismo per la tenuta dell'albo dei promotori finanziari - OCF) in the launch of its new tasks and conducted audits of its activities. In particular, with reference to financial advisors authorised to practise door-to-door selling, both a quantitative analysis on the efficiency of the controls carried out by the OCF, compared to the supervision previously performed by CONSOB, and a qualitative analysis on a sample of proceedings were carried out. With regard to independent financial advisors and financial advice companies, various qualitative and quantitative checks were carried out, which covered, among other things, the supervisory policies and actions planned and implemented by the OCF. CONSOB communicated its determinations regarding four complaints against the resolutions of the OCF on registration in the Register.

CONSOB has always availed itself of the right to participate in meetings of the OCF shareholders' meeting.

With reference to the regulatory supervision of the OCF, a favourable opinion was given to the MEF (pursuant to art. 31, sec. 4, TUF) - subject to extraordinary or emergency events ascertained by the Authority - to allow the remote performance of the evaluation tests for registration in the Register. Cooperation with the MEF continued with the aim of adopting a Single Decree governing the requirements for registration in the Register, pursuant to art. 31, sec. 4, TUF. Work continued on the amendment of the Intermediaries' Regulation on the 'Knowledge and competence requirements of intermediaries' personnel' also with reference to financial advisors: as anticipated, this work was concluded on 10 March 2021 with the amendments to the Intermediaries' Regulation in force since 31 March 2021 (for details see Chapter XI 'Transposition of European regulation and regulatory activity').

During 2020, the forms of information cooperation of CONSOB and OCF with other domestic and foreign supervisory authorities as well as with the Judiciary were refined.

# V Actions against unauthorised business activities

## 1 Innovative profiles

### *Innovation in the regulatory framework*

One of the main innovations that occurred during 2020 stems from Law 8/2020 converting the Milleproroghe Decree, which gave CONSOB the power to order internet service providers to blackout websites through which financial products are illegally offered to the public (without a prospectus). This power is also be exercised in respect of those engaged in advertising activities relating to an offer to the public of an investment of a financial nature made in the absence of a prospectus. It goes hand in hand with the similar one that CONSOB has had in place since July 2019 in relation to websites through which investment services are illegally offered/provided and allows access to be blocked in Italy to those websites through which activities are provided, whose illegal nature has been ascertained, thus guaranteeing greater effectiveness and timeliness to the law enforcement action and consequently raising the levels of protection for investors.

In exercising the new power attributed to the Commission by the national legislator, in April 2020 CONSOB adopted an order to blackout the website of an investment firm under Cypriot law, operating under the freedom to provide services, which had violated the prohibition to continue providing investment services, soliciting and acquiring new customers in Italy, imposed on it by CONSOB at the end of 2019 (pursuant to art. 7-*quater*, sec. 4, TUF).

### *Digitalisation and new unauthorised activities*

Since the outbreak of the pandemic, in line with the trend observed in recent years, there has been an increase in cases of unauthorised provision of investment services and unauthorised practices concerning violations of issuers' regulations (unauthorised offer of financial products). Operations are carried out by unauthorised subjects mainly on the web or by telephone solicitation to conceal real scams.

While referring to the following paragraph for a description of the typical cases of unauthorised provision, it should be noted that in 2020, among the unauthorised offers, those concerning the so-called digital tokens (crypto-assets) issued in the context of authentic or alleged operations of so-called Initial Coin Offering (ICO) took on increasing importance. In such cases



tokens are offered, allegedly issued through Distributed Ledger Technologies (DLT) and denominated in cryptocurrency, that incorporate rights to receive periodic returns. Tokens with these characteristics can be classified as investments of a financial nature (in general they are financial products other than instruments); their offer therefore requires the publication of the prospectus (being obviously unauthorised in the absence of a prospectus).

### *Brexit critical issues*

Another new element of potential relevance for institutional activity is related to Brexit. At present, most British investment firms, which previously could operate in Italy on the basis of the principle of mutual recognition, have not submitted a new application for authorisation. This circumstance presents potential critical elements as these companies could continue to serve Italian customers, offering services and providing investment activities without the necessary authorisation. In this regard, it is recalled that also ESMA, on January 13, 2021, published a public statement warning investors against the possible loss of protections, guaranteed by European Union rules, in the event of transactions with a British intermediary.

## 2 Enforcement activity

The most frequent cases of unauthorised provision of investment services include trading services, offered to users through web platforms, on Contract for Difference (CFDs) with currencies, stock indices, commodities and, increasingly frequently, cryptocurrencies as their underlying assets. In the typical scheme, investors are invited to provide their personal data and to deposit sums of money (by bank transfers, credit cards, prepaid cards) to open accounts for securities trading on the online platform indicated by the unauthorised operator. The customer, lured by the prospect of easy returns on modest initial investments, is then invited to pay more and more money and trade on an account that promises substantial returns over time. Not infrequently, the user is also offered the opportunity to use an account manager for the 'management' of the account or software that operates (formulating and/or executing investment transactions) in automatic mode. The investor is denied the possibility of withdrawing all or part of the sums of money present in the account and is given a variety of reasons (economic, tax-contractual or simply opportunistic).

In addition to the unauthorised provision of investment services via the internet, proposals for 'atypical' financial investments are increasingly frequent, including those relating to alleged crypto-currencies, which promise returns that are completely off market.

Further recurrent cases on which CONSOB has published notices for investors concern: (i) supposed debt collection companies that offer the

investor who has been the victim of fraud the possibility of obtaining redemption of the sums invested, to then deprive the same investor of additional sums requested for the service; (ii) unauthorised financial operators that improperly use the name and image of well-known personalities to induce investors, on promises of easy earnings, to subscribe to investment proposals; (iii) real attempts at fraud, mainly through the Internet, offering fictitious investment opportunities somehow apparently linked to Covid-19, including investments in alleged virtual currencies related to the spread of the viral infection (such as the Corona-coin).

The unauthorised operators are often fictitious companies or in any case companies that have or declare that they are based in non-EU countries or are apparently located in European countries but de facto become unavailable. These companies often misrepresent that they are authorised to operate by European authorities.

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In 2020, 348 investigations were launched (380 in 2019) on the hypothesis of unauthorised activity due to violating the provisions on issuers (offering financial products to the public and advertising relating to offering financial products to the public in the absence of publishing a prospectus) and intermediaries (unauthorised provision of investment services; Table aV.1). These investigations also used the evidence gathered as part of the assessment activity carried out by the Commission (see Chapter VI 'Inspection activity').

422 measures were adopted following the investigations in 2020 (compared to 426 in 2019; Table aV.2). Of these, 185 consist of blackout orders referring to 237 websites (the total sites blacked out since July 2019 are 410; figure as of 26 March 2021): CONSOB communicates the blacked out sites on a weekly basis through a press release. In 208 cases, reports were sent to the Judiciary for possible criminal cases of unauthorised activity as referred to in art. 166 of the TUF or to other cases of common crime. In relation to certain cases, reports have also been sent to the Italian Competition Authority for cases of unfair commercial practices and to IVASS for the alleged involvement of persons listed by that Authority. During the year, 18 sanctioning proceedings were initiated for the unauthorised public offering (and related advertising) of financial products (for completed sanctioning proceedings, see Chapter VIII 'Sanctions').

## 1 Innovative profiles

### *The pandemic and the digitalisation of inspection activities*

The measures to contain the Covid-19 contagion have imposed stringent constraints on CONSOB inspection activity, while encouraging a proactive response with effects on the operating methods of supervision that will remain even at the end of the health emergency.

Faced with social distancing measures, the use of IT and distance communication tools has, in fact, ensured full operation also within certain phases of the supervisory process that until then had been considered feasible only through the on-site presence of inspectors. The work practices thus identified have created the conditions to operate in a flexible manner, also in the face of the adoption by the supervised entities of diversified organisational models based on relocated business processes, in order to reduce the burden on supervised entities and retain the effectiveness of investigations.

In this perspective, a project was also launched that is aimed at verifying the possibilities of using software based on text mining algorithms for analysing texts through semantic reporting systems in the context of inspections. During 2020, in particular, the IT architecture necessary for using the software was developed, after conducting tests aimed at identifying and implementing the necessary adaptations to allow the application to process the extensive and uneven information assets given by documentation and data acquired during the inspection. The software was then used experimentally during an inspection, together with traditional survey methodologies. The evidence thus collected will be useful to evaluate the benefits and opportunities related to the use of text mining algorithms in the inspection activity.

During the year, in order to prevent the phenomena of financial crime related to the epidemiological emergency, CONSOB recommended that audit firms intensify the monitoring of customer operations in order to detect any suspicious money laundering activities.

## 2 Inspection activity and investigations on websites

In 2020, 13 inspections were launched and 18 were completed (of which 11 were launched in 2019; Table aVI.1), mainly towards intermediaries (Table aVI.2 and Table aVI.3). In two of the 13 investigations launched, the cooperation of the special unit of financial crime police was requested for access to the investigated subject.

Over the year, 397 inspections were undertaken in relation to abusive behaviour performed via the internet and falling within the Commission's sphere of action, which involved the analysis and investigation of 778 websites (Table aVI.4; for details see Chapter V 'Actions against unauthorised business activities').

28 periodic monitoring activities were carried out, which involved the analysis and investigation of 84 websites, in order to verify the compliance of EU investment firms operating under the freedom to provide services in Italy with the measures adopted by the Commission pursuant to art. 7-*quater*, TUF.

## 3 Prevention of money laundering and terrorist financing

The monitoring of audit firms and statutory auditors with assignments on public-interest entities or intermediary entities continued in 2020, through regulatory guidance activities to prevent and combat money laundering and terrorist financing, off-site supervision and inspection and enforcement.

In line with a proactive approach, during the year CONSOB recommended to audit firms to intensify their constant control over customer operations, the timely reassessment of the level of money laundering risk attributed to customers, as well as the rigorous application of enhanced due diligence measures (with more in-depth audits) and the obligations to identify suspicious money laundering operations, to be reported to the Financial Information Unit (FIU).

The Commission then organised a series of meetings with the professional association of audit firms to ensure that they fully comply with their obligations to analyse and assess the risks of money-laundering and terrorist financing to which they are exposed in exercising their activities. The Commission provided support in preparing a document on the regulatory and enforcement aspects of anti-money laundering obligations.

During 2020, inspections were initiated against two audit firms (Table aVI.5) and the data and information on organisational, procedural and control measures that all audit firms annually provide pursuant to Article 6 of

CONSOB regulation adopted with Resolution no. 20570 of 4 September 2018 was examined. As a result of these investigations, based on a risk-based approach, 28 requests for data and information pursuant to art. 7, sec. 2, letter b) of Legislative Decree 231/2007 were formulated to identify the risks of non-compliance with the legislation. In 18 cases, recommendations or guidance actions were taken to overcome the areas of weakness that emerged from the paper analysis.

Based on the cooperation governed by a memorandum of understanding, CONSOB also forwarded the Financial Intelligence Unit evidence for the relevant in-depth analyses to combat money laundering and terrorist financing.

The Commission participated in the work of the Financial Security Committee - established in 2001, to coordinate the national system to combat money laundering and terrorist financing.

In 2020, sanctioning proceedings were initiated for imposing administrative pecuniary sanctions against two audit firms subject to inspections in 2019. For one of these companies, a report was made to the Judiciary (for completed sanctioning proceedings, see Chapter VIII 'Sanctions'). These companies, together with three audit firms that in 2019 were addressed an order to convene the Board of Directors pursuant to art. 7, sec. 2, letter c) of Legislative Decree 231/2007, received specific requests aimed at monitoring the implementation of the corrective actions on anti-money laundering necessary to align the obligations provided for by sector regulations.

# VII Additional actions for investor protection

## 1 Innovative profiles

### *The evolving framework between digitalisation and sustainability*

The quickly evolving context in which people are called upon to make economic and financial choices and the further acceleration of the transformation processes imprinted by the outbreak of the pandemic have re-proposed the need to strengthen the instruments of investor self-protection. In particular, it seems increasingly central to raise the financial knowledge and skills of Italians through training programmes that consider the main factors guiding changes in the reference framework, first and foremost the sustainability and digitalisation of finance. In particular, the latter increases the investor's ability to make informed choices about the associated benefits. CONSOB is working in this direction by refining its range of training, likewise contributing to the development of best practices both domestically and internationally.

The issue is brought to the attention of the European Commission that in its new Action Plan for the Capital Markets Union (CMU) stresses that Member States should promote measures to support financial education, especially concerning responsible and long-term investment (Action 7 of the Plan).

CONSOB, within the scope of its competences, is ready to welcome these developments, striving to raise Italians' financial culture with the aim of helping to increase their propensity to invest, the ability to react to moments of crisis such as the one that Italian savers are experiencing as well as the ability to seize the opportunities associated with innovation and the development of sustainable investments. Recent evidence shows that financial culture is also associated with a positive attitude towards the issues of financial digitalisation and sustainability (for Italy, see the CONSOB report on the investment choices of Italian families). Other surveys confirm the role that intermediaries and consultants can play in promoting sustainable investments (see CONSOB 2020 Report on the advisor-customer relationship and sustainable investments).

Financial education initiatives may also be promoted based on evidence derived from the activity of the Alternative Financial Dispute Resolution Scheme (ACF), in order to raise awareness that savers have rights.

The evidence collected by the ACF identifies the critical issues that regularly occur in the intermediary-customer relationship and from which

disputes originate. Hence the importance of initiating a systematic dialogue with institutions and stakeholders (consumer associations and intermediaries) through information initiatives aimed at representing the main issues to which attention should also be paid for possibly adopting measures to mitigate the risk of litigation by intermediaries.

Taking into account also the need, made even more pressing by the current crisis, to promote the development of capital markets, it is necessary to broaden the scope of training initiatives to include SMEs. In particular, the Commission intends to launch a training programme aiming to encourage market access, including through the new funding channels that digitalisation and the evolution of the reference regulatory framework make accessible.

### *Digitalisation of financial education activities*

The pandemic has generated strict constraints on the organisation and implementation of financial education activities and has implied the conversion of all the formats into actions accessible through a digital platform. This has allowed us to reach a much wider audience than in the past, while maintaining a good level of interaction thanks to special tools. The results achieved in 2020 highlighted the potential of the digital channel that will allow, even after the pandemic, to extend the scope of training activities, in terms of recipients that can be reached and usability of content.

## **2 Financial education**

In 2020 CONSOB refined the training offered to some segments of the population (adults, young people, primary school children), differentiating content and language. In this perspective, various teaching formats were developed based on edutainment approaches, combining training and entertainment, and so-called gamification, promoting learning through simulation and gaming experience. The language has been adapted to reach children through stories and images.

The Commission continued to contribute to the activities of the National Committee for the planning and coordination of financial education activities and those of the competent International institutions, such as the IOSCO Committee 8 ('Retail investors', C8) and the OECD-INFE. In particular, reference is made to the Financial Education Month and the World Investor Week, during which, thanks to the streaming mode, CONSOB carried out a total of 73 events and reached almost 10,000 recipients throughout Italy.

With regard to the main message conveyed through the Month and Week initiatives, due to the current economic crisis, it was intended to raise awareness among the recipients of the events on the role of the financial culture and careful management of the family budget as tools to prevent financial vulnerabilities and deal with times of difficulty.

### 3 Complaint processing

During 2020, CONSOB received 4,175 reports, of which 2,778 classifiable as complaints (2,838 in 2019), which were confirmed with 3,443 letters to savers (Table aVII.1). Of the complaints received, 11% of the cases were declared inadmissible as the reports concerned matters not within CONSOB competence. In line with previous years, most of the complaints related to banking intermediaries. The most frequently reported categories of violation are anomalies in investment services and allegations of unauthorised activity (Table aVII.2).

During the year, numerous informal contacts were activated with the National Council of Consumers and Users (CNCU) and directly with consumer associations with the aim of strengthening cooperation with the Supervisory Authority and encouraging associations to take a more active role in informing their associates about the activity carried out by the Supervisory Authority and its powers, the value of reports sent by citizens, and the possibility of sending the complaints through the online channel (currently used only in 28% of cases).

An in-depth analysis aimed at reshaping the current complaint handling process has been initiated by constructing a database of decisions adopted, developing a uniform handling practice of complaints, automating information reports and, where possible, answering complaints.

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

The year marked by the global health emergency saw a further consolidation of the role of the Alternative Financial Dispute Resolution Scheme (ACF) as an out-of-court resolution body for disputes between retail investors and intermediaries authorised to provide investment services. An indication of this is the increase in appeals received, the compensation awarded and, more generally, the activities carried out as a whole. It also



reflects the growing awareness of intermediaries in taking ACF guidelines into account when dealing with customer complaints, as a means to prevent situations of potential conflict and nipping possible grounds for future disputes in the bud. In this regard, it should be recalled that, pursuant to art. 3, sec. 4, letter b), of Regulation no. 19602/2016, intermediaries are required to ensure that the complaints received are also assessed in light of the guidelines inferable from the decisions taken by the ACF.

The appeals received by the Arbitrator in 2020 were 1,772 (+5.6% compared to 2019), admissible (or eligible) in 87% of cases (84% in 2019; Table aVII.3). Like last year, the South was confirmed as the area of origin of the highest number of appeals of the country. The number of intermediaries involved in the appeals submitted in 2020 was 89 (93 in 2019; Table aVII.4). The overall value of the compensation claimed in 2020 was approximately 100 million euro (with an average value of the refund of 63 thousand euro, in line with the amount recorded in previous years). The overall value of the compensation awarded to savers almost doubled compared to the previous year: 28.5 million euro in 2020, against 15.7 million in 2019. Thus, the total compensation granted in the four-year period 2017-2020 rises to 84.4 million euro (for further details see the Arbitrator's Annual Report).

More than 3,200 decisions have been published on the ACF website, of which 1,200 in 2020 alone. In line with previous years, they mainly concerned the provision of advice services, placement and execution of orders on behalf of customers, as well as the illiquidity of securities widely placed among retail investors, which made it impossible to dispose of the investments held, often featuring a significant decrease in value compared to the initial investment.

In view of the role played by ACF in protecting investors, CONSOB identified strengthening the Arbitrator as one of its strategic objectives, through initiatives aimed at increasing efficiency and timeliness of action.

The signing of the Memorandum of Understanding with the Bank of Italy (19 March 2020) addresses this need. It is aimed at establishing mechanisms for coordination and exchange of information between the systems managed by the ACF and the Banking and Financial Ombudsman (ABF), not only on issues of substance and procedure of possible interest for the decision-making activities of the Boards, but also on procedural and organisational aspects related to the proper functioning of the two systems, on the prevention of interpretative conflicts and on the joint implementation of public disclosure and financial education initiatives.

During 2020, CONSOB submitted the draft of the new Regulations governing the operation and proceeding before the ACF for public consultation. The proposed changes aim, among other things, to simplify the proceeding before the Arbitrator and to improve its degree of functionality, specifically taking into account the experience gained so far, as well as to align its contents with the average-time regulatory changes that occurred in matters relevant to the ACF activity.

## 1 Innovative profiles

### *First applications of European Union rules*

In 2020, the Administrative Sanctions Office defined the first proceedings that originated from the disputes of the cases of offence defined by Regulation (EU) 596/14 (MAR, art. 17, sec. 1 and sec. 4 and art. 18, sec. 3 and sec. 4), in force since 3 July 2016, which standardised the European regulations on market abuse and led to a review of domestic legislation (Legislative Decree 107/2018, containing the rules for adapting national legislation to the provisions of the MAR that came into force on 29 September 2018). The importance of the European Union legislator intervening in the matter of market abuse can be grasped immediately in relation to identifying a single notion of inside information relevant, both for the cases of prohibition of market abuse and for the disclosure obligations borne by the issuing companies, which leads to an extension of the range of information qualifying as inside information and a consequent increase in the level of protection.

## 2 Sanctioning proceedings

In 2020, 56 sanctioning proceedings were defined that led to applying sanctions against 103 subjects (Table aVIII.1). Five proceedings were settled early, with the parties concerned enforcing their right to pay penalties to a reduced extent, for a total amount of 70 thousand euro. The number of parties fined rises to 127 if we also take into account 13 entities sanctioned for the unauthorised provision of investment services and activities and unauthorised door-to-door selling, five parties jointly and severally liable with the authors of market abuse violations and six parties fined during the first application of the aforementioned European Union rules.

The total amount of administrative pecuniary sanctions applied was approximately 13 million euro in 2020. During the year, there were accessory prohibitory sanctions totalling 502 months, while the amount of the assets subject to confiscation was equal to approximately 1.1 million euro.

### *Sanctions for market abuse violations*

In 2020, 6 adopted sanctions were imposed for market abuse violations, of which four related to cases of insider trading and two concerning market manipulation (Table aVIII.2).

Against this, pecuniary sanctions amounting to 8.8 million euro were imposed on 67 subjects (including legal entities jointly and severally liable); sanctions were imposed on three of the sanctioned entities for violation of art. 187-*quinquies*, TUF, for a total of 385 thousand euro.

The mandatory accessory penalty as per art. 187-*quater*, TUF (temporary loss of the requisites of integrity and temporary incapacity to assume positions of administration, direction and control within listed companies for a length of no less than two months and not exceeding three years) was applied to the natural persons for an overall total of 473 months. Where the related requirements existed, the confiscation of the assets of said natural persons was ordered pursuant to art. 187-*sexies*, TUF, for a total value of approximately 1.1 million euro.

Of particular interest are the sanctioning proceedings in the field of insider trading, which concerned purchases carried out by a group of investors linked to each other, which shared inside information relating to two shares listed on the MTA and to a security listed on the French Euronext stock market. During these proceedings, the Commission fined 42 natural and 3 legal persons a total of 7.8 million euro. The measure also entailed confiscation for an amount of over 870 thousand euro, as well as accessory sanctions for a total of 394 months. Pursuant to art. 187-*octies*, sec. 15, TUF, CONSOB has transmitted the sanction measure to the Professional Associations belonging to some of the sanctioned entities.

With reference to the first application of the European Union rules on market abuse, already mentioned, three sanctioning measures were adopted against as many entities, with the application of administrative pecuniary sanctions totalling 240 thousand euro. Also relevant are the proceedings that led to the application, against an Italian company engaged in the telecommunications sector, of a pecuniary administrative sanction of 130 thousand euro for the violation of art. 17, sec. 1 and sec. 4 of the MAR. During the year, the rules of the aforementioned MAR, which require persons exercising administrative, control or management functions and persons closely associated with them to notify the issuer and the competent authority of all transactions carried out on their behalf concerning the shares or receivables of that issuer or derivatives or other financial instruments related to them (so-called internal dealing; art. 19, paragraphs 1 and 2), were also applied to two members of a company. In particular, it should be noted that for the first time, in addition to the administrative pecuniary sanctions (totalling 110 thousand euro), the administrative measure (provided for by the aforementioned Regulation in art. 30, sec. 2, letter c) of the public

warning indicating the person responsible for the violation and its nature, through publication on CONSOB website dedicated to notices to savers, and the measure of temporary disqualification from carrying out trading activities on one's own account, pursuant to art. 30, sec. 2, letter g) of the MAR (the disqualification was for five months in one case and for six months in the other).

#### *Sanctions against intermediaries*

During 2020, there were a total of 7 sanctioning measures adopted against financial intermediaries for procedural deficiencies and violations of the general rules of diligence, fairness and transparency in the provision of services and investment activities. (Table aVIII.3).

The total amount of pecuniary sanctions was approximately 900 thousand euro; in four proceedings the fine, in addition to that imposed directly on the entity, was also applied against corporate officers, fulfilling the conditions referred to in art. 190-*bis*, sec. 1, TUF. In one case, the accessory administrative sanction of disqualification, for a period of six months, from the performance of administrative, management and control functions with authorised intermediaries, pursuant to art. 190-*bis*, sec. 3, TUF, was applied to a company representative. In another case, a report to the Judiciary was also necessary.

It should be noted that as part of the first enforcement activities on adapting market operators to EU Regulation 648/2012 (EMIR), some sanction proceedings were initiated for violation of art. 9, sec. 1, of the aforementioned Regulation. One of these proceedings was defined in 2020 and, against the sanctioned investment firm, an administrative sanction of 40 thousand euro was imposed.

#### *Sanctions against issuers and audit firms*

In 2020 the Commission took 24 sanctioning measures concerning violations in relation to issuers, public disclosure, as well as auditing standards. The related pecuniary sanctions totalled 2.7 million euro (Table aVIII.4).

In addition to the measures that led to applying administrative pecuniary sanctions, the sanctioning measure of the 'public statement' pursuant to art. 193, sec. 2.1, TUF, was applied against a natural person, due to late notification of the reduction, below the threshold of 3%, of the shareholding in the share capital with voting rights of a company.

As part of the measures adopted in the field of public subscription and sale offerings, in addition to administrative pecuniary sanctions against two natural persons, accessory administrative sanctions were also applied pursuant to art. 191, sec. 7, TUF for a total of 23 months.

There were five sanctioning measures adopted for auditing violations for an amount of fines imposed equal to 813 thousand euro. In this context, the violation regarding partner rotation was addressed for the first time (violation of art. 17, sec. 4, Legislative Decree 39/2010); with reference to said violation, the sanctioning measure of the 'public statement' was adopted against the auditor (provided for by art. 26, sec. 1-ter, Legislative Decree 39/2010 and art. 6, sec. 4-ter of the Regulation on Sanctioning Proceeding).

#### *Sanctions for unauthorised provision of investment services*

In relation to the unauthorised provision of investment services and activities as well as unauthorised door-to-door selling, 12 sanctioning measures were adopted in 2020, which resulted in the application, towards ten natural persons and three entities, of administrative pecuniary sanctions for a total of 266 thousand euro.

# IT systems and other support activities IX

## 1 Information technology systems

### 1.1 Innovative profiles

In 2020, a strategy to encourage the digital evolution of the activity was outlined. This strategy takes into account the qualitative and quantitative composition of CONSOB IT staff and will be guided by an assessment of hardware and software infrastructures and the Commission's organisational model. In the context of the strategy, the technological rationalisation of IT infrastructures, the governance of IT systems and their organisational processes as well as the management of supervisory data are of particular importance. Therefore, during 2020 projects were carried out for the innovation of systems, processes and tools to support supervision.

### 1.2 IT systems assessment

In 2020, the technological rationalisation of IT infrastructures and related management costs led to the start of a process of transforming CONSOB entire application assets into a micro-service model. This process involves a number of pilot projects and trials, whose development phases will be regularly monitored and, where necessary, redesigned with a view to a series of trend objectives. These include the migration of infrastructure to a cloud hybrid model (according to the cloud first principle) and the possible use of open source solutions that take into account the risk of technological lock-ins.

With regard to strengthening organisational processes, particular attention was paid to staff training with the activation of targeted courses in cooperation with leading Italian universities (see the next paragraph 'Staff training').

In the future, acquiring specialist skills (data scientists), integrating supervisory databases in the data warehouse, sharing supervisory data through the so-called data lake and using artificial intelligence algorithms to expand supervisory information assets with structured and unstructured data will also be particularly important.

### 1.3 Innovation of processes, systems and tools for institutional activity

During 2020, several projects were carried out to support supervisory activity, and the creation of some prototypes based on artificial intelligence techniques was started.

Supervision support projects include the strengthening of the institutional data warehouse, the integration of new information sources and the creation of a control station (smart dashboard). The adaptation of the Commission's IT systems required to launch the new prospectus management system prepared by ESMA was completed, in line with the new Prospectus Regulation. The system to acquire reports relating to money funds (pursuant to Regulation (EU) 2017/1131 on money market funds, art. 37, in cooperation with the Bank of Italy to collect reports on the national territory of the information then sent to CONSOB and ESMA) and a system to control the quality of data on AMCs available to CONSOB and ESMA (pursuant to the European AIFMD) was developed. With reference to market supervision, the system to support and strengthen the supervision of central counterparties and the financial and non-financial counterparties of derivative contracts (governed by the EMIR, European Market Infrastructure Regulation) was developed, using new data queries, automated report checks and a dashboard to monitor derivative transactions, using business intelligence tools. Following Brexit, the application systems to manage registers, transaction reporting and the European Register of Financial Instruments (FIRDS) were adapted. The agreement with Borsa Italiana was renewed to use advanced systems for market monitoring and to detect market abuse phenomena.

With reference to the prototypes developed in 2020, an initial application of text mining techniques was made to analyse inspection documentation (see Chapter VI 'Inspection activity'). Prototypes are being studied to: i) analyse requests to approve prospectuses; ii) interpret the KIDs of PRIIPs, in relation to which the first module for their acquisition was created (see Chapter III 'Supervision of public offerings and corporate disclosure'); iii) identify abusive phenomena (through so-called intelligent crawling); iv) analyse sanctioning proceedings. In cooperation with one of the main players in the financial market, the Commission initiated a reflection on an experiment on securities token offerings and the establishment of the related regulatory framework. In this regard, the Commission organised a webinar to gauge the interest of stakeholders.

In the final part of the year, the foundations were laid to develop an incubator project on market supervision processes, in cooperation with the mathematics and data science departments of leading Italian universities. The project has the following objectives: to apply machine learning techniques to interpreting and processing transaction reporting data that allow the identification of clusters of investors with characteristics of particular interest to analyse potential market abuse; to extend these models in order to



define links and characteristics between the profile of an investor (or a cluster) and its operations; to define a supervised machine learning model that, using the wide range of supervisory data available, allows an effective and efficient supervisory activity in a risk & resource-based logic.

In 2020, the modernisation of back-office systems, servers and network infrastructures and the upgrade of networks, data storage and security systems continued. With reference to back-office systems, several initiatives were launched: the joint tender procedure with the Bank of Italy to acquire a new dematerialisation platform; the creation of a prototype management control system; the technological adaptation of the Commission's documentation system.

Particular attention was paid to cyber-security, also in order to mitigate the risk of cyber-crimes. In this regard, the principle of security by design was followed; the choice was made to manage the cyber-crime risk with the support of an external partner, entrusting security policies and governance to internal resources; system vulnerability surveys were carried out, resulting in initiating a broad of action programme; within the framework of external collaborations, the implementation of the Agreement with the Ministry of the Interior - Postal Police continued and an operational Agreement with the Bank of Italy was finalised.

## 2 Financial management

The total expenditure for the 2020 financial year (161.3 million euro) decreased by 2.8 million euro compared to the final figure of 2019 (Table aIX.1).

In particular, current expenditure (157.8 million euro) decreased by 3.9 million euro, while capital expenditure (3.5 million euro) increased by 1.1 million euro. The overall decrease in current expenditure is essentially attributable to lower provisions for risks and charges (Provision for risks related to the possibility of compensation for damages pursuant to art. 2043 of the Italian Civil Code and the Fund of charges for contractual renewals) and lower operating expenses, deriving from using agile working methods, as a result of the epidemiological emergency. These lower expenses were partly offset by higher staff expenses, resulting from ordinary salary dynamics. Capital expenditure, amounting to 3.5 million euro, is essentially attributable to the acquisition of hardware and software products.

Total revenues (excluding 2019 budget surplus) amounted to 164.5 million euro, of which 15.6 million (9.5%) from other income (essentially interest receivable, the application of property restoration funds, pecuniary administrative sanctions collected for the infringement of the regulations governing the activities under Part II - Intermediary Regulations of the TUF

and amounts paid to the Commission as a result of court orders) and 13.1 million (8%) from using the Fund for the stabilisation of contributory income; 135.6 million (82.4%) from income from supervisory contributions received. In addition, there is the 0.3 million transfer from the State to the Fund for the out-of-court protection of the savers and investors, intended to provide free access procedures for the resolution of financial disputes by the Alternative Financial Dispute Resolution Scheme (ACF) established by CONSOB. Revenues mainly come from entities that promote public investment, issuers, intermediaries (banks, Italian investment firms and stockbrokers), audit firms and statutory auditors (Table aIX.2).

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

#### 3.1 Innovative profiles

##### *Pandemic-related activity*

Since the outbreak of the pandemic, CONSOB has taken numerous initiatives aimed at ensuring continuity of institutional activity while, at the same time, allowing employees to work safely. Even during the most acute phase of the health emergency, institutional activities did not suffer any interruption.

In particular, specific health and hygiene as well as behavioural measures were adopted to contain the contagion at CONSOB offices, and goods and services were purchased that were necessary for the continuation of the Commission's activities. By virtue of the autonomy granted to the Commission by the emergency legal provisions aimed at containing the negative effects of the epidemiological crisis (Legislative Decree 18/2020), the widespread use of agile work for all personnel was ordered, except for the activities to be carried out necessarily in person, and organisational measures were taken to encourage the use of audio-video conferencing tools and reduce the chances of contagion. In order to provide adequate information to employees, a new section has been established on the company intranet containing all the documents and measures relating to the epidemic that have been issued.

##### *Staff training*

Staff training activities have been reorganised according to the constraints related to social distancing: training events have been delivered remotely, a weekly newsletter has been published and an intranet portal (called 'CONSOB Academy') has been set up to collect information material.

The redesign of training activities has made it possible to experiment with efficient solutions, in terms of lower costs and greater staff

involvement, which can be combined with traditional methods even when the emergency is overcome. Distance learning has made it possible to involve external speakers also from abroad and to expand the variety and quality of the training offered. Content has been recorded, where permitted, in order to make it available to those employees who were unable to take part in the events.

### 3.2 Human resource management

At the end of 2020, the Commission's staff stood at 665 units (five less than in 2019). Against 11 terminations, a total of six recruits were hired (three on a permanent basis and three based on a fixed-term contract). The staff includes two resources seconded at CONSOB from other administrations (Table aIX.3 - Table aIX.4).

With regard to training, financial innovation and sustainable finance were the most frequent and popular themes covered in the past year. With reference to financial innovation, multiple initiatives have been launched, including three training courses in collaboration with some of the best known Italian academies: i) the Polytechnic of Milan-European Union project; ii) the project with the Polytechnic University of Milan, a training course organised according to the specific needs of CONSOB on issues related to, among others, FinTech, RegTech and artificial intelligence, characterised by 'action learning' workshops, consisting of days of learning, work and discussion between the Polytechnic teachers and certain 'key' professional figures identified among CONSOB employees; iii) the CONSOB-University of Roma Tre project, in which teachers of the Catholic University of the Sacred Heart of Milan also collaborate, addressed in a transversal way to all employees, regardless of their specific training. Some employees with IT skills participated in the 1st level Master degree in Data Science at the Tor Vergata University of Rome, selected in 2019 as part of the public training offer on big data and machine learning. With regard to sustainable finance, the training events have allowed us to study the current market dynamics and the most important issues for institutional activity in more detail, also in light of the evolution of the reference regulatory framework. The events consisted of webinars open to industry representatives and industry associations and internal webinars; a laboratory was created for officials responsible for overseeing the non-financial reporting obligations of issuers.

In the first half of 2020, together with the Bank of Italy, the European tender was called to identify the portal manager for the new corporate welfare plan for CONSOB staff, developed in the second half of the year and active since the beginning of 2021. The introduction of the plan is in line with the 2016, 2017 and 2018 Budget Laws, which have provided the legal instruments aimed at encouraging the use of welfare systems also in

public administration, and the Consolidated Law on Income Taxes consequently amended.

## 4 External relations and research activity

### 4.1 Innovative profiles

#### *Pandemic-related activity*

External relations and the activities involved in the organisation of seminars and conferences also took account of the constraints and opportunities associated with the need to use tools that guarantee operations in compliance with the rules on distancing.

### 4.2 Relations with the public

In its relations with the public and investors, the Commission has, as usual, made use of its website, which is the main external communication tool. The high number of accesses, in line with past years, confirms the importance of the instrument for the acquisition of data and information by operators, students, scholars and retail investors (Table aIX.5). As in the past, there have been numerous written requests for assistance as well as reports on events concerning corporate operations and the market (Table aIX.6). Of the more than 2,000 requests received by CONSOB from the public and retail investors, approximately 1,300 were received via the Integrated System for External Users (SIPE) and the form available therein, while the rest were received by e-mail and regular mail. To be added are the numerous telephone requests for data and information.

Also in 2020, despite the pandemic, (virtual) meetings continued with school and university students. At the same time, school-work schemes (now Percorsi per le Competenze Trasversali e l'Orientamento - PCTO) were developed for young people attending the last three years of high school and carried out in agreement with teachers in participating institutions.

### 4.3 Studies and conferences

Many studies were published over 2020 on institutional themes, also in cooperation with representatives from the academy. These include an Occasional report on the effects of Covid-19 on financial markets. Some statistics and analyses contained in the Report were the subject of a series of fact sheets published on the Commission's financial education portal.

As part of the Commission's periodic publications, the following were prepared: the Report on the investment choices of Italian households and the Report on the corporate governance of Italian listed companies and

the non-financial report of Italian companies, as well as the 2020 editions of the Statistical Bulletin. A Report on the advisor-customer relationship and sustainable investments has been published. For 2021, the trend of the reference economic context and the European regulatory framework will continue to be analysed and examined, together with the issues related to the digitalisation of the financial system (FinTech and SupTech) and sustainable finance.

With regard to the organisation of training meetings and conferences, in addition to financial education initiatives (see Chapter VII 'Additional actions for investor protection'), CONSOB has carried out multiple webinars aimed at a wide audience, including the seminar cycle 'Bank and finance' in cooperation with the Catholic University of the Sacred Heart, and the seminar cycle 'Securities Markets: Trends, Risks and Policies' in cooperation with ESMA and Bocconi University.

# X International activity

## 1 Innovative profiles in the regulatory context

In 2020, several regulatory innovations took place at European level, including those relating to digitalisation, sustainable finance and measures aimed at the pursuit of the Capital Markets Union.

### *Digitalisation*

In continuity with the 2018 FinTech Plan, on 24 September 2020 the European Commission published its strategy on Digital Finance, which provides guidelines for digital finance and retail payments, in addition to legislative proposals concerning crypto-assets (regulation on Markets in Crypto-assets or MiCA), a Pilot regime for optional and timed experimentation aimed at creating the conditions needed to develop market infrastructures that use DLT, dedicated to processing financial instruments based on this technology, and a regulation on digital resilience (Digital Operational Resilience Act or DORA). The aim is to make the EU financial sector more competitive, by facilitating investors' access to innovative financial products and encouraging innovation in the way capital is raised on the market, through the use of crypto-assets, also for the benefit of SMEs, while ensuring their protection and financial stability. Negotiations are still ongoing at the European Council. With reference to MiCA, on 19 February 2021 the European Central Bank (ECB) published an Opinion on crypto-assets performing payment functions (so-called asset-referenced tokens).

As part of the Digital Finance Strategy, on 15 December 2020 the European Commission presented two further proposals, the Digital Markets Act and the Digital Services Act, which introduce obligations and prohibitions for intermediary service providers, such as hosting service providers and internet services providers, including online platforms, to change their business practices, create a more open and secure space for digital services, promote competition, growth and innovation and protect citizens from unauthorised online behaviour. The Communication on the European Data Strategy and the related proposal for a Data Governance Regulation (25 November 2020) are also part of the European Digital Strategy.

On 16 December 2020, the European Commission and the High Representative of the Union for Foreign Affairs and Security presented the Cybersecurity strategy for the Digital Decade, and in this context the proposal to revise the Directive on security of network and information systems (NIS Directive).

### *The Action plan on financing sustainable growth*

In implementation of the Action Plan on sustainable finance, the Taxonomy Regulation (Regulation 2020/852) on the taxonomy of eco-sustainable activities was published in June 2020. The Regulation will contribute to achieving the long-term climate neutrality objectives set by the European Green Deal, by creating a common language that allows investors to identify projects that have the greatest impact on climate and the environment. For its implementation, which will be gradual and will last until 2023, the first level 2 measures were prepared by taking into account the Final Report of the Technical Expert Group on Sustainable Finance (TEG) published on 9 March 2020. As required by the Regulation, a group of experts (platform on sustainable finance) has been created, alongside the existing international platform, to develop the additional delegated acts provided for by the Regulation. The Regulation will have a significant impact on the institutional activities carried out by CONSOB, which will be called upon to supervise the transparency of pre-contractual information and the information produced in the periodic reports prepared by market operators that make investments or offer financial products, classified as eco-sustainable according to the Taxonomy.

Again with a view to tackling climate change and protecting the environment, in 2021 the European Commission will examine measures to ensure that digital technologies such as artificial intelligence, 5G, cloud, edge computing and the Internet of Things can contribute to maximising the impact of sustainability policies.

In 2020, the European Commission held numerous public consultations including on the new sustainable finance plan and sustainable governance (see Chapter II 'Supervision of issuers and audit firms'), on Green Bond Standards (expected to be adopted in the second quarter of 2021) and on the criteria for the award of optional European Ecolabels for financial products offered to retailers. In implementing the new European Green Deal, the public consultation on the revision of the Non-Financial Reporting Directive (Directive 2014/95/EU, NFRD), which is expected to be finalised in the first quarter of 2021, as well as the consultation on the integration of sustainability into corporate governance, was conducted. With particular reference to the revision of the NFRD, it should be noted that the Commission has mandated European Financial Reporting Advisory Group (EFRAG) to conduct preparatory work on the content and structure of a future European standard of non-financial reporting, in order to ensure a higher quality and greater reliability and comparability of non-financial information. At the end of the mandate, EFRAG published two reports in March 2021.

In the first quarter of 2021, amendments to the delegated acts implementing MiFID II, Directive 2016/97 (IDD – Insurance Distribution Directive), the Solvency II Directive as well as the AIFM and UCITS Directives will be published, aimed at introducing level 2 measures that incorporate

risks and sustainability considerations in the processes and decisions of operators subject to these disciplines.

#### *The implementation of the Action Plan on Capital Markets Union*

In September 2020, the new Action Plan on Capital Markets Union (CMU) was presented, containing a series of measures aimed at removing the remaining obstacles to the completion of the single capital market. The new CMU Plan provides, among other things, for the revision of existing rules, including MIFID II/MIFIR on markets and financial intermediaries, the Solvency II Directive on insurance, the AIFMD Directive on alternative investment fund managers and the ELTIF Regulation on long-term European investment funds. In this regard, the European Commission has already conducted public consultations on the AIFMD Directive and the ELTIF Regulation.

In early 2021, the European Commission launched a public dialogue with stakeholders to establish a single European access point (ESAP) to financial and non-financial information made available to the public by issuers. CONSOB participated in the ESAP consultation with its own response.

The measures of the new CMU Plan are in addition to the numerous initiatives carried out in 2020 to complement the previous Plan and facilitate long-term investment, especially in SMEs. These include the Crowdfunding Regulation and the related Directive (EU) 2020/1504 amending the MiFID II.

The new European crowdfunding framework will apply from 10 November 2021 and therefore requires rapid adaptation of national legislation. This framework, by standardising the European regulatory framework for crowdfunding service providers, lays the foundations for the progressive development of a pan-European market. Compared to pre-existing national legislation, the Crowdfunding Regulation extends the subjective scope from SMEs to larger companies (albeit within the limits of the equivalent value of offers of 5 million euro defined by the same Regulation). In terms of supervision, the National Authorities will have the powers of authorisation, supervision and sanctions over crowdfunding service providers. ESMA is responsible for keeping the Single European Register of Crowdfunding Service Providers.

The measures of the new CMU Plan also take into account the new Digital Finance Strategy and related legislative proposals as well as the new Sustainable Finance Action Plan to manage climate and environmental risks and integrate them into the EU financial system referred to in the previous paragraphs.

#### *The Covid-19 pandemic and the Capital Markets Recovery Package*

In 2020, in order to facilitate the financing of the post-Covid-19 recovery, the European Commission adopted the so-called Capital Markets Recovery legislative package that sets out a series of targeted amendments to



sectoral legislation (MiFID II, Prospectus Regulation; Securitisation Regulation, and Regulation on the capital requirements of credit institutions).

CONSOB provided technical support to the MEF, which participated in the negotiations in the Council of the European Union; the package will start being applied during 2021.

The European supervisory authorities (ESMA, EBA and EIOPA) intervened with recommendations, statements and proposals for regulatory technical standards (RTS), both within the Joint Committee and individually.

## 2 International activity

In 2020 CONSOB committed itself to international cooperation activities with the authorities of other Member States and third countries aimed at facilitating the performance of their respective functions in the context of increasing integration of financial markets.

In particular, 201 queries and reports to foreign authorities have been made to support the Commission's activities (mainly in matters of provision of cross border investment services, insider trading, unauthorised solicitation and intermediation activity, and market abuse), while 266 requests have been received (in particular with reference to suspicious transactions and integrity and professional requirements; Table aX.1).

In implementing the bilateral agreement concluded in 2016 pursuant to art. 47 of Directive 2014/56/EU (Audit Directive), the Commission assisted the Public Company Accounting Oversight Board (PCAOB) in connection with the execution of joint inspections and investigations into possible infringements of US legislation regarding audits by Italian companies that are the statutory auditors of issuers with securities traded on US markets. CONSOB also exchanged information with the ECB in relation to banks subject to the supervision of both authorities.

CONSOB concluded cooperation agreements with the US CFTC, the US SEC and the Japanese FSA to facilitate the supervision of regulated entities operating on a cross-border basis in their respective countries. The existence of cooperation agreements is one of the conditions for the authorisation of third country firms to provide investment services in Italy.

The Commission has actively participated in the work of the standing committees and teams of experts of ESMA, IOSCO, FSB, ESRB and OECD, helping to promote technological innovation in the financial system, the development of sustainable finance and a common supervisory culture geared to promoting substantial compliance with regulatory provisions, protecting investors and supporting confidence in the proper functioning of

the market. Specifically, CONSOB supported the Recommendations of the FSB Climate Disclosure Task Force.

## 2.1 Activity in the European context

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

In 2020 CONSOB also contributed to the work of ESMA's standing committees and the Coordination Group on Sustainability (CNS).

On behalf of the European Commission, on 24 September 2020 ESMA published an opinion on the possible revision of Regulation (EU) no. 596/2014 (MAR), based on which the Commission will prepare the report for the European co-legislators provided for in art. 38 of the same MAR. On 29 September ESMA published the final version of the draft RTS accompanying the Benchmark Regulation (Regulation (EU) 2016/1011) and on 29 October the final proposal for RTS and ITS pursuant to Regulation (EU) 2019/2115 on growth markets for SMEs. During 2020, ESMA also conducted the consultation for the report on the functioning of the MiFID II SME growth market scheme to be sent to the Commission. Also in the post-trading field, ESMA finalised a series of Final Reports containing regulatory technical standards provided for by EMIR 2.2 as well as the Report on post-trade risk reduction services with respect to the clearing obligation published on 10 November 2020.

In July and September 2020, the European Authority published technical opinions on the possible amendment of the MiFID II/MiFIR framework on transparency for equity/equity-like and non-equity instruments and with reference to the regulation of systematic internalisers' listings on non-equity financial instruments, and launched a consultation with a view to gathering input on possible guidelines on the obligation to provide transaction data in real time and free of charge. The Final Report is expected by the end of the first half of 2021.

The crisis situation related to the pandemic has highlighted the vulnerabilities that are typical of money funds, especially in terms of managing their liquidity characteristics. The issue caught the attention of various international forums (ESRB, FSB, IOSCO). In this context, and in accordance with the provisions of art. 46 of the relevant Regulation (EU) 2017/1131 (MMF), ESMA launched a consultation on possible reform drivers.

In FinTech, ESMA published Guidelines on outsourcing to cloud services providers. These guidelines are consistent with the EBA guidelines on the subject and are already partly taken into account by the European Commission in the above-mentioned proposed DORA.

At the request of the European Commission, ESMA, EBA and EIOPA each finalised their opinion on the content and presentation of the information to be communicated pursuant to art. 8 of the Taxonomy Regulation with a view to the adoption by June 2021 of the relevant delegated acts and are working together with the regulatory technical standards relating to the disclosure of financial products investing in economic activities referred to in the Taxonomy Regulation.

The European Authorities, within the Joint Committee, at the end of a laborious and complex process, in February 2021 found an agreement on the changes to be made to the EU legislation implementing Regulation (EU) 1286/2014 on PRIIPs. These proposed amendments were then forwarded to the European Commission.

In February 2021, regulatory technical standards were published in implementation of Regulation (EU) 2019/2088 (applied from 10 March 2021) on sustainability reporting in the financial services sector (applied from 1 January 2022). On 25 February 2021, the Joint Committee of the three ESAs published a supervisory statement to assist operators in fulfilling the disclosure transparency obligations provided for in the aforementioned Regulation. CONSOB then published Reminder no. 3 of 2021 for financial market participants and domestic financial advisors.

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

Within IOSCO, since 2020 CONSOB has chaired Committee 2 on markets and Committee 8 on investor protection, which at the end of 2020, among other things, published a report on financial education on crypto-assets.

The Commission followed the work of the IOSCO network on FinTech, with particular regard to the offer and distribution of financial products and services through the digital channel.

CONSOB participates in the peer review on the recommendations on managing the liquidity risk of funds and in the work on passive investing and index providers.

With regard to sustainability, CONSOB participated in the work of the IOSCO Sustainable Finance Task Force, whose mission is to ensure that the convergence initiatives of non-financial reporting standards promoted by international standards setters proceed in a coordinated manner to meet the needs of capital markets and the public interest. In this context, IOSCO initiated a constructive dialogue with the IFRS Foundation and the main international standards setters on sustainability reporting. The need to improve the accuracy, reliability and transparency of ESG ratings has received increasing attention internationally.

In this context, in addition to the objective of an inclusive, sustainable and resilient recovery, the Italian Presidency of the G20 also has, among its priorities, initiatives aimed at ensuring better data quality and a more comparable 'climate-related financial disclosure', strengthening the resilience of the non-banking financial intermediation sector and improving the security and effectiveness of cross-border payments (also through regulation and supervision of global stablecoins), as well as cyber security in the financial sector.

The Commission contributes to the main working groups of the Financial Stability Board (FSB) on matters within its remit, such as vulnerability assessment in the area of collective management and non-banking intermediation and the impacts of FinTech. With reference to the latter topic, in 2020 the Commission participated in the work that led to the publication of a report on the digital technologies used by supervisory authorities and market operators.

CONSOB participates in the debate on the regulation of money funds in various international forums in addition to ESMA (including FSB, IOSCO and ESRB), which is functional to identifying the policy decisions that best respond to the need to ensure the overcoming of the vulnerabilities that the Covid-19 crisis has brought to light.

CONSOB actively participates in the Committee of European Auditing Oversight Bodies (CEAOB) and the International Forum of Independent Audit Regulators (IFIAR), as well as the related subgroups, established, respectively at European and international level, in order to improve the quality of statutory audit supervision and promote the convergence of the relevant practices.

# Transposition of European regulation and regulatory activity XI

## 1 Innovative profiles

### *Pandemic-related activity*

The past year saw many measures adopted in order to address the economic and financial effects of the Covid-19 epidemic emergency. In this context, CONSOB provided technical support to legislative bodies for actions related to matters of institutional competence.

### *Brexit-related activity*

Brexit involved intense institutional activity aimed at ensuring an orderly management of the transition process (for details see Chapters I 'Market supervision' and IV 'Supervision of intermediaries'). In the post-Brexit context, the evolution of the framework requires the development of more integrated supervision of capital markets. Uneven national supervisory practices, in integrated markets such as those in the Union, may have consequences in multiple jurisdictions, compared to supervised entities operating on a cross-border basis through complex group structures and value chains. In this regard, during 2021, the European Commission will consider proposing measures for stronger coordination of supervision or for direct supervision by European authorities in the context of the actions envisaged in the new Capital Markets Union Action Plan.

### *Financial innovation and the launch of a sandbox*

During 2020, CONSOB, together with the Bank of Italy and IVASS, provided support to the Ministry of the Economy and Finance (MEF) for the purpose of starting an experiment in the FinTech field, according to the provisions of Law no. 58 of 28 June 2019, as amended (for details see Table aXI.1 in the Italian version). In fact, the regulatory framework is in the process of being completed, which will also make it possible in Italy to use sandboxes suitable for experiments aimed at pursuing innovation in services and products in the financial, credit and insurance sectors, with a predetermined length. In this context, the supervisory authorities operating the sandbox may, in compliance with Union law, temporarily waive or not apply supervisory guidelines, general acts, rules or regulations issued by those authorities.

## 2 Amendments to the primary regulations

During 2020, CONSOB contributed to the process of adapting primary national regulations to the evolution of the European framework, providing technical support to the MEF (for details see Table aXI.1 in the Italian version).

In this context, of particular importance was the process of adapting the national law of Directive (EU) 2017/828 (Shareholders' Rights Directive or SHRD II), on encouraging long-term shareholder engagement, which amended Directive 2007/36/EC (SHRD I). The transposition process, beginning with the issuance of Legislative Decree 49/2019, ended with adopting Legislative Decree 84/2020, which made amendments to Part V ('Sanctions') of the TUF in order to provide for effective, proportional and dissuasive measures and sanctions in the event of violating the national provisions adopted when implementing SHRD II.

The Commission provided support to the MEF to prepare the draft legislative decree - approved in advance by the Council of Ministers on 30 October 2020 - containing measures aimed at adapting national legislation to Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (Prospectus Regulation). The issuance of the decree will entail certain amendments to the TUF concerning the repeal of the rules on matters now governed by the Prospectus Regulation, the integration of some powers introduced by European legislation and the adaptation of the sanctioning system. At the same time, separate regulations will be provided for financial products that do not fall within the scope of application of the Prospectus Regulation. The same draft decree contains amendments and additions to be made to the TUF in order to identify the competent authorities, pursuant to Regulation (EU) 2017/1131, on monetary funds and the related supervisory, investigative and sanctioning powers necessary to exercise the functions assigned to them by the regulation in question.

CONSOB cooperated with the MEF to prepare the amendments to the draft European Law 2019/2020 concerning the measures implementing Delegated Regulation (EU) 2018/815, concerning the single electronic format of the annual financial reports that listed issuers are required to publish.

The activity of supporting the MEF to define the delegation criteria contained in the European Delegation Law 2019-2020 was particularly important, delegating to the Government the transposition and implementation at the primary level, among other, of the following European acts: Directive (EU) 2019/1160 and Regulation (EU) 2019/1156, aimed at facilitating the cross-border distribution of undertakings for collective investment in securities; Regulation (EU) 2019/1238, on pan-European individual pension products (PEPP); Directive (EU) 2019/879 (BRRD2), on the

loss-absorbing and recapitalising capacity of credit institutions and investment firms.

### 3 Amendments to the secondary regulations

In 2020 CONSOB significantly reformed secondary regulations (Table aXI.2).

The Intermediaries Regulation was amended following the transposition of Directive (EU) 2016/97 on the distribution of insurance investment products by licensed parties, in order to ensure consistency with the rules applicable to the sale of insurance investment products (regardless of the distribution channel) and the overall consistency and effectiveness of the supervisory system on such products.

The Commission amended the Intermediaries' Regulation by introducing the principle according to which the assessment of the methods of training and professional retraining of the subjects involved in financial advice is entrusted to the same intermediaries and no longer to a detailed prescriptive regulation. As part of the amendments, the rules on professional retraining of independent financial advisors have also been further clarified, and some requirements for advice on insurance investment products have been retained. The regulatory amendments were adopted following the public consultation concluded on 21 September 2020, taking into account the prior opinion of the Committee of market operators (COMI) and with the favourable opinion of Bank of Italy and IVASS.

On the other hand, the full implementation of the SHRD II required the adaptation of the Issuers' Regulation on the transparency of the report on the remuneration policy and the information provided by asset managers and proxy advisors, and of the Regulation on related party transactions. Completion of the transposition of the SHRD II will also require the revision of the Consolidated CONSOB-Bank of Italy Provision on post-trading of 13 August 2018 with regard to the provisions on shareholder identification, transmission of information and facilitation of the exercise of corporate rights by the shareholders of companies listed on regulated markets; this process will end in the current year following the consultation ended on 25 September 2020.

Under the impulse of amendments to both European and national legislation, the Issuers' Regulation has been the subject of further of actions relating to: the admission to trading on a regulated market of reserved open-ended AIFs; the methods of acquiring the documentation necessary for the performance of supervisory functions following the abolition of the obligation of prior notification of KIDs for the marketing of PRIIPs; cases of exemption from the declaration of intent made pursuant to the so-called 'anti-raid rule';

the provisions implementing the definition of SMEs; the gender balance in the composition of the administrative and control bodies of listed companies.

Changes were also made to the Market Regulation with particular regard to the rules on the size of trading ticks for trading venues as well as the modalities and content of the communication to be provided to CONSOB regarding the intention to purchase a significant shareholding in the capital of the market operator.

Finally, the Regulations concerning the Alternative Financial Dispute Resolution Scheme (ACF) are being partly reviewed.



# Statistical appendix C



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## Instructions

The following conventional signs are used in the tables:

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

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

## I MARKET SUPERVISION

### Trading platforms

Tab. al.1 Italian trading platforms

market	market segment	financial instrument	trading volumes <sup>1</sup>			no. of transactions <sup>2</sup>		average value of transactions <sup>3</sup>	
			no.	2020	percentage change <sup>4</sup>	2020	percentage change <sup>4</sup>	2020	percentage change <sup>4</sup>
regulated markets									
Borsa Italiana	MTA	equities, rights	238	597	10	86,421	37	7	-20
	of which:	MTA Domestic capitalisation <sup>1</sup>	235	571	9	83,809	37	7	-20
		MTA Foreign	601	--	--	--	--	--	--
			3	26	37	2,612	30	10	5
	MIV	equities	1	0,01	-67	0,3	-94	25	419
	MOT	bonds	1,315	203	8	3,919	0,2	52	8
	EtfPlus	listed funds	1,334	132	25	8,871	72	15	-27
	IDEM <sup>5</sup>	derivatives	571	872	-12	25,110	-18	35	8
MTS	MTS Italy	bonds	218	1,848	101	336	86	5,500	8
multilateral trading facilities									
Borsa Italiana	Borsa Italiana Equity	equities	88	6	258	814	216	7	13
	AIM Italia	equities	138	2	-30	808	1	3	-31
		capitalisation <sup>1</sup>	6	--	--	--	--	--	--
	ExtraMot	bonds	814	2	7	76	17	33	-8
	SeDeX		9,678	19	4	2,806	36	7	-24
	ATFund	funds	94	0,1	-45	2	-41	53	-6
MTS	BondVision Europe	bonds	23,781	877	20	119	-28	7,375	67
EuroTLX Sim	EuroTLX	equities	446	1,37	126	185	141	7	-6
		bonds, certificates	6,003	32	-30	1,458	-26	22	-6
Hi-MTF Sim	order driven	equities	23	0,04	-20	12	-17	3	-3
	capitalisation <sup>6</sup>		5	--	--	--	--	--	--
		bonds	835	0,34	-33	22	-32	15	-1
	quote driven	bonds	808	5	-9	104	-8	46	-1
systematic internalizer <sup>7</sup>									
		equities	106	106	45	6,378	63	17	-11
		other financial instruments	4,750	484	35	2,175	140	222	-44
		of which <sup>8</sup> :							
		government bonds	1,564	251	-8	96	-25	2,631	23
		bonds issued by parent group	334	3	-15	6	-82	565	372
		bank bonds	876	4	-18	16	29	228	-36
		corporate bonds	1,730	4	4	9	-9	489	-15

Source: Consob calculations on market data. Rounding may cause deviation from total figure. <sup>1</sup> Amounts in billions of euro. <sup>2</sup> Expressed in thousands. <sup>3</sup> Amount in thousands of euro. <sup>4</sup> Percentage change to previous year. <sup>5</sup> IDEM market includes the following segments: Equity, Idex (derivatives on commodities), and Agrex (agriculture derivatives); notional values. <sup>6</sup> In billions of euros; figure calculated on the basis of the average price recorded in December (or on the basis of the last available price in case of lack of trade during the period). <sup>7</sup> Figures do not include amounts negotiated by operators who ceased their activity. <sup>8</sup> The detailed data reported refer to a share of the total under 'other financial instruments'.

**Tab. aI.2 Main indicators of MTA, MIV and AIM Italia equity markets operated by Borsa Italiana**  
(amounts in billions of euro)

	2014	2015	2016	2017	2018	2019	2020
<b>MTA</b>							
capitalisation <sup>1</sup>	480 <sup>1</sup>	570	522	634	536	638	600
<i>of which Ftse Mib shares (%)</i>	80.6	78.7	79.4	76.9	74.5	79.5	81.5
<i>as % of GDP</i>	29.7	35.1	31.6	39.6	33.1	35.7	36.6
trading volumes	702	792	615	606	604	524	571
no. of domestic listed companies <sup>2</sup>	239	236	234	237	240	239	235
no. of listed companies <sup>3</sup>	7	10	7	12	12	9	6
<i>of which lpo</i>	5	8	3	7	4	4	1
no. of delisted companies <sup>4</sup>	11	13	9	9	9	10	10
dividend yield ratio <sup>5</sup>	3.0	2.7	3.4	2.9	3.9	3.5	4.0
price-earnings ratio <sup>6</sup>	18.9	23.7	19.1	17.7	11	14.0	13.7
<b>MIV</b>							
capitalisation	0.2	0.4	0.5	0.6	0.2	0.2	0.2
no. of listed companies	6	6	6	3	2	1	1
<b>AIM Italia</b>							
capitalisation	2.0	2.9	2.9	5.6	6.6	6.6	5.8
trading volumes	0.3	0.8	0.3	2.0	2.4	2.9	2.0
no. of listed companies	57	74	77	95	113	132	138
<i>of which new entries</i>	21	18	11	24	26	31	21
<b>total indicators</b>							
capitalisation	482	573	525	640	542	644	606
listed companies <sup>7</sup>	342	356	387	421	452	462	464
<i>Ftse Mib (% change)<sup>8</sup></i>	0.2	12.7	-10.2	13.6	-16.1	28.3	-5.4

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



### Tav. al.3 Exchange traded products traded on ETFplus market

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

		equity Etf advanced countries	equity Etf emerging countries	Etf on bond indexes	Etf other	Etc / Etn	total	no. of contracts <sup>1</sup>
2018	volumes	48.6	7.2	24.0	8.3	20.8	108.8	4.78
	managed wealth	23.0	4.4	28.1	5.6	5.7	66.9	
2019	volumes	39.9	7.0	30.0	9.1	19.7	105.7	5.17
	managed wealth	29.9	5.2	37.9	8.5	6.7	88.3	
2020	volumes	44.3	7.7	30.6	17.9	31.6	132.1	8.87
	managed wealth	30.7	5.6	42.0	15.6	7.6	101.6	

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

### Tav. al.4 Covered warrant and certificates traded on SeDeX market

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

	plain vanilla	investment	leverage	exotics	total			trading volumes
					outstanding	new	expired	
2014	3,105	827	172	69	4,173	4,606	5,494	24.7
2015	4,128	1,143	275	63	5,609	7,006	5,524	33.6
2016	4,559	1,191	891	55	6,696	8,549	7,461	23.2
2017	6,956	1,271	1,141	52	9,420	10,274	7,261	19.1
2018	5,367	1,596	1,328	224	8,515	9,475	9,733	17.6
2019	4,320	1,512	2,390	383	8,605	11,417	11,036	18.4
2020	4,200	1,944	3,312	222	9,678	20,224	15,510	19.1

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

### Tav. al.5 Bonds traded on Italian markets

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

	MTS Italy <sup>1</sup>	BondVision Europe MTF <sup>2</sup>	MOT <sup>3</sup>	EuroTLX MTF	Hi-MTF MTF	ExtraMOT MTF	total
2014	1,487	1,050	323	91	23	6	2,980
2015	1,225	1,118	277	79	19	4	2,722
2016	1,385	949	215	....	15	....	2,788
2017	1,216	868	204	56	8	2	2,354
2018	1,164	661	168	35	5	2	2,035
2019	921	733	189	45	6	2	1,896
2020	1,848	877	203	32	5	2	2,967

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

## Tav. al.6 Suspension and revocation of financial instruments

market	revocations	suspensions	suspensions		
			fixed term	permanent	
MTA	10	6	4	2	1 case following the uncertainty about the company's economic and financial soundness 1 for lacking management control system certification issued by the sponsor
AIM Italia	12	5	4	1	lack of conditions allowing for orderly conduct of trading and for investor protection
MOT, EuroTLX, ExtraMot, ExtraMot Pro		8			

For details please refer to the Italian Version of the Annual Report 2020.

## Short selling

### Tav. al.7 Net short positions on Italian shares

(amounts in millions of euro)

#### concentration of investors

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

#### nationality of investors

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

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

## Supervision of analyst researches and ratings

### Tav. al.8 Distribution of studies by typology

(number of studies)

	non monographic	monographic	nationality of intermediaries		type of operational advice <sup>2</sup>			total
			Italian	foreign <sup>1</sup>	buy	hold	sell	
2018	18,392	2,481	1,294	1,187	54,6	37,3	7,5	20,873
2019	16,722	3,833	2,059	1,774	54,6	38,9	5,8	20,555
2020 <sup>3</sup>	17,855	4,157	1,785	2,372	56,7	37,4	5,8	22,012

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

### Tav. al.9 Companies subject to monographic studies by degree of coverage

		no.	degree of coverage <sup>1</sup>					
			≥ 50	49-31	30-21	20-11	10-5	
regulated markets	2019	166	7,2	15,6	15,0	14,4	22,7	25,1
	2020 <sup>2</sup>	170	12,9	19,4	13,0	15,3	9,4	30,0

  

		no.	degree of coverage <sup>1</sup>					
			> 50	25 - 50	13 - 24	5 - 12	≤ 4	
AIM Italia	2019		40	--	7,5	12,5	30,0	50,0
	2020		97	--	1,0	4,0	24,0	71,0

<sup>1</sup> Percentage values <sup>2</sup> Figures are partially estimated.

### Supervision of market abuse

#### Tav. al.10 Number of accelerated bookbuilding offers (ABOs) and related volumes

	no. of ABOs	by amount of discount					class of seller		total <sup>1</sup>
		≥ 0	≤ 5%		> 5%	stake < 30% <sup>2</sup>	stake ≥ 30% <sup>3</sup>	no. of issuers	
2010-2014	41	1	23	17	22	15	4	9,9	
2015	20	3	9	8	9	8	3	5,8	
2016	8	1	4	3	4	4	0	1,4	
2017	19	1	10	8	9	10	0	1,8	
2018	11	0	1	10	4	7	0	0,9	
2019	12	0	7	5	3	9	0	3,7	
2020	11	0	2	9	5	5	1	2,7	
<i>total</i>	<i>122</i>	<i>6</i>	<i>56</i>	<i>60</i>	<i>56</i>	<i>58</i>	<i>8</i>	<i>26,1</i>	

<sup>1</sup> In billions of euro. <sup>2</sup> Sellers holding a stake of the issuer capital below 30%. <sup>3</sup> Sellers holding a stake of issuer capital equal or above 30%.

#### Tav. al.11 Number of accelerated bookbuilding offers (ABOs) by amount of discount, class of seller and declared selling motivations

amount of discount	class of seller			declared motivations to sell				total
	stake < 30% <sup>1</sup>	stake ≥ 30% <sup>2</sup>	no. of issuers	no declaration	increase free float or liquidity	fund new plans	strengthen capital structure	
≥ 0	2	3	1	4	2	0	0	6
≤ 5%	38	13	5	47	5	2	2	56
> 5%	16	42	2	37	21	0	2	60
<i>total</i>	<i>56</i>	<i>58</i>	<i>8</i>	<i>88</i>	<i>28</i>	<i>2</i>	<i>4</i>	<i>122</i>

<sup>1</sup> Sellers holding a stake of the issuer capital below 30%. <sup>2</sup> Sellers holding a stake of issuer capital equal or above 30%.

### Tav. al.12 Reporting of suspicious transactions

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

<sup>1</sup> Figures may include qualified investors, issuers and auditors. <sup>2</sup> Voluntary reports containing detailed descriptions of conduct not necessarily qualifying as potential market abuse but nevertheless likely to disrupt the orderly functioning of the market. <sup>3</sup> Percentage values. <sup>4</sup> Other' includes conduct: i) constituting both offences (insider trading and market manipulation) or information manipulation, ii) which is not immediately identifiable on the basis of the information contained therein, iii) carried out on venues not supervised by CONSOB, iv) relating to facts that do not constitute possible forms of market abuse.

### Tav. al.13 Request for data and information on market abuse (number of)

	authorised intermediaries <sup>1</sup>	listed companies, parent companies or subsidiaries	private entities of which hearings	public sector entities	foreign entities	total of which on behalf of foreign entities <sup>2</sup>
2014	173	6	37	20	63	315
2015	215	19	100	42	47	456
2016	370	21	145	58	147	763
2017	375	15	135	51	128	719
2018	166	5	58	27	104	357
2019	165	23	109	15	102	420
2020	239	32	137	3	88	539

Data relating to public sector entities include CONSOB accesses to Anagrafe dei rapporti finanziari website managed by Agenzia delle Entrate. <sup>1</sup> Banks, Italian investment firms (SIMs), asset management companies (AMCs) and regulated markets managers. <sup>2</sup> Figures refer to the number of parties involved in the requests received from foreign authorities (Tav. aX.1).

### Tav. al.14 Investigations on market abuse

	2014	2015	2016	2017	2018	2019	2020	
investigations on market abuse	22	17	9	10	20	7	9	
cases of administrative and/or criminal offence	13	14	4	6	9	6	3	
of which for insider trading	4	10	2	4	7	3	1	
operators involved in cases of market abuse	insider trading		market manipulation					
	2017	2018	2019	2020	2017	2018	2019	2020
unauthorised intermediaries <sup>1</sup>	--	1	--	--	--	--	--	1
institutional insiders <sup>2</sup>	2	7	5	1	1	5	3	2
other entities <sup>3</sup>	27	56	9	7	3	2	5	1
foreign entities	--	2	--	--	2	--	2	--
total	29	66	14	8	6	7	10	4

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

**Tav. al.15 Participation of CONSOB as civil party in criminal proceedings for insider trading and market manipulation**

year	no. of proceedings	offence	outcome as of 31 December 2020
2011	6	market manipulation	3 conviction 1 settlement 1 prescription of the offence
2012	2	insider trading, market manipulation	1 conviction 1 acquittal
2013	5	insider trading, market manipulation	2 convictions 3 settlements 1 prescription of the offence
2014	9	insider trading, market manipulation	5 convictions 1 settlement 2 territorial incompetence
2015	6	insider trading, market manipulation	4 convictions 3 acquittal
2016	6	insider trading, market manipulation	1 conviction 1 settlement
2017	3	insider trading, market manipulation	1 settlement
2018	2	insider trading	
2019	3	market manipulation	2 settlement
2020	2	<i>insider trading</i>	1 conviction

Source: Consob. For insider trading definition, see art. 184 of the Consolidated Law on Finance; for market manipulation see art. 185 of the Consolidated Law on Finance. For details on proceedings, please refer to the Italian version of Annual Report 2020.

## II SUPERVISION OF ISSUERS AND AUDIT FIRMS

### Ownership structure disclosure

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

	notification of significant shareholding				declaration of intention	disclosure of shareholders agreements			
	notification of significant threshold	change in significant shareholding previously disclosed	reduction below significant threshold	total		change/renewals	new agreements	termination of agreements	total
2014	246	301	266	813	—	...	...	...	...
2015	267	266	275	808	—	...	...	...	...
2016	240	326	250	816	—	...	...	...	...
2017	213	214	194	621	7	66	44	24	134
2018	167	212	138	517	30	121	61	28	210
2019	154	167	136	457	31	62	39	25	126
2020 <sup>3</sup>	341	212	166	719	41	77	47	26	150

Source: Consob. For details, please refer to the Italian version of Annual Report 2020.

### Takeover bids and exchange tender offers

Tav. all.2 Takeover bids and exchange tender offers on ordinary shares

	mandatory bids (full)			non mandatory bids		total	of which:				
	acquisition of consolidation control	commitment to buy	commitment to buy	full	partial		AIM	non listed	competing	aimed at delisting	takeover bid/exchange offer
2015	4	--	--	2 <sup>1</sup>	--	6	--	--	--	4	--
2016	10	--	--	3	1	14	--	--	4	9	1
2017	6	--	1	7 <sup>2</sup>	2	16	2	--	--	9	4 <sup>2</sup>
2018	9	--	2	7	--	18	2	3	--	11	3
2019	4	--	2	4	2	12	4	--	--	9	--
2020	2	--	5	4	2	13	--	--	--	8	2

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

## Related party transactions and control bodies

### Tav. all.3 Material related party transactions disclosed by Italian listed companies in 2020

object	counterparty			total
	directors/companies related to directors	controlling or relevant shareholders	subsidiary or associate company	
supply of goods and services, sponsoring, investment	--	5	--	5
financing	--	22	--	22
capital transactions	--	8	--	8
transfer of assets	3	13	4	20
<i>total</i>	3	48	4	55

Source: Consob.

## Supervision of audit firms

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

	2018	2019	2020	of which		
				audit firms	natural person	federations <sup>1</sup>
licensed	46	37	38	25	11	2
<i>PIEs and ESRIs</i>	1.450	1.400	1.360			

<sup>1</sup> Federazioni delle Cooperative del Trentino Alto Adige.

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

	independent audit firm						total	
	<i>big four</i>		medium-sized		small-sized		no. of appointments	market share <sup>1</sup>
	no. of appointments	market share <sup>1</sup>	no. of appointments	market share <sup>1</sup>	no. of appointments	market share <sup>1</sup>		
2014	207	86	26	11	8	3	241	100
2015	211	91	12	5	8	4	231	100
2016	203	88	23	10	4	2	230	100
2017	204	89	18	8	7	3	229	100
2018	202	88	18	8	9	4	229	100
2019	199	88	19	8	8	4	226	100
2020	200	91	14	6	7	3	221	100

<sup>1</sup> Percentage values.

### Tav. all.6 Cases of dismissal of independent auditors

	dismissal	consensual termination	resignation
2014	32	16	6
2015	24	62	2
2016	27	37	7
2017	36	67	2
2018	32	55	2
2019 <sup>1</sup>	93	190	--
2020	22	68	2
<i>of which</i>			
<i>change of controlling entity</i>	1	12	--
<i>change of audit firm appointed by the group as a whole</i>	1	39	--
<i>loss/acquisition of PIEs status</i>	20	11	--
<i>loss of audit firm independence status</i>	--	--	--
<i>realignment of the duration of the assignment to that of the parent company of the PIE belonging to the same group</i>	--	--	--
<i>inability to carry out the task due to lack of own resources</i>	--	--	1
<i>serious breaches of duty by the auditor affecting the proper continuation of the relationship</i>	--	--	--
<i>other</i>	--	6	1

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

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

	2014	2015	2016	2017	2018	2019	2020
adverse opinion or disclaimer of opinion	13	7	8	9	7	8	6
qualified opinions	8	1	3	4	3	--	2
opinion with emphasis of matters paragraph	52	41	40	38	20	6	8

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



### III SUPERVISION OF PUBLIC OFFERINGS AND CORPORATE DISCLOSURE

#### Tav. all.1 Issuers of financial instruments widely distributed among the public

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

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

#### Tav. all.2 Supervision of public offerings and admission to trading of equity instruments

(number of prospectuses)

	2014	2015	2016	2017	2018	2019	2020
admissions to listing of shares <sup>1</sup>	10	16	13	15	15	18	13
<i>of which: through public offering</i>	9	13	6	2	--	3	3
rights issue <sup>2</sup>	17	9	4	7	11	2	5
other offerings <sup>3</sup>	--	--	--	--	1	--	--
unlisted securities offerings of Italian issuers <sup>4</sup>	19	15	6	2	2	--	--
judgements of equivalence <sup>5</sup>	2	4	5	3	2	--	--
<i>total</i>	<i>48</i>	<i>44</i>	<i>28<sup>6</sup></i>	<i>26</i>	<i>31</i>	<i>20</i>	<i>18</i>

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

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

#### Tav. all.3 Supervision of public offerings and admission to trading of non-equity instruments

(number of documents)

	2014	2015	2016	2017	2018	2019	2020
bonds	313	272	146	86	57	45	18
covered warrants and certificates	58	33	46	43	24	13	13
admission to listing of warrants	1	1	--	4	6	3	4
UCITs <sup>1</sup>	537	424	412	417	431	384	319
<i>total</i>	<i>909</i>	<i>730</i>	<i>604</i>	<i>550</i>	<i>518</i>	<i>445</i>	<i>354</i>

Source: Consob. <sup>1</sup> Figures include public offering of Italian mutual funds and SICAV shares, admission to listing of units of Italian closed-end funds and financial instruments issued by foreign management companies; distributed harmonised foreign UCITS funds are also included.

**Tav. all.4 Bonds, certificates and covered warrants offered by Italian banks by type of prospectus**  
(domestic prospectuses; amounts in billions of euro)

	placed amounts			no. of placed securities		
	bonds	certificates and covered warrants	total	bonds	certificates and covered warrants	total
2014	47.438	7.593	55.031	1.683	609	2.292
2015	30.267	7.037	37.304	1.062	394	1.456
2016	15.979	3.681	19.660	518	186	704
2017	3.566	4.507	8.073	200	102	302
2018	3.706	3.926	7.632	103	67	170
2019	3.794	6.791	10.585	93	107	200
2020	472	1.749	2.221	41	49	90

Source: Consob.

**Tav. all.5 Subjects authorized by CONSOB to the issuance of 'titoli per l'economia meridionale', number of issuances and amount issued**

	2014	2015	2016	2017	2018	2019	2020
number of authorized subjects	4	8	6	7	4	2	1
number of issuances	5	12	9	10	5	3	1
amount issued (millions of euros)	47	39	89	74	34	18	8

The 'titoli per l'economia meridionale' are savings bonds to encourage the territorial rebalancing of credit flows for medium- and long-term investments by small and medium-sized enterprises and to support ethical projects in the South of Italy. The bonds are subject to a favourable tax regime. For further details please refer to the Italian version of Annual Report 2020.

**Tav. all.6 Offer to the public and admission to trading of non-equity financial instruments – passported instruments**

	Luxembourg	Germany	Ireland	UK	France	other	total
2018	257	93	85	47	36	9	527
2019	264	89	74	18	47	14	506
2020	256	73	92	21	47	39	528

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

**Tav. all.7 KIDs notified in 2020 under the PRIIPs Regulation by product type**

typology of financial product <sup>1</sup>	new products		updates		total notifications	
	number	weight <sup>2</sup>	number	weight <sup>2</sup>	number	weight <sup>2</sup>
securities	26.944	95,8	1.157.494	99,5	1.184.438	99,4
derivatives	434	1,5	2.814	0,2	3.248	0,3
lbip	593	2,1	3.332	0,3	3.925	0,3
Cis	142	0,5	161	..	303	..
deposits	3	..	3	..	6	..
<i>total</i>	<i>28.116</i>	<i>100,0</i>	<i>1.163.804</i>	<i>100,0</i>	<i>1.191.920</i>	<i>100,0</i>

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

## Supervision of corporate disclosure

### Tav. all.8 Supervision of corporate disclosure and ownership structure

	2014	2015	2016	2017	2018	2019	2020
request of information pursuant to art. 115, TUF <sup>1</sup>	633	502	448	539	414	394	314
request to publish data and information pursuant to art. 114, TUF <sup>2</sup>	106	89	65	28	19	17	33
waiver of disclosure of data and information pursuant to art. 114, sec. 6, TUF	5	--	--	--	5	4	1
delays in disclosure pursuant to art. 114, sec. 3, TUF	--	3	--	--	--	--	--
request for immediate publication of researches when there are rumours, pursuant to art 69-novies of Issuers' Regulation	29	14	11	4	7	4	8
delay in disclosure of inside information pursuant to art. 17, sec. 4 and sec. 5 of Market Abuse Regulation	--	--	70	264	362	322	323
written reprimand	10	6	3	3	5	4	1
challenges of financial statements	1	--	--	1	--	--	1
non-compliance proceedings pursuant to art. 154-ter, sec. 7, TUF	5	2	1	1	3	2	1
reports to the judiciary	18	8	22	10	5	6	2

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

## IV SUPERVISION OF INTERMEDIARIES

### *Banks and investment service intermediaries*

#### Tav. aIV.1 Authorised investment service intermediaries

	2014	2015	2016	2017	2018	2019	2020
<i>total number of providers</i>	<i>692</i>	<i>663</i>	<i>603</i>	<i>543</i>	<i>535</i>	<i>520</i>	<i>506</i>
<b>banks</b>							
<i>no. of authorised providers</i>	<i>605</i>	<i>583</i>	<i>528</i>	<i>473</i>	<i>468</i>	<i>452</i>	<i>442</i>
advice	583	560	510	456	419	405	405
trading on one's own account	445	421	382	338	309	296	299
trading on behalf of third parties	447	425	386	339	429	415	418
placement with prior subscription <sup>1</sup>	195	184	173	152	135	131	134
placement without prior subscription <sup>1</sup>	587	565	511	453	419	407	406
portfolio management	166	158	154	143	131	125	125
receipt and transmission of orders and brokerage	593	572	518	463	432	417	418
MTF management	1	2	2	2	2	4	3
<i>average number of services per provider</i>	<i>5,0</i>	<i>4,6</i>	<i>4,7</i>	<i>4,6</i>	<i>4,9</i>	<i>4,9</i>	<i>5,0</i>
<b>investment firms</b>							
<i>no. of authorised providers</i>	<i>87</i>	<i>80</i>	<i>75</i>	<i>70</i>	<i>67</i>	<i>68</i>	<i>64</i>
advice	77	70	64	61	57	52	52
trading on one's own account	16	15	14	14	13	15	15
trading on behalf of third parties	23	22	20	19	62	55	55
placement with prior subscription <sup>1</sup>	5	4	5	5	5	5	5
placement without prior subscription <sup>1</sup>	45	42	40	39	40	38	38
portfolio management	39	38	38	37	32	33	33
receipt and transmission of orders and brokerage	46	43	39	36	35	36	36
MTF management	3	3	3	3	3	1	1
<i>average number of services per provider</i>	<i>2,9</i>	<i>3,0</i>	<i>3,0</i>	<i>3,1</i>	<i>3,7</i>	<i>3,7</i>	<i>3,7</i>

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

#### Tav. aIV.2 Supervision of banks, Italian investment firms (SIMs) and European investment companies (AMCs)

(number of initiatives)

	2014	2015	2016	2017	2018	2019	2020	of which:		
								requests <sup>1</sup>	convenings <sup>2</sup>	warnings
<b>banks</b>	126	164	139	91	540	167	140	122	12	6
<b>Italian investment firms and European investment companies</b>	27	47	34	37	111	53	42	42	--	--

<sup>1</sup> Request of information pursuant to art. 8, sec. 1, TUF. <sup>2</sup> Convenings of directors and managers pursuant to art. 7, sec. 1, lett. a), TUF.

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

	2014	2015	2016	2017	2018	2019	2020
SIMs registered as of year end	87	80	75	70	67	68	64
SIMs registered during the year	1	1	3	1	3	5	4
SIMs cancelled during the year	8	8	8	6	6	4	8

*Crowdfunding platforms for SMEs capital raising***Tav. aIV.4 Register of the authorized equity crowdfunding platforms**

	2015	2016	2017	2018	2019	2020
number of entities registered	19	17	22	32	39	46
<i>ordinary section</i>	18	16	20	30	37	45
<i>special section</i>	1	1	2	2	2	1

## V ACTIONS AGAINST UNAUTHORISED BUSINESS ACTIVITIES

### Tav. aV.1 Unauthorised activity breakdown

	intermediary activity	offer to the public	offer and intermediation	crowdfunding	inappropriate warning	<i>total</i>
2014	99	20	6	1	7	<i>133</i>
2015	66	15	8	0	1	<i>90</i>
2016	128	24	19	2	0	<i>173</i>
2017	140	36	13	6	14	<i>209</i>
2018	154	38	13	2	1	<i>208</i>
2019	303	63	7	5	2	<i>380</i>
2020	285	39	10	3	11	<i>348</i>

### Tav. aV.2 Enforcement measures for unauthorised provision of investment services, unauthorised offer of financial products and related advertisement

	infringement of regulations on investment solicitation		infringement of regulations on intermediaries		report to legal authorities	<i>total</i>
	temporary prohibition to provide investment services <sup>1</sup>	prohibition to provide investment services	communications aimed at investor protection	cease and desist order <sup>2</sup>		
2014	3	2	47	—	66	<i>118</i>
2015	6	5	44	—	63	<i>118</i>
2016	14	12	44	—	77	<i>147</i>
2017	12	13	54	—	88	<i>167</i>
2018	12	16	9	98	136	<i>271</i>
2019	19	22	3	164	218	<i>426</i>
2020	9	11	9	185	208	<i>422</i>

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

## VI INSPECTION ACTIVITY

### *Inspection activity and investigations on websites*

**Tab. aVI.1 Inspection activity**

	2014	2015	2016 <sup>1</sup>	2017	2018	2019	2020	of which:			
								I quarter	II quarter	III quarter	IV quarter
opened inspections	41	24	46	18	21	23	13	1	3	5	4
concluded inspections	30	34	47	18	15	24	18	6	1	4	7

<sup>1</sup> Figures for 2020 include 16 investigations that were opened and concluded in the year course on capital strengthening of bank branches .

**Tab. aVI.2 Investigated entities**

	2014	2015	2016	2017	2018	2019 <sup>1</sup>	2020
intermediaries	26	16	33	9	12	9	7
listed companies	4	1	5	2	2	3	--
audit firms	4	6	6	6	2	9	4
other	7	1	2	1	5	2	2

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

**Tab. aVI.3 Inspection activity**

	2014	2015	2016	2017	2018	2019	2020
intermediaries and products	14	7	23	5	6	7	7
issuers and audit firms	2	7	13	3	7	6	2
markets	16	3	2	--	3	2	--
other <sup>1</sup>	9	7	8	10	6	8	4

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

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

	2014	2015	2016	2017	2018	2019	2020
inspections	140	147	217	271	276	427	397
investigated websites	503	293	468	530	555	846	778

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

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

	2014	2015	2016	2017	2018	2019	2020
audit firms	3	2	5	5	--	6	2
Italian investment firms (SIMs) or asset management companies (AMCs)	3	3	2	2	2	1	--

## VII ADDITIONAL ACTIONS FOR INVESTOR PROTECTION

### Complaint handling

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

	2014	2015	2016	2017	2018	2019	2020 <sup>1</sup>
received complaints	1,506	1,762	4,354	2,287	2,866	2,838	2,778
accepted complaints	940	1,372	3,907	1,948	2,510	2,491	2,465

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

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

#### entities involved

	banks	unauthorised parties	listed companies	financial advisors	audit firms	investment firms (SIMs)	other	total
2014	533	142	147	89	1	71	85	1,068
2015	767	189	336	85	1	115	106	1,599
2016	3,051	255	444	126	66	231	124	4,297
2017	1,150	493	388	81	147	133	132	2,524
2018	1,517	629	242	64	54	158	192	2,856
2019	1,431	852	244	27	10	50	387	3,001
2020	983	758	348	17	--	219	233	2,558

#### topics

	provision of investment services	unauthorised financial activity	trading platforms	advisor conduct	auditing	governance and corporate disclosure	other	total
2014	616	154	117	109	3	113	203	1,161
2015	837	198	116	89	11	377	202	1,830
2016	3,292	260	163	166	88	303	404	4,676
2017	1,294	507	107	78	226	350	267	2,829
2018	1,545	634	128	73	67	173	326	2,946
2019	1,382	854	113	41	15	155	440	3,000
2020	1,213	772	404	16	--	117	25	2,547

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



## The activity of the Alternative Financial Dispute Resolution Scheme

**Tab. aVII.3 Received complaints**

	total		breakdown by geographical area			total
		of which prosecutable	Northern Italy	Central Italy	South and islands	
2017	1,834	1,469	1,184	301	345	1,830
2018	1,824	1,408	677	440	699	1,816
2019	1,678	1,407	542	380	748	1,670
2020	1,772	1,534	657	314	791	1,762

Source: Alternative Financial Dispute Resolution Scheme.

**Tab. aVII.4 Entities involved**

	banks	asset management company (AMC)	Italian investment firm (SIM)	insurance companies	European investment companies	collective investment schemes	total
2017	87	10	4	1	3	1	106
2018	71	9	4	1	2	1	88
2019	75	7	5	--	5	1	93
2020	68	11	7	--	3	--	89

Source: Alternative Financial Dispute Resolution Scheme.

## VIII SANCTIONS

### Disciplinary measures

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

	provision of investment services	investment solicitation and corporate disclosure	market abuse	<i>total</i>	<i>no. of sanctioned entities</i>
2014	3.7	4.9	11.9	<i>20.5</i>	<i>351</i>
2015	2.8	4.3	4.6	<i>11.7</i>	<i>533</i>
2016	0.8	2.1	4.6	<i>7.5</i>	<i>229</i>
2017	11.8	11.0	4.0	<i>26.8</i>	<i>601</i>
2018	6.6	5.2	10.4	<i>22.2</i>	<i>418</i>
2019	1.6	4.5	4.3	<i>10.4</i>	<i>88</i>
2020	0.9	2.7	8.8	<i>12.4</i>	<i>103</i>

Data refer to precautionary measures inflicted on advisors authorised to make door-to-door selling as of 30 November 2018. After that date, supervision on such advisors was transferred to a special body following Consob Resolution no. 20704 of November 15, 2018. Data do not include cases of abusive offers, public disclosure of inside information pursuant to Articles 17(1) and (4) and 18(3) and (4) (insider register) of the MAR Regulation, internal dealing pursuant to Article 19(1) and (2) of the MAR Regulation, failure to comply with reporting obligations on derivative trading pursuant to Article 9(1) of the EMIR Regulation, short selling, transaction reporting and crowdfunding, as well as legal persons jointly liable with perpetrators of market abuse violations and, from 2019, legal persons liable with respect to perpetrators of market abuse violations. 9, c. 1, of the EMIR Regulation, short selling, transaction reporting and crowdfunding as well as legal persons jointly and severally liable with the perpetrators of market abuse violations and, from 2019, persons to whom the administrative sanction measure of the 'public statement' has been applied.

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

	no. of cases	no. of entities fined	jointly and severally liable entities	amount of sanctions	amounts confiscated	no. of entities given additional penalties	additional penalties (months)
2014	9	21	3	11.9	0.4	13	156
2015	20	33	7	4.6	0.6	31	138
2016	7	16	1	4.6	1.1	13	142
2017	6	16	1	4.0	1.2	12	112
2018	11	53	4	10.4	9.6	51	492
2019	11	25	3	4.3	0.8	22	254
2020	6	60	7	8.8	1.1	57	473
<i>of which:</i>							
<i>insider trading</i>	4	58	4	8.7	1.1	55	458
<i>market manipulation</i>	2	2	3	0.1	--	2	15

For details, please refer to the Italian version of Annual Report 2020.

**Tab. aVIII.3 Monetary sanctions imposed on financial intermediaries**  
(millions of euro)

	no. of involved intermediaries <sup>1</sup>				no. of sanctioned entities				amount of penalties			
	banks	SIMs	AMCs	total	banks	SIMs	AMCs	total	banks	SIMs	AMCs	total
2014	4	8	4	16	42	31	28	101	2.6	0.9	0.3	3.7
2015	8	3	7	18	121	26	74	221	1.6	0.3	0.9	2.8
2016	2	5	3	10	38	23	19	80	0.2	0.4	0.2	0.8
2017	9	5	1	15	224	47	11	282	11.0	0.7	0.1	11.8
2018	9	2	2	13	154	1	20	175	4.2	0.2	2.2	6.6
2019	4	--	2	6	24	--	6	30	1.3	--	0.2	1.6
2020	3	1	3	7	6	1	5	12	0.4	0.1	0.5	0.9

Rounding may cause discrepancies in the total figure. <sup>1</sup> Figures reported for investment firms include: five European investment firms (three not having a branch in Italy) in 2014; two foreign investment firms in 2016; one foreign investment firms and an Italian branch of foreign investment firm in 2017. From 2019 onwards, the number of sanctioned entities includes both natural persons (24 for 2019 and five for 2020) and legal entities (six for 2019 and seven for 2020).

**Tav. aVIII.4 Administrative sanctions imposed for breach of Issuers Regulation and breach of regulation on corporate and financial disclosure**  
(millions of euro)

	no. of cases							no. of entities fined							amount of sanctions						
	initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	independent auditing	board of auditors responsibility	total	initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	independent auditing	board of auditors responsibility	total	initial and secondary public offers	takeover bids	corporate disclosure	relevant shareholdings and shareholders agreements	independent auditing	board of auditors responsibility	total
2014	6	--	12	9	5	8	40	53	--	13	9 <sup>2</sup>	9	38	122	2.1	--	0.3	0.5	1.0	1.1	4.9
2015	5	--	24	4	3	12	48	22	--	24	4 <sup>3</sup>	3	74	127	0.6	--	0.3	0.1	0.5	2.8	4.3
2016	3	--	10	1	6	4	24	4	--	10	1	6	12	33	0.2	--	0.3	..	1	0.5	2.1
2017	18	--	16	5	5	4	48	160	--	16	5	5	11	197	7.8	--	1.9	0.4	0.6	0.3	11.0
2018	21	1	1	1	6	3	33	50	1	1	4	6	8	70	3.3	..	0.2	0.3	1.1	0.3	5.2
2019	14	--	1	1	--	--	16	31	--	1	1	--	--	33	4.4	--	0.05	0.06	--	--	4.5
2020	15	--	1	2	5	1	24	18	--	1	3	6	3	31	1.5	--	0.1	0.2	0.8	0.1	2.7

Rounding may cause deviation from total figure. The table does not include: sanction proceedings extinguished in advance because involved entities chose to pay the imposed penalty in reduced measure; entities on whom ancillary disqualification sanctions have been imposed; entities who have been required to make a 'public statement'.

## IX IT SYSTEMS AND OTHER SUPPORT ACTIVITIES

### Financial management

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

items	2014	2015	2016	2017	2018	2019	2020 <sup>1</sup>
<b>EXPENDITURES</b>							
current expenditure							
staff and commission members	84.8	87.0	88.7	92.9	98.0	105.4	110.1
fees and taxes	5.9	5.9	6.8	6.0	6.3	6.9	6.5
goods and services	12.6	12.4	13.4	13.3	14.2	15.6	13.8
property refurbishment and other provisions	5.7	5.0	9.8	14.6	42.7	32.6	26.5
other expenditures	2.5	2.7	2.8	0.8	1.2	1.3	0.9
<i>total current expenditure</i>	<i>111.5</i>	<i>113.0</i>	<i>121.5</i>	<i>127.6</i>	<i>162.4</i>	<i>161.8</i>	<i>157.8</i>
capital expenditure	0.8	2.9	2.5	4.1	2.5	2.4	3.5
<i>total</i>	<i>112.3</i>	<i>115.9</i>	<i>124.0</i>	<i>131.7</i>	<i>164.9</i>	<i>164.2</i>	<i>161.3</i>
<b>REVENUES</b>							
previous year surplus <sup>2</sup>	13.7	14.0	15.0	12.1	5.5	25.6	7.6
state funding	--	--	0.3	0.2	25.3 <sup>3</sup>	0.3	0.3
supervisory fees	99.9	108.9	108.3	111.6	148.0	130.6	135.6
other revenues	8.6	8.7	11.0	13.4	11.8	14.3	28.7
<i>total</i>	<i>122.2</i>	<i>131.6</i>	<i>134.6</i>	<i>137.3</i>	<i>190.6</i>	<i>170.8</i>	<i>172.2</i>

<sup>1</sup> Provisional final figures (rounding to the first decimal place). <sup>2</sup> The surplus is the difference between total revenue and total expenditure as well as differences arising from the management of residual assets and liabilities. The 2020 surplus, including the amount of the restricted multiannual fund, is shown under revenue 2021. <sup>3</sup> Including the extraordinary transfer by the State of the amount of EUR 25.0 million, intended for the Fund for the out-of-court protection of savers and investors and tied to the compensation of savers who have obtained, as of 30 November 2018, a favourable decision of the Alternative financial dispute resolution scheme (ACF) regarding the financial instruments issued by the banks placed in resolution in November 2015.

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

	investment firms and brokers	banks	audit firms	financial advisors	market operators <sup>1</sup>	issuers	UCITs <sup>2</sup>	entities soliciting retail investors	other	<i>total supervisory fees</i>
2014	2.6	17.1	12.9	4.7	5.3	22.5	9.5	23.5	1.8	<i>99.9</i>
2015	2.8	17.1	12.5	4.9	5.5	27.6	11.0	25.5	2.0	<i>108.9</i>
2016	2.8	18.6	12.2	5.1	5.5	26.5	12.5	23.3	1.8	<i>108.3</i>
2017	2.9	21.1	13.0	5.5	5.5	29.3	15.0	15.9	3.4	<i>111.6</i>
2018	3.4	25.5	16.5	5.5	6.5	38.3	20.2	29.7	2.4	<i>148.0</i>
2019	3.6	24.1	15.3	--	7.0	37.1	17.7	21.8	4.0	<i>130.6</i>
2020	3.6	24.3	15.9	--	7.3	36.7	18.9	23.8	5.1	<i>135.6</i>

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

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

### Tav. aIX.3 Human resources

(as of 31 December 2020)

	permanent positions				fixed-term positions <sup>1</sup>	total
	managers	white collars	other employees	total		
2014	349	198	13	560	54	614
2015	365	180	13	558	48	606
2016	400	183	13	596	7	603
2017	429	159	14	602	7	609
2018	446	203	12	661	3	664
2019	438	212	11	661	9	670
2020	433	212	11	656	9	665

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

### Tav. aIX.4 Human resources breakdown by qualification and organisational unit

(as of 31 December 2020)

organisational units	managers	officials	white collars	other employees	total	
Director General	3	8	15	3	29	
Secretary General	2	4	2	--	8	
Attorney General	1	--	--	--	1	
Alternative Financial Dispute Resolution Scheme	1	--	--	--	1	
Legal Office	9	23	8	--	40	
Offices non coordinated within a Division	9	53	34	--	96	
Divisions						
supervisory	35	208	91	1	335	
support	15	66	65	9	155	
	<i>total</i>	75	362	215	13	665

For details, please refer to the Italian version of the Annual Report 2020.

## External relations, research and conferences

**Tav. aIX.5 Number of accesses to Consob website**  
(in thousands)

sections	2014	2015	2016	2017	2018	2019	2020
home page (what's new)	904	1.601	1.505	1.347	1.759	1.478	1.552
for investors	220	460	475	833	888	684	714
for supervised entities	218	380	390	413	443	342	301
for journalists	5	9.5	9	10	10	12	22
Consob	703	705	680	852	949	1.034	1.019
issuers	1.283	1.883	1.785	1.382	2.596	3.089	3.583
intermediaries and markets	771	987	957	1.200	2.000	2.880	3.389
Consob decisions / newsletter	476	531	612	732	863	903	840
regulation	730	1.436	1.341	1.621	1.567	1.223	1.175
publications and press releases	55	45	195	404	400	616	702
link to other websites	3	9	10	14	19	8	6
help and site map	4	19	57	42	40	36	30
English site	532	762	901	473	1.169	1.718	1.975
trasparenza <sup>1</sup>	168	229	241	255	182	130	94

Fonte: Consob processing of Google Analytics data. <sup>1</sup> Data are available from March 2014, when the new site section was first published.

**Tav. aIX.6 Request of documents and information on Consob activity**

	applicants			application breakdown				total
	investors and insitutional operators	retail investors, students, other	total	resolutions, communications, prospectuses	amended laws and regulations	data and informationa	other	
2014	346	1.254	<i>1.600</i>	180	258	810	352	<i>1.600</i>
2015	542	1.260	<i>1.802</i>	194	240	1.008	360	<i>1.802</i>
2016	548	1.502	<i>2.050</i>	210	230	1.160	450	<i>2.050</i>
2017	591	1.410	<i>2.001</i>	221	250	1.110	420	<i>2.001</i>
2018	880	1.520	<i>2.400</i>	240	235	1.515	410	<i>2.400</i>
2019	595	1.403	<i>1.998</i>	251	210	1.122	415	<i>1.998</i>
2020	650	1.530	<i>2.180</i>	245	198	1.417	320	<i>2.180</i>

## X INTERNATIONAL ACTIVITY

### *The activity at international level*

#### Tav. aX.1 Exchange of information between Consob and foreign supervisory authorities

topics	2014	2015	2016	2017	2018	2019	2020
<i>requests to foreign authorities</i>							
insider trading	21	65	68	56	15	17	26
market manipulation	15	10	12	10	9	4	18
unauthorised public offerings and provision of investment services	26	27	21	26	28	20	24
transparency and corporate disclosure	1	1	1	23	20	21	17
relevant shareholding in listed companies and authorised intermediaries	0	1	--	--	--	--	2
integrity and professional requirements	2	3	1	2	1	8	7
infringement of rules of conduct	3	3	1	2	--	5	1
short sales	2	1	8	1	--	1	1
requests to remote member pursuant to art. 80 MIFID II (previously art 57 MIFID)	70	51	89	38	10	--	4
provision of cross border investment services	5	8	7	11	17	9	58
audit	--	--	--	--	--	1	--
<i>total</i>	<i>145</i>	<i>170</i>	<i>208</i>	<i>169</i>	<i>100</i>	<i>86</i>	<i>158</i>
<i>reports to foreign authorities</i>							
suspicious transactions	9	12	23	32	21	29	30
unsolicited assistance	20	16	23	58	15	15	13
<i>total</i>	<i>29</i>	<i>28</i>	<i>46</i>	<i>90</i>	<i>36</i>	<i>44</i>	<i>43</i>
<i>requests from foreign authorities</i>							
Insider trading	17	15	21	23	3	7	7
market manipulation	3	2	1	1	1	3	6
unauthorised public offering and provision of investment services	2	1	2	2	2	4	8
transparency and corporate disclosure	--	1	1	--	1	1	1
relevant shareholdings in listed companies and authorised intermediaries	--	--	--	--	--	2	--
integrity and professional requirements	65	62	43	44	45	32	31
infringement of rules of conduct	--	--	--	--	--	--	--
short selling	--	--	--	1	--	--	--
requests to remote member pursuant to art. 80 MIFID II	--	--	--	--	--	--	--
audit	--	--	--	--	15	12	7
<i>total</i>	<i>87</i>	<i>81</i>	<i>68</i>	<i>71</i>	<i>67</i>	<i>61</i>	<i>60</i>
<i>reports from foreign authorities</i>							
suspicious transactions	40	59	55	95	141	100	205
unsolicited assistance	8	6	6	6	3	4	1
<i>total<sup>1</sup></i>	<i>48</i>	<i>65</i>	<i>61</i>	<i>101</i>	<i>144</i>	<i>104</i>	<i>206</i>

<sup>1</sup> The figure for 2020 includes both reports from foreign authorities and market observations as defined in Table al.14.





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