

Annual Report 2014

Rome, 31 March 2015



CONSOB

COMMISSIONE NAZIONALE
PER LE SOCIETÀ E LA BORSA

Annual Report 2014

Rome, 31 March 2015

Deputy Chairman
Giuseppe Vegas

Members of the Commission
Anna Genovese
Paolo Troiano

Director General
Angelo Apponi

Deputy Director General
Giuseppe D'Agostino

Secretary General
Guido Stazi



CONSOB

COMMISSIONE NAZIONALE
PER LE SOCIETÀ E LA BORSA

Consob

00198 Roma - Via G.B. Martini, 3

t +39.06.84771

f +39.06.8477612

20121 Milano - Via Broletto, 7

t +39.02.724201

f +39.02.89010696

h www.consob.it

e studi_analisi@consob.it

All rights reserved.

Reproduction for academic and
non-commercial use is permitted,
provided that the source is acknowledged.

ISSN 2281-9460 (online)

ISSN 2282-1406 (print)

Annual Report 2014

Consob activity

I	Markets supervision	5
II	Supervision of issuers and audit firms	19
III	Supervision of corporate disclosure	27
IV	Supervision of intermediaries	39
V	Inspection activity and sanctions	47
VI	Regulatory activity	55
VII	Investor protection	61
VIII	Back-office activities and international cooperation	65

Contents	75
----------	----

Annual Report 2014

Rome, 31 March 2015

Consob activity

1 Supervision of trading platforms

1.1 Regulatory supervision

In 2014 Consob intensively supervised the changes made by trading infrastructure operators to the rules and regulations of their respective markets and the relative implementation provisions (Tab. 1).

Tab. 1 Amendments to the Regulations of regulated markets and their implementing provisions in 2014

market and date of change	content of intervention	notes
Borsa Italiana		
amendments to regulations and instructions (march)	provisions on record date given for the purpose of legitimising the payment of dividends	alignment of dividend payment date to the open market day following the record date, except in special circumstances communicated by the issuer
	free float requirement in the case of admission of issuers already traded in MTFs	extension of what is already foreseen for other companies
	floating as a requirement to remain in the Star segment	participation of controlling shareholders as an alternative requirement
	collection of adhesions to purchase or exchange offers	collection in telematic way as default
	adjustment of error management procedures	reduction from T+1 to T of the term within which you can request cancellation of the contracts executed
amendments to instructions (march))	introduction in the IDEM of negotiating deadlines of up to three years	stock futures contracts, in addition to the quarterly and monthly maturities already planned
	introduction in IDEM in the case of a full public offer of the underlying shares, of an objective criterion for closing positions in all cases where the offeror holds more than 90 per cent of the underlying shares	
	aligned the date of admission to trading of the second annual expiry date of the energy futures contract baseload with the date of the first expiry date	
amendments to regulations and instructions (october)	regulation cycle	reduction from T+3 to T+2
	adjustment of issuers' disclosure obligations in the case of events relevant to the trading of financial instruments	dividend payment and record date advance; reduction in advance communication to Borsa Italiana
	record date	delivery of shares brought forward from 3rd to 2nd open market day following the last trading day 'cum rights'
	modification of the liquidation calendar	target calendar adoption
	market insolvency	rule removed from the Regulation since it is no longer applicable following amendments to the Joint Bank of Italy/Consob Regulation of 22 February 2008
amendments to instructions (october)	introduction of option contracts on weekly action; introduction of the Designated Market Maker figure	

MTS		
amendments to the Regulation of the Market for Non-Governmental Bonds and Securities issued by international bodies participated by States and amendments to the Regulation of the Wholesale Market for Government Securities	the reduced settlement cycle, for the spot segment of the market general collateral contracts and failure to define the financial instruments to be delivered within the prescribed term	reduction from T+3 to T+2 if the execution of the contract was carried out anonymously through CCP, the Company reserves the right to disclose the respective identities to the counterparties

In July 2014, the Commission also verified, in line with the provisions of Article 73, paragraph 3 of the Consolidated Law on Finance, the amendments to the by-laws of Borsa Italiana and the by-laws of MTS (in this case issuing the relevant opinion to the Ministry of Economy and Finance), approved by the respective Extraordinary Shareholders' Meetings.

Tab. 2 Changes to the operating rules of multilateral trading facilities and systematic internalisers in 2014

market operator and date of change	content of intervention	notes
AIM Italia-MAC (Borsa Italiana)		
march	provisions on records given for the purpose of legitimising the payment of dividends	forecasting of the record date so that it coincides with the second open market day following one of the detachment dates provided for in the calendar indicated in the Instructions, with the exception of certain possible exceptions
september	remodulation of NOMAD ¹ requirements. simplification of information obligations in the case of admission to trading of companies already listed on regulated markets operazioni di <i>reverse take-over</i>	the qualification of NOMAD, for the activity carried out in relation to the admission to negotiation, can now be assumed only by a bank or a community investment firm eliminated the procedural step that required the delisting of the company admitted on AIM Italia and the new listing of the company resulting from the operation
october	regulation cycle	reduction from T+3 to T+2
EuroTLX HI-MTF Sim SpA		
july	new functionalities, related to the migration to the Group's technological platform	new modalities of determination of the reference price; monitoring of the limit of variation of the prices of the contracts with respect to the static price; limits to the insertion of the negotiation proposals; review of the types of negotiation proposals
HI-MTF		
	introduction of multiquote functionality for market makers	
	regulation cycle	reduction from T+3 to T+2

¹Person who verifies compliance with the conditions for admission to trading and issues a specific declaration of 'appropriateness' of the issuer .

In 2014, an application was also filed with Consob for the recognition, pursuant to Article 67, paragraph 2 of the Consolidated Law on Finance, of two foreign derivative financial instrument markets, part of the CME Group and based in New York. These markets are COMEX (operated by Commodity Exchange Inc.) and NYMEX (operated by New York Mercantile

Exchange Inc.). The first market trades futures and options on metals, especially precious metals, gold, silver, copper and steel. Futures contracts and options are traded on the second market, with energy, metals and agricultural commodities as the underlying assets.

With reference to the operating rules of the Multilateral Trading Facilities (MTFs) and Systematic Internalisers (SIs), Consob monitored the changes made by the operators of the trading platforms to their operating rules in order to verify their compliance with EU guidelines (Tab. 2).

1.2 The suspension of financial instruments from trading

During 2014, thirteen notices of suspension and eight notices of exclusion of financial instruments from trading on regulated markets operated by Borsa Italiana were received.

Moreover, as provided for by Article 64, paragraph 1-*bis*, letter a) of the Consolidated Law on Finance, Consob carried out the relevant assessments concerning Borsa Italiana's measures concerning suspensions from trading in financial instruments for an indefinite period of time, taking into account any information elements other than those considered by the stock exchange company as well as the aims of investor protection, market transparency and the orderly conduct of trading.

As required by Article 41, paragraph 1, second sentence of MiFID, Consob sent ESMA and other competent authorities the reports received from Borsa Italiana on the suspension and exclusion measures adopted in 2014, through the Suspension and Restoration Information System (SARIS).

This System, operational since 14 October 2013, is organised and managed by ESMA and used by the competent authorities to notify decisions to suspend, readmit and exclude financial instruments from trading.

Article 41 of Directive 2004/39/EC (MiFID) attributes specific powers and reporting obligations to competent authorities and operators of regulated markets in relation to the suspension and exclusion of financial instruments from trading on a regulated market.

The scope of MiFID provisions referred to above was also modified as a result of the recent revision of the framework. Under Article 52, paragraph 2 of the new Directive 2014/65/EU (MiFID II), the competent authority will be obliged to require that financial instruments suspended or excluded from a regulated market are suspended and also excluded from other trading platforms (such as MTFs, OTFs and IS operating within its jurisdiction) where the same financial instrument or derivatives related or referred to it are traded.

2 Supervision of market trading and information integrity

2.1 Supervision of transparency and orderly trading

As usual, in 2014 Consob supervised the correctness of the information transmitted in compliance with transaction reporting obligations, with particular reference to monitoring the timeliness and correctness of the reports received by Consob and the fulfilment of pre-trading and post-trading transparency obligations.

The transaction reporting checks revealed some cases of irregular reporting for which appropriate supervisory measures were started.

Moreover, in compliance with current regulations, regulated markets, multilateral trading facilities and licensed parties notified Consob of the channel used to comply with transparency obligations.

On 30 September 2014, based on the communications received, Consob updated the list of channels used by licensed parties to fulfil post-trade transparency obligations (with an indication, for each channel, of the operator, the internet address and the number of parties who have chosen to use it) as well as the list of channels used to fulfil the transaction reporting obligations.

2.2 Supervision of market information integrity

In 2014, as part of the controls on the correctness of the information provided to the public, Consob formulated 38 requests for news with regard to 25 issuers, pursuant to Article 115, paragraphs 1 and 2 of the Consolidated Law on Finance, and initiated 14 sanctioning proceedings for violations of the regulations on disclosing price-sensitive information to the public and related provisions (see Chapter III 'Supervision of public offering and corporate disclosure' and Chapter V 'Inspection activity and sanctioning measures').

The supervision of the market information integrity has taken on particular importance in the latest stages of implementing the ECB's comprehensive assessment of the main European credit institutions (for further details on the results of the comprehensive assessment see Chapter III 'Supervision of corporate disclosure'). In this circumstance, the controls were carried out based on a specific procedure, prepared by ESMA and shared with the ECB, aimed at making the initiatives of the various European Supervisory Authorities consistent in case of rumours.

In the weeks preceding the public disclosure of the results of the assessment exercise (taking place on 26 October 2014), Consob monitored on an ongoing basis the rumours relating to Italian listed banks, also examining

the content of analysts' research and ratings, as well as operations on the related securities.

During the year, the Commission authorised two mechanisms to store regulated information (i.e. price sensitive information, internal dealing and buy back communications, periodic financial information, information on extraordinary transactions and significant holdings).

ESMA should develop the interconnection system between national storage mechanisms on its portal by 1 January 2018. By that date, each Member State must ensure access to its central storage mechanisms.

In August 2014, Consob launched a new public consultation on hyper-dilutive capital increases. These are share capital increase transactions with pre-emptive rights characterised by a high ratio between the number of shares to be issued and the number of shares outstanding and by a large difference between the subscription price of the new shares and the share price on the last day of trading before the start of the increase (so-called cum price).

A total of 23 highly dilutive capital increases were concluded between 2009 and July 2014. During the periods in which the new shares were offered, there were anomalies in the trend in the market prices of the shares (ex-right) which, especially in the first few days, were greatly overvalued. These anomalies appear to be caused by a variety of factors, mostly of a technical nature and linked to the characteristics of the increases.

Due to the extreme dilution of these increases, a shortage of stocks was generated during the increase, which prevented market dynamics from rebalancing share prices.

Consob has monitored the phenomenon since its inception in order to identify the most appropriate solution to settle the price anomalies mentioned above. Approaching the start of the most significant dilutive price increases, Consob also published specific communications warning the market of the risk of price increases. The usual trade supervisory activities were also carried out, leading to numerous sanctioning proceedings being launched.

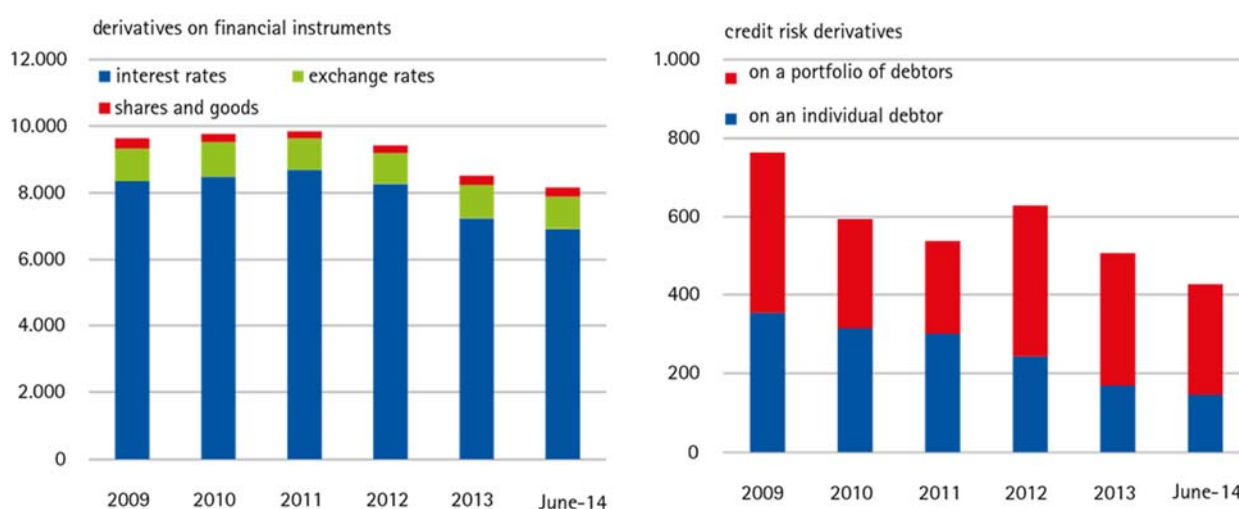
In light of the experience gained, the only solution potentially capable of fully settling price anomalies is to introduce an additional delivery window for the new shares on each day of the offer period (so-called rolling model), in order to overcome the shortage of securities and allow the price to be realigned to correct values.

A decision on this point is expected in the coming months, pending the migration of the Italian central depository to the Target 2 Securities (T2S) system, in light of a careful assessment of the related costs and benefits and of the Level 2 measures of the CSDR, still being defined by ESMA, which is expected to be completed by the end of the second quarter of 2015.

3 Supervision of post-trading and OTC derivatives

In Italy, the notional value of financial derivative contracts traded on an OTC basis stood at just over USD 8 thousand billion in June 2014, down about 4 percent compared to December 2013. The notional value of credit risk derivatives, reflecting also less volatile market expectations, continued to decline during 2014, rising to USD 508 billion from USD 426 billion at the end of 2013 (-16 percent; Fig. 1).

Fig. 1 Notional value of OTC derivative financial instruments in Italy
(end-of-period stocks; billions of US dollars)



Source: Banca d'Italia.

During 2014, in agreement with Banca d'Italia, Consob approved some amendments to the Regulation of the central depository service provided by the Italian central depository, Monte Titoli Spa, as well as some amendments to the Regulation of the collateral management service (X-COM). An agreement was also issued to Banca d'Italia for the approval of the amendments to the Settlement Services Regulations of Monte Titoli related to the X-COM amendments.

At the end of 2014, the procedure for the approval of the amendments to the Centralised Administration and Settlement Regulations of Monte Titoli was also activated in view of the migration of the Italian central depository to the T2S system, scheduled for 22 June 2015. The amendments were approved by Consob and Banca d'Italia in February 2015.

With T2S, the ECB will provide central securities depositories with uniform and standardised settlement services, which the central securities depositories in turn will resell to their participants. Therefore the technical harmonisation resulting from T2S will be a strong stimulus to competition between central depositories to acquire new participants.

At the same time, a joint ESMA-ECB table, in which all central banks and national authorities that are competent for the supervision of CSDs migrating to T2S, including Consob, participate, was activated to establish a Memorandum of Understanding in order to ensure an adequate exchange of information between T2S and the authorities and to establish the methods to supervise T2S. Consob and Banca d'Italia also participated in the work to assess the degree of compliance of the new T2S settlement platform with ESCB-CESR recommendations.

During 2014, Consob and Banca d'Italia began the assessment of Monte Titoli and Cassa di Compensazione e Garanzia's compliance with the Principles for Financial Market Infrastructures (PFMI) issued in 2012 by the Committee on Payment and Settlement Systems, CPSS (now Committee on Payments and Market Infrastructures) of the BIS and the Technical Committee of the International Organization of Securities Commissions (IOSCO).

During 2014, in accordance with EMIR, the authorisation procedure to provide clearing services of Cassa di Compensazione e Garanzia was carried out.

Consob also gave its contribution, for the pertinent profiles, to the four European central counterparty boards in which it is called to participate. These central counterparties were authorised between April and June 2014 (in order, the Dutch EuroCCP Nv, the German Eurex Clearing Ag, the French LCH.Clearnet Sa and the British LCH.Clearnet Ltd).

Following its designation in September 2013 as the competent authority for 'non-financial counterparties' pursuant to the EMIR, Consob began supervising financial derivative instruments under EMIR and then intensified its controls following the entry into force, in February 2014, of the obligation to report to the trade repositories registered or recognised by ESMA all derivative contracts concluded, whether on or off-market (reporting obligation).

In this first phase of applying the legislation, the supervisory activity focused on a selection of non-financial counterparties, to which a self-assessment was sent in order to verify the degree of compliance with the obligations deriving from the EMIR and its implementing regulations.

With regard to the reporting obligation, Consob made every effort to obtain access to the six trade repositories and to promptly start supervising the reported data.

During 2014, the procedure, promoted by Consob and Banca d'Italia, for the approval of Unioncamere as an accredited Italian body to issue the legal entity identifier (LEI) code, i.e. the unique code that allows to uniquely identify the participant in a derivative transaction at international level, was successfully completed.

4 Supervision of short selling

On ten occasions in 2014, the Commission banned short selling of individual Italian equity shares, pursuant to Article 23 of EU Regulation 236/2012 concerning short selling and certain aspects of credit default swaps (nine in 2013). The bans were applied due to the significant price decreases that occurred on the market, equal to or higher than the 10 percent threshold provided for in the aforementioned Regulation, and they had a limited duration of a few days, in line with the Regulation's provisions.

The ban on net short positions is much more pervasive than the ban on short selling because it extends its effects to all trading, wherever they take place, and includes both transactions in shares and related instruments, such as derivative financial instruments. For this reason, one of the prerequisites set by the Regulation for adopting such a ban is the presence of an event that could cause a serious crisis in the markets. Precisely because of this stringent prerequisite, cases of adopting measures on net short positions are very rare (3 in the whole European Union since 2012).

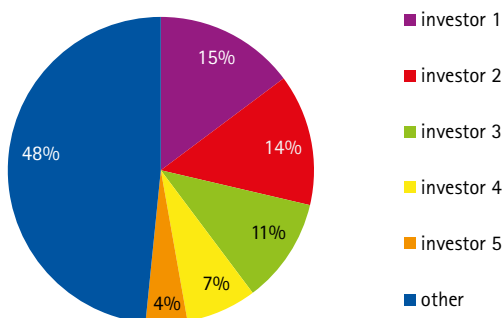
With regard to the exemption system, 17 domestic intermediaries were authorised for exemptions for market making activities. 20 intermediaries, mostly foreign, were exempted as primary dealers of Italian government bonds. There are no changes compared to 2013 on the identity of exempted entities.

In 2014, Consob monitored the compliance of market makers with listing requirements also through the analysis of summary data on the quality of the market making activity, processed and transmitted by trading venues (in compliance with the respective market rules).

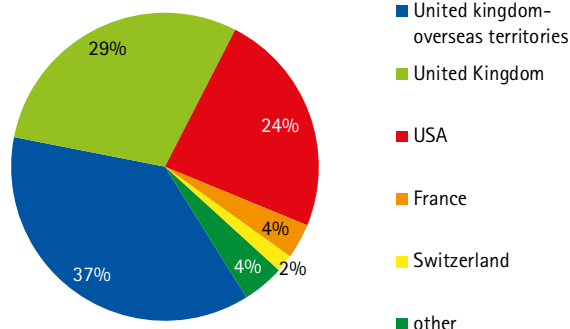
With regard to the net short positions on Italian securities, during 2014 approximately 4,700 notifications of Italian shares were received, compared to approximately 3,000 in 2013 (Fig. 2).

Fig. 2 Concentration and breakdown of net short positions on Italian equities by nationality of investors

concentration by investor



distribution by country



Source: processing on Consob data. The overseas territories of the United Kingdom also include the Cayman Islands. .

5 Supervision over the dissemination of research and ratings

During 2014 Consob continued its activity of supervising the dissemination of investment recommendations concerning Italian listed issuers, and judging ratings, also concerning the Italian State, in order to check the correctness of the information framework and the effects on the performance and trading of the related securities.

Pursuant to Article 69-*novies*, paragraph 1 of the Issuers' Regulation, Consob received more than 26 thousand investment recommendations (+18 percent compared to the previous year) of which about 2,500 monographic (Tab. 3).

Tab. 3 Monographic studies on listed companies by type of operational advice
(percentage values)

	operational advice				<i>total</i>
	buy	hold	sell	without judgment	
2009	46.5	31.2	16.9	5.4	5,808
2010	53.2	29.4	11.1	6.3	5,358
2011	55.3	28.5	11.5	4.7	5,750
2012	48.2	34.1	14.8	2.9	6,190
2013	43.7	38.2	16.8	1.2	6,497
2014 ¹	53.0	36.8	8.1	2.0	2,529

Source: Consob. ¹ The number of monographic studies produced during 2014 is not comparable with previous years due to a change in the classification criteria for monographic studies..

The number of listed companies subject to monographic studies during the year was 224, down by about 6 percent compared to 2013 (Tab. 4). In line with the previous year, just under a quarter of the total number of companies covered by financial analysis is subject to more than 50 studies per year, while the same number was covered by less than 5 studies.

Tab. 4 Listed companies subject to monographic studies by degree of coverage

	number of companies subject to monographic studies ¹	breakdown of companies studied by number of studies produced ²					<i>total</i>
		≥ 51	25 - 50	13 - 24	5 - 12	≤ 4	
2009	223	22.3	12.4	16.7	19.9	28.7	100.0
2010	215	23.9	9.8	17.7	20.7	27.9	100.0
2011	208	25.9	11.6	14.5	20.7	27.3	100.0
2012	227	23.3	12.3	19.1	18.9	26.4	100.0
2013	239	24.6	10.8	16.9	22.1	25.6	100.0
2014	224	22.8	11.5	17.2	23.4	25.1	100.0

Source: Consob. ¹ Companies listed on regulated markets managed by Borsa Italiana. ² Percentage data.

The supervisory activity on ratings concerned both monitoring the methods and timing their dissemination and analysing the correctness and transparency of the information and the fundamental elements underlying such ratings.

On the one hand, this activity aims at identifying possible cases of violation of EC Regulation 1060/2009 to be reported to the attention of ESMA and, on the other hand, at verifying conduct that could integrate possible market abuse hypotheses, also through the analysis of the additional information context and the operations carried out on the market in correspondence with the dissemination of ratings.

6 Supervision of market abuse

6.1 Prevention

During 2014, monitoring continued of the measures adopted by Italian issuers to prevent market abuse.

In the context of information supervision, the communications were examined relating to the operations of issuers on their own securities (including buy-backs) and of relevant parties (internal dealing).

With regard to internal dealing controls, ten sanctioning proceedings were initiated against qualified shareholders, directors and managers of eight issuers for delay in disclosing transactions involving the issuer's shares.

At the same time, work continued in order to check the internal procedures adopted by listed issuers to ensure the confidentiality of inside information (procedures for managing inside information, internal dealing communications and keeping a register of persons with access to inside information). In two cases, issuers were asked to update or implement procedures.

6.2 Repression

In 2014, the investigation of market abuse continued to make use of the findings from preliminary investigations, aimed at an effective and rapid selection of the hypotheses of violations worthy of further investigation.

These investigations were prompted, to a greater extent than in previous years, by complaints and claims made by private and institutional investors, and by anomalies detected by the monitoring systems used in market supervision. As usual, the preliminary investigations were based on reports of suspicious transactions, equal to 210 in 2014 (231 in 2013), of which 177 from Italian supervised entities (intermediaries and MTF market

management companies) and 33 from foreign counterparts, mainly the British Financial Conduct Authority (FCA). In turn Consob sent 13 reports, received from Italian supervised entities, to similar foreign authorities.

44 percent of the reports received concerned conduct attributable (in the first place) to insider trading, 46 percent to the assumption of market manipulation and the remaining 10 percent to conduct integrating both types of offences or not immediately identifiable based on the information communicated. The financial instruments subject to reporting mainly consisted of shares (82 percent), followed by bonds (5 percent), and, in the remaining 13 percent of cases, derivatives, covered warrants and combinations of several instruments (in particular, covered warrants and underlying assets).

In 2014, two sanctioning proceedings were also launched in relation to detecting suspicious transactions resulting from inspections ordered to verify the validity of the processes and procedures adopted by two intermediaries of national importance.

During the year, 35 market abuse investigations were concluded and administrative and/or criminal offences were alleged in 13 cases (Tab. 5). In particular, administrative offences were alleged in 12 cases, five of which related to insider trading (Tab. 6), two to unlawful disclosure of inside information and the remaining five to operational manipulation.

Tab. 5 Results of investigations on market abuse

	cases of administrative and/or criminal offence		cases in which no offence was found	<i>total</i>
		<i>of which for insider trading</i>		
2009	8	2	6	<i>14</i>
2010	10	3	19	<i>29</i>
2011	15	7	14	<i>29</i>
2012	12	4	14	<i>26</i>
2013	13	4	9	<i>22</i>
2014	13	5	22	<i>35</i>

Source: Consob.

Tab. 6 Type of inside information in cases of insider trading

	change of control, takeover bid	economic results, patrimonial and financial situation	assets equity transactions mergers, spin-offs	other	<i>total</i>	
						<i>of which cases of front running</i>
2009	--	--	1	1	<i>1</i>	<i>2</i>
2010	2	--	1	--	--	<i>3</i>
2011	5	--	--	2	--	<i>7</i>
2012	4	--	--	--	--	<i>4</i>
2013	1	1	--	2	--	<i>4</i>
2014	1	1	1	2	<i>1</i>	<i>5</i>

Source: Consob.

In 2014, Consob as a whole initiated administrative proceedings for market abuse against 33 natural persons, 6 bodies for joint liability pursuant to Article 6, paragraph 3, of Law 689/1981; two of these entities were charged with administrative offences also in relation to their own liability under Article 187-*quinquies* of the Consolidated Law on Finance (Tab. 7).

Tab. 7 Operators involved in cases of market abuse

	authorised intermediaries ¹	institutional insider ²	other operators ³	foreign entities	<i>total</i>
insider trading					
2009	--	2	9	--	<i>11</i>
2010	--	4	1	2	<i>7</i>
2011	1	4	5	--	<i>10</i>
2012	--	2	4	--	<i>6</i>
2013	3	1	10	3	<i>17</i>
2014	0	5	4	1	<i>10</i>
market manipulation					
2009	2	1	10	1	<i>14</i>
2010	1	2	8	--	<i>11</i>
2011	--	7	7	--	<i>14</i>
2012	1	8	6	--	<i>25</i>
2013	2	12	12	--	<i>26</i>
2014	1	18	9	1	<i>29</i>

Source: Consob. ¹ Banks, Italian investment firms (SIMs), asset management companies (AMCs) and stockbrokers. ² Shareholders, directors, executive of listed companies. ³ Insider secondari (art. 187-*bis*, comma 4, Tuf).

Requests for data and news on market abuse in 2014 concerned 173 intermediaries, six listed companies and their parent companies or subsidiaries, 37 private entities (20 of which were called for hearing), while they involved foreign authorities in 24 cases (Tab. 8).

Consob also brought a civil action in nine criminal proceedings on market abuse (of which seven for unlawful disclosure of inside information and two for insider trading), which had been reported to the competent Judiciary as a result of the supervisory investigations carried out (Tab. 9).

In 2014, five proceedings concerning market abuse in which Consob had previously brought civil action were concluded in first instance. In four cases, the liability of the accused was established and they were ordered to pay damages to Consob (in one case, a defendant was found guilty, while two other defendants were acquitted); one was acquitted.

Tab. 8 Request for data and information on market abuse
(number of addressees entities)

	authorised intermediaries ¹	listed companies and parent companies or subsidiaries	private entities	of which hearings	public sector entities	foreign entities	total	of which on behalf of foreign entities
2009	78	53	93	47	17	27	268	15
2010	37	35	48	41	5	17	142	13
2011	161	7	109	57	2	61	340	29
2012	207	9	71	30	27	50	364	40
2013	154	14	78	39	81	22	349	11
2014	173	6	37	20	63	24	303	45

Source: Consob. ¹ Banks, Italian investment firms (SIMs), asset management companies (AMCs) and regulated markets managers.

Tab. 9 Civil partisan constitutions of CONSOB in criminal proceedings relating to insider trading and market manipulation offences

year	constitutions	offence ¹	result at 31 dicembre 2014
2009	1	market manipulation	1 conviction
2010	3	insider trading, market manipulation	1 conviction ² 1 acquittal
2011	6 ³	market manipulation	2 conviction 1 settlement 1 statute of limitations ruling
2012	2 ⁴	insider trading, market manipulation	
2013	5	insider trading, market manipulation	2 settlement 1 statute of limitation ruling
2014	9	insider trading, manipolazione del mercato	4 conviction 1 acquittal 1 statute of limitations ruling

Source: Consob. ¹ *Insider trading*: art. 2, law 157/1991, art. 180 Tuf, now art. 184 Tuf; stock manipulation: art. 5, law 157/1991, art. 2637 of the Civil Code., now art. 185 Tuf. ² The competent Court of Appeal confirmed the conviction, granting the defendant the benefit of not mentioning the conviction. ³ Among the six, after the constitution of a civil plaintiff, two proceedings were joined for objective and subjective connection. ⁴ Judgments pending at first instance.

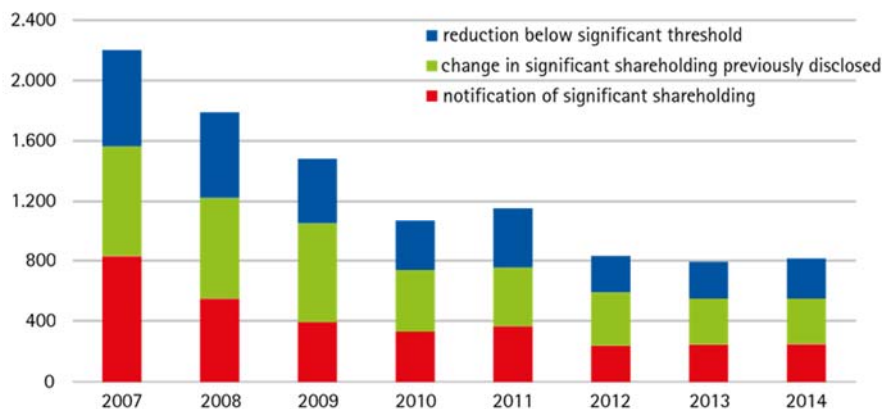
In another trial for unlawful disclosure of inside information (in the Citigroup case), in an immediate appeal, the High Court (*Corte di Cassazione*), in ruling 4619/14, annulled without referral the acquittal at first instance for limitation, for criminal purposes, and annulled the same contested ruling, for civil purposes, with referral to the Civil Judge pursuant to Article 622 of the Italian Criminal Code for liquidation of the damages suffered by Consob.

Finally, with regard to the launch of investigations concerning cases of market abuse initiated in previous years, reference should be made to the following Chapter V 'Inspection activity and sanctioning measures'.

1 Ownership structure disclosure

During 2014, 813 communications were published that concern investments in listed companies pursuant to Article 120 of the Consolidated Law on Finance. This figure is substantially in line with that for the previous two years and confirms the decrease in progress since 2012, resulting from the exemption of asset management companies from the obligation to disclose equity investments of less than 5 percent (Fig. 3).

Fig. 3 Disclosure of major shareholdings in Italian companies



Source: Consob.

In 2014, the communications by listed issuers concerning treasury stock transactions were about 2 percent of the total (4 percent in 2013).

In contrast to the previous year, in 2014, declarations referring to foreign entities were prevalent (61 percent compared to 44 percent in 2013). With regard to the type of declarant, 30 percent of communications were made by Italian and foreign corporations and banks respectively (for the latter, the figure shows a clear increase compared to 2013 when it was 18 percent).

During 2014, three declarations relating to the acquisition, disposal or modification of potential shareholdings in three different listed companies

were published, as well as a single statement regarding the declaration of no longer having a previously stated 'overall long position'.

In 2014, 160 shareholders' agreement messages were published, relating to 60 listed companies, of which 85 concerning changes to existing shareholders' agreements, 35 to the dissolution or termination of existing shareholders' agreements, and the remaining 40 to the publication of extracts from new shareholders' agreements.

Among the companies admitted to listing, only in one case were shareholders' agreements entered into that were subject to disclosure pursuant to Article 122 of the Consolidated Law on Finance.

During the year, Consob was engaged in an intense supervisory activity aimed at verifying the correct fulfilment of the obligations concerning the disclosure of shareholders' agreements and the consistency of these obligations with the operation of valuing the shares indirectly held in Pirelli by the shareholders of Lauro Sessantuno/Camfin (Unicredit, Intesa Sanpaolo, Clessidra and Nuove Partecipazioni).

2 Supervision of related party transactions

In application of the disclosure requirements set out in the Consob Regulation on related party transactions, 53 information documents were published in 2014 for transactions of greater importance (Tab. 10).

Tab. 10 Information documents on significant transactions with related parties published in 2014 by Italian listed companies

type of transaction	counterpart			total	
	directors / company referable to directors	parent company / reference partners	subsidiary /associated company		
supply contracts, services, sponsorship, investment	--	9	1	10	
financing	--	16	2	18	
capital transactions	--	10	2	12	
asset transfer	--	13	-	13	
	<i>total</i>	--	48	5	53

Source: Consob.

During 2014, Consob was informed about some 25 transactions of greater importance exempted from the disclosure and procedural requirements of the Regulation in application of the exemption for ordinary transactions and concluded at conditions equivalent to market or standard conditions. The majority of these transactions were carried out by highly capitalised companies belonging to the FTSE MIB index (17 cases out of 25).

The conflict of interest between controlling and minority shareholders and the risk of expropriation inherent in related party transactions was also at the centre of corporate governance supervision.

The results of the supervisory initiatives concerning smaller companies brought to light critical issues of a more general nature, relating to deviations in internal procedures from the principles of the Regulation on related party transactions as well as their often formalistic applications.

Also in 2014, checks were carried out on certain transactions classified as 'small amounts' and, as such, excluded from the application of the Regulation on related party transactions, which in some cases turned out not to be in line with the guidelines provided in Communication 10078683 of 24 September 2010.

3 Supervision of corporate governance and internal supervisory bodies

In addition to related party transactions, the supervisory activity on corporate governance also focused on analysing the completeness of the pre-meeting information, with particular reference to the reports on corporate governance and remuneration drawn up pursuant to Articles 123-*bis* and 123-*ter* of the Consolidated Law on Finance.

Again with regard to compensation, Consob monitored the information in case of terminating the relationship with executive directors and general managers provided pursuant to the information recommendations contained in Consob communication 51400 of 19 June 2014 (addressed to companies in the FTSE MIB and Mid Cap indices) and implemented in July 2014 in the Code of Corporate Governance (which extended its application to all listed companies). These recommendations, which provide for an immediate and in-depth disclosure on severance indemnities and the related resolution process, were applied in some of the cases of termination of executive directors or general managers that occurred in the second half of 2014.

Supervisory activities continued with regard to Telecom Italia Spa (Telecom), in relation to both the contacts among shareholders - also with reference to the shareholders' vote on the renewal of the Board of Directors at the shareholders' meeting of 16 April 2014 - and, on the other hand, the redefinition of Telecom's ownership structure following the proposed spin-off of Telco Spa.

During 2014, a number of cooperative banks were affected by governance self-reform projects aimed at increasing the participation of shareholders and, in particular, institutional investors in corporate bodies. In this context, specific investigations were carried out to identify the

interactions between the corporate bodies from the proposal phase to the shareholders' meeting resolution.

This is the same approach as Legislative Decree 3/2015, concerning 'Urgent measures for the banking sector and investments', which directs cooperative banks with assets exceeding 8 billion euro to transform into joint-stock companies.

In 2014, Consob participated, as mere auditor, in a number of shareholders' meetings, selected on the complexity of the items on the agenda. The 2014 Shareholders' Meeting season was characterised by some innovative proposals to amend by-laws, such as those relating to the integrity requirements of members of the administrative body in companies under public control and changes in governance and the rights granted to minorities by the by-laws.

Still on the subject of slate voting, during 2014 Consob provided some clarifications on the relevant legal and regulatory framework, clarifying in particular that in cases where the shareholding determined annually by the Authority is higher than that set forth in the by-laws, the lower of the two quotas must be applied, in line with the rationale of favouring the representation of the minority in corporate bodies.

At the end of 2014, a number of listed companies (Amplifon Spa, Astaldi Spa and Davide Campari - Milano Spa) called shareholders' meetings to propose the adoption of amendments to the by-laws aimed at introducing the increased voting mechanism provided for in the competitiveness decree.

Constant dialogue with the control bodies was fuelled not only by requests for information but also, and in greater numbers than in previous years, by letters in which Consob drew the attention of the statutory auditors to critical issues found in the conduct of the directors or, more generally, in the structure and functioning of the company's corporate governance system.

During 2014, Consob also received a number of reports of irregularities pursuant to Article 149, paragraph 3 of the Consolidated Law on Finance or of various facts not classifiable as 'irregularities', but communicated on a prudential basis by certain supervisory bodies.

4 Supervision of audit firms

At the end of 2014, there were 26 companies carrying out statutory auditing of public-interest entities (PIEs) and that, pursuant to current legislation, fall under the supervision of Consob (of which 17 are already listed in the former Consob Register), compared to a total number of statutory audits on PIEs of approximately 1,500 entities.

The audit market continues to show characteristics of high concentration. The distribution of legal auditing on the 2014 annual and consolidated accounts of listed issuers shows, in fact, the still high concentration of large-scale audit firms (so-called big four), which cover a market share of about 86 percent (Tab. 11).

Tab. 11 Distribution of audit engagements on the 2014 financial statements of listed companies

legal auditing firms	number of assignments in the company with listed shares	market share ¹
<i>big four</i>	207	86
medium companies	26	11
small companies	8	3
<i>total</i>	<i>241</i>	<i>100</i>

Source: Consob. ¹ Percentage values.

The new regulations will allow the parties to carry out the early termination of the legal auditing of accounts, using, in addition to the existing revocation for just cause (at the initiative of the audited entity), also the establishment of resignations from office (at the initiative of the legal auditor) and the consensual termination of the audit contract. During 2014 there was a significant decrease in the number of cases of early termination of appointments before the set deadlines (Tab. 12).

Tab. 12 Types of early termination of the statutory audit engagement

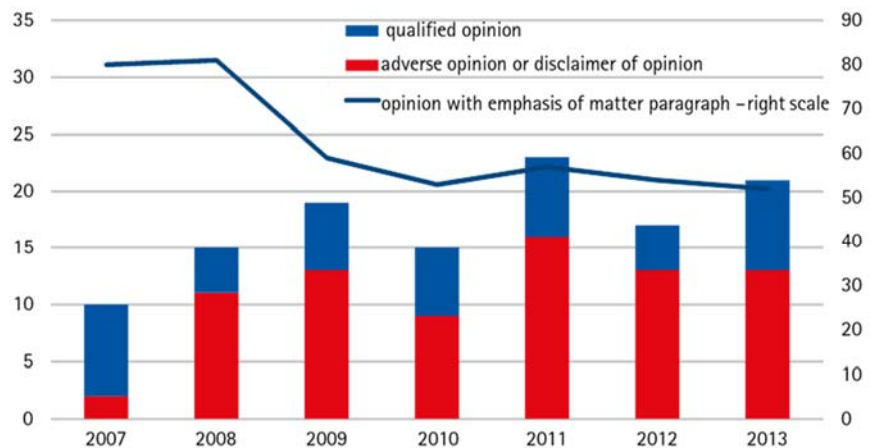
(1 January 2014 - 31 December 2014)

	revocation	consensual termination	resignation
2013	37	45	3
2014	32	16	6
change of parent company	5	6	2
change of group auditor	8	4	
changes inside the group	3	-	-
loss of public interest status	13	-	-
situation which has arisen and is liable to jeopardise independence	-	-	-
the absence of the obligation to carry out a statutory audit due to a lack of legal requirements	-	1	-
non-payment/adjustment of fees after notice of default	-	-	4
incompatibility following a change of controlling shareholder	-	1	-
other ¹	3	4	-

Source: Consob. ¹ In cases of revocation, the replacement was requested by extraordinary commissioners and authorized by the Bank of Italy pursuant to Article 72, paragraph 5-bis Tub. The cases of consensual termination, on the other hand, are motivated by the presence of group policies that provide for the need to entrust the tasks of all subsidiaries to the parent company's auditor.

With reference to the opinions expressed by the auditing firm on the annual and consolidated financial statements of listed Italian issuers for the financial year 2013, there are some slight deviations from the previous year, even if the cases of impossibility to express an opinion are the same (Fig. 4).

Fig. 4 Opinions issued by audit firms on Italian listed companies financial statements



Source: audit firms reports. Data refer to different types of opinion or remark that can also relate to a single issuer.

Also during 2014, the supervision of audit firms was carried out by means of preventive quality control interventions, systematic in nature, and subsequent interventions on specific cases (enforcement).

Although the organisational models and quality control procedures applied by the audited companies were found to be substantially adequate with respect to the indications contained in the reference principles, for some procedural areas it was deemed necessary to request corrective measures aimed at contributing to the design and implementation of more effective and efficient quality control systems.

From this point of view, the importance of a strong interaction and sharing the results of the controls with the supervised entities in the field of quality controls is underlined, an element which, in addition to responding to a precise regulatory provision, represents the essential prerequisite for a substantial success of the relative supervisory interventions. This is all the more essential in the phase of identifying the causes of the weaknesses found (root cause analysis), with a view to overcoming them in the long term, since only through correctly identifying the causes is it possible to strive to qualify the corrective measures to be adopted with a view to improving the quality of the audit activity as essentially effective.

Consob's controls also examined a sample of audit appointments carried out on the financial statements of PIEs, identified using selection techniques based on qualitative-quantitative relevance and risk parameters.

Some intervention profiles also emerged from this examination - aimed at verifying the correctness of the audit activity and its compliance with the auditing standards in its fundamental phases, taking into account the overall procedural structure of the companies and its possible weaknesses.

The main application shortcomings identified with regard to the methods used to perform the selected audit appointments concerned numerous stages of the audit process, such as the verification of related parties, the risk assessment process, the methods used and the documentation of the checks carried out on the selected financial statement items.

Finally, with regard to the checks run by Consob on the procedures for carrying out statutory audit appointments, during 2014 five letters of complaint were sent to two independent auditors, following the ascertainment of alleged irregularities in performing audits relating to the financial statements of three listed issuers and the financial statements of two insurance companies. Five sanctioning measures were also concluded, of which four initiated in 2013 and one in 2014, against four audit firms, whose irregularity profiles are described in Chapter V 'Inspection activity and sanctioning measures' below.

Supervision of corporate disclosure III

1 Supervision of public offerings and admission to trading of equity instruments

In 2014, the Commission approved 27 prospectuses for admission to listing and capital increases, two equivalence judgments and 19 relating to offers of unlisted securities from Italian issuers (Tab. 13).

In particular, 10 companies obtained the approval of the offer and admission to listing prospectus for publication. Of these, Anima Holding, Cerved, FincoBank, Fincantieri and RaiWay were listed.

Tab. 13 Supervision of public offerings and admission to trading of equity instruments
(number of prospectuses)

	2009	2010	2011	2012	2013	2014
admissions to listing of shares ¹	6	7	7	2	5	10
<i>of which: through public offering</i>	<i>1</i>	<i>2</i>	<i>5</i>	<i>2</i>	<i>3</i>	<i>9</i>
judgements of equivalence	2	4	6	7	6	2
rights issue ²	23	16	23	7	11	17
other offerings ³	--	--	--	1	1	--
unlisted securities offerings of Italian issuers ⁴	28	29	31	24	10	19
<i>total</i>	<i>59</i>	<i>56</i>	<i>67</i>	<i>41</i>	<i>33</i>	<i>48</i>

Source: Consob. ¹ Data refer to transactions which received the authorisation to file the listing prospectus. ² Capital increase in listed companies (including warrants and convertible bonds)). ³ 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. ⁴ 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.

In 2014, two listed companies adopted the exemption from publishing listing prospectus set forth by Article 57, paragraph 1, letter d) of the Issuers' Regulation, by making available to the public documents Consob deemed to be equivalent to the prospectus. The first was issued in relation to the cross-border merger by incorporation of Fiat Spa with Fiat Investment Nv, a company which, since the merger took effect, has been renamed Fiat Chrysler Automobiles Nv (FCA); the second was related to the merger by incorporation of Raggio di Luna Spa in Bastogi Spa.

During the year, the Commission approved 17 capital increase prospectuses. The most significant recapitalisation transactions were those of listed bank issuers, mainly as a result of the entry into force of the new European banking supervisory system and its preparatory checks.

The recapitalisation transactions of listed issuers in a situation of financial tension continued as part of more complex corporate restructuring projects (such as, for example, the concordat manoeuvre of Seat Pagine Gialle) as well as capital strengthening operations aimed at pursuing new industrial investment projects (Isagro, Trevi Finanziaria, Cattolica Assicurazioni) or projects to simplify the corporate (Italcementi) or financial structure of the issuer in question (Beni Stabili).

With reference to the offers of unlisted securities of Italian issuers, totalling 19, the Commission also approved 12 offer prospectuses corresponding to capital increases by unlisted banks. Given the deterioration of assets, resulting from the greater difficulty of customers in meeting their commitments, many banks have made significant write-downs of impaired loans and set aside greater provisions to cover potential losses.

In 2014, four prospectuses for the public subscription offer of shares in banks were authorised. The peculiarity of the Italian industrial fabric, mainly consisting of small and medium enterprises, continues to keep alive the aspiration of local realities to leverage the establishment of cooperative credit banks or popular banks dedicated to the development of the reference territory. As usual, Consob's supervisory activities took into account the high risk associated with such initiatives. In the context of such operations, investors are called upon to invest in entities not yet established and subject to a long and complex formation and authorisation process.

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

With reference to public offerings and/or admissions to trading of non-equity EU financial instruments, during 2014 the Commission issued the measure for the approval of 909 prospectuses, of which 313 were debenture loans (five from non-financial companies and 308 from both Italian and foreign bank issuers), 58 covered warrants and certificates and 537 from Undertakings for collective investment in transferable securities (UCITS) (Tab. 14).

The number of base prospectuses approved by Consob is lower than in previous years, due to regulatory changes in 2012, when the relevant threshold to adopt the simplified regime pursuant to Article 34-ter, paragraph 4 of the Issuers' Regulation was raised.

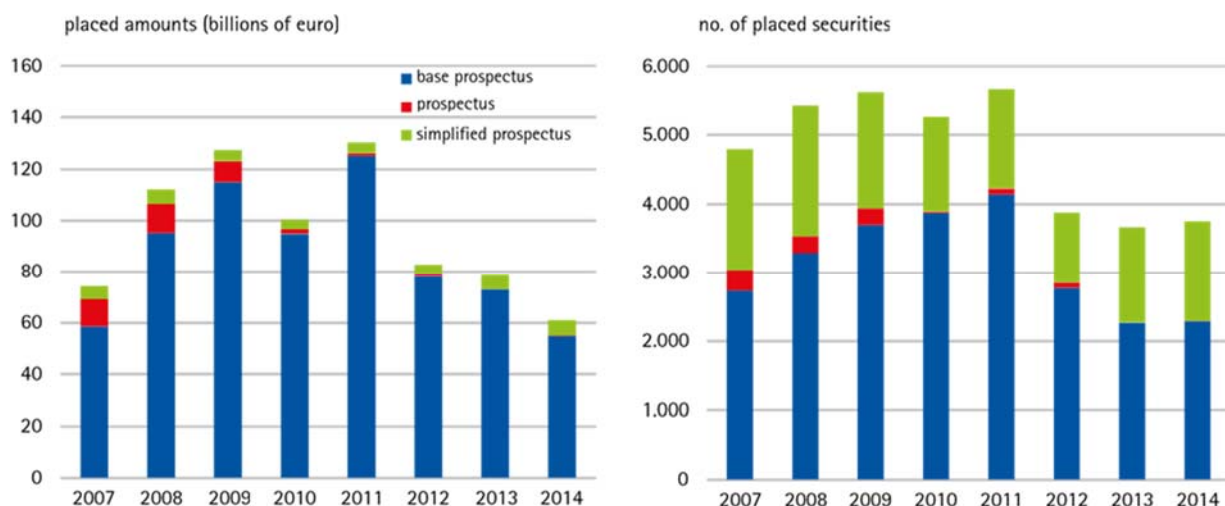
Tab. 14 Supervision of public offerings and admission to trading of non-equity instruments
(number of prospectuses)

	2009	2010	2011	2012	2013	2014
bonds	748	655	777	535	517	313
of which: <i>base prospectuses</i>	472	405	416	286	196	148
<i>prospectuses</i>	36	24	14	7	3	8
<i>registration documents and supplements</i>	240	226	347	242	327	157
covered warrant ¹ and certificates	102	27	66	52	104	58
admission to listing of warrants	10	--	--	--	--	1
UCITS ²	337	380	330	415	478	537
<i>total</i>	<i>1,197</i>	<i>1,062</i>	<i>1,173</i>	<i>1,002</i>	<i>1,009</i>	<i>909</i>

Source: Consob. ¹ Number of prospectuses approved during the year, each of which normally involves the issue of several 'series' of covered warrants. The total includes 34 basic prospectuses, 5 registration documents and 65 supplements. ² The figure includes 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; it also includes distributed harmonised foreign UCITS funds. It is noteworthy that: i) from 1 July 2009, no prior authorisation is required for the publication of prospectuses for open-end Italian UCITS; ii) the 1 July 2011 marked the entry into force of a new notification procedure between the authorities of the originator member state and Consob, pursuant to article 93 of Directive 2009/65/EC and Regulation EU 584/2010.

The volumes placed relating to the offerings concluded during 2014 show a substantial reduction compared to the previous year (approximately 60.9 billion euro compared to 78.5 billion euro in 2013), against a slight growth in the number of securities offered (3,750 compared to approximately 3,700 in 2013; Fig. 5).

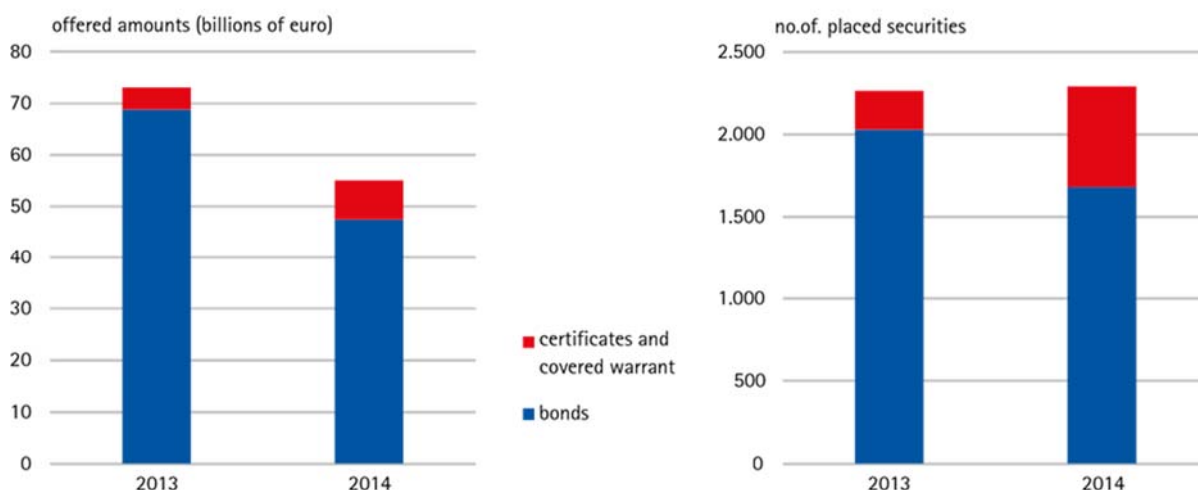
Fig. 5 Bonds, certificates and covered warrants offered by Italian banks by tipe of prospectus



Source: Consob.

In the area of instruments issued by banks, in 2014 issues of certificates and covered warrants increased significantly compared to the previous year (Fig. 6).

Fig. 6 Bonds, certificates and covered warrants offered by Italian banks by financial instrument type



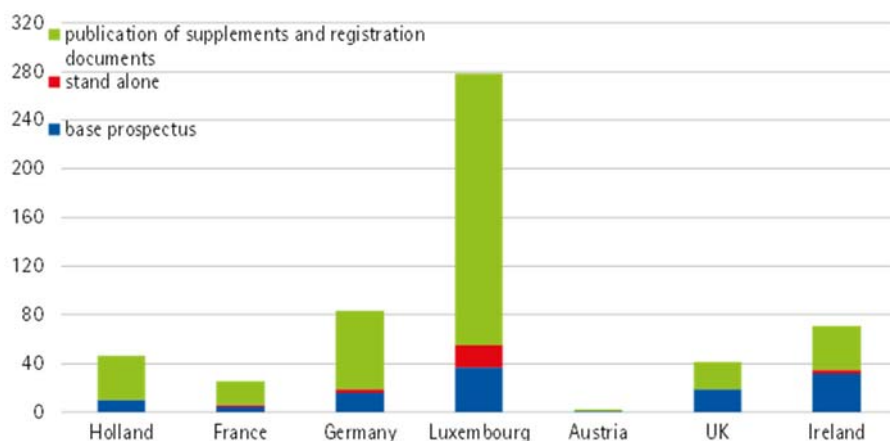
Source: Consob.

As to the EU non-equity financial instruments of financial companies, Consob verified during the year the completeness and certificate approval validity of 546 documents (727 in 2013) approved by European Union authorities and notified by them to Consob, pursuant to Directive 71/2003/EC. These documents can be traced back to the following types: 119 base prospectuses (22 percent of the total), 26 stand-alone prospectuses (5 percent) and 401 supplements (73 percent; Fig. 7).

During 2014, 869 securities of financial companies referring to the final terms transmitted to Consob and the related base prospectuses previously passported (1,280 in 2013) were offered to the public in Italy and/or admitted to trading on Italian regulated markets.

During the year, Consob authorised four subjects (ten in 2013) to proceed, within the limits previously communicated, with five issues of Titoli di Risparmio per l'Economia Meridionale (14 in 2013).

Fig. 7 Offer to the public and admission to trading of non-equity financial instruments – passported instruments



Source: Consob.

The supervision of the information provided in the prospectus at the time of the public offering and/or admission to trading on regulated markets of non-equity instruments issued by banks, and characterised by particularly complex profiles, was further strengthened during 2014, also with a view to making the supervision of disclosure synergistic with that carried out with regard to providing investment services and complying with the rules of conduct.

Moreover, during the year, in light of the new regulatory framework for the prudential supervision of credit institutions and resolving banking crises, many banks updated their offer documentation so as to provide adequate evidence of the risks associated with products issued by entities falling within the scope of Directive 2014/59/EU.

Finally, supervision was intensified of advertising activities relating to the offer/admission operations for trading on regulated markets of products, for prospectuses both domestic and passported in Italy under the cross-border validity regime of the prospectuses.

With regard to the transparency supervisory activity carried out on financial-insurance products, during 2014, 485 prospectuses (410 in 2013) relating to unit-linked (41 first deposits and 329 updates), index-linked (two first deposits) and capitalisation (28 first deposits and 85 updates) financial products were filed with Consob; Tab. 15). The monitoring activity highlighted 203 prospectuses with potential critical disclosure issues.

Tab. 15 Enforcement interventions on insurance products carried out in 2014

contract type	deposited prospectuses		prospectuses monitored	surveillance intervention by area			total
		of which: first deposits		financial structure and risk	performance scenarios	other	
unit linked	370	41	201	146	46	106	298
index linked	2	2	0	85	--	2	87
capitalisation	113	28	2	--	--	--	--
<i>total</i>	<i>485</i>	<i>71</i>	<i>203</i>	<i>231</i>	<i>46</i>	<i>108</i>	<i>385</i>

Source: Consob.

During the year, insurance companies also filed with Consob 883 'specific information' sheets, i.e. commercial proposals representing concrete investment examples, qualified by the key information that contribute to determining their risk-return profile.

3 Takeover bids and exchange tender offers

During 2014, the Commission allowed the publication of ten offer documents (eight in 2013) relating to six voluntary and four mandatory takeover bids. All the offers concerned listed financial instruments, i.e. in seven cases shares traded on regulated markets and in the remaining three cases shares of closed-end mutual funds listed on the closed-end funds segment of the 'Mercato telematico degli investment vehicles', organised and managed by Borsa Italiana Spa (Tab. 16).

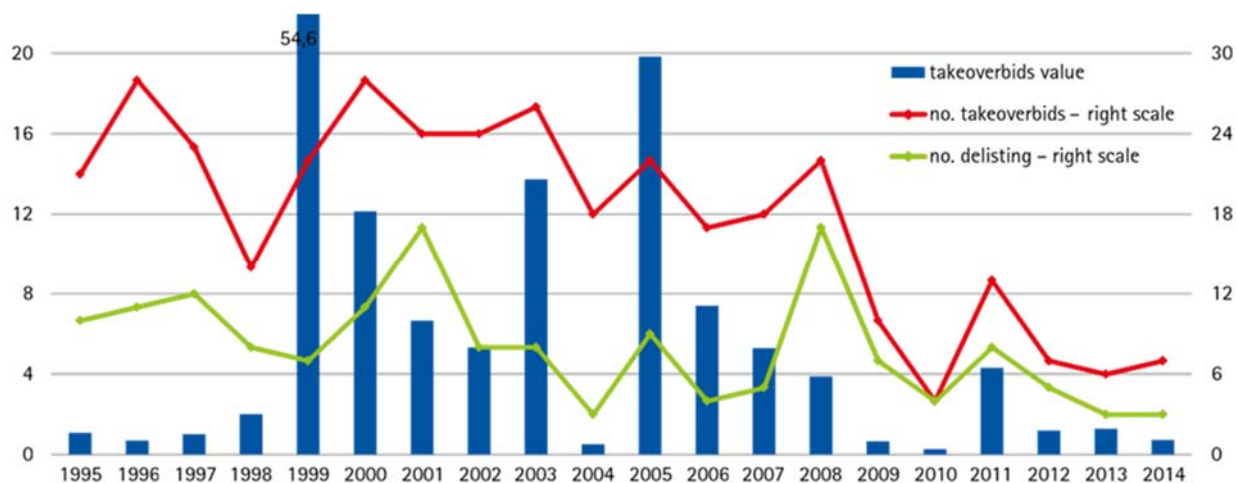
Tab. 16 Financial instruments subject to public takeover and/or exchange offers for which the publication of the offer document has been authorized in 2014

	on listed instruments	on unlisted instruments	total
full voluntary takeover bid ¹	4	--	4
partial voluntary takeover bid ²	2	--	2
next/mandatory	4	--	4
takeover bid on own shares	--	--	--
<i>total</i>	<i>10</i>	<i>--</i>	<i>10</i>
obligation/right of purchase ³	3 ⁴		

Source: Consob. ¹ In two cases, the offers were for units of closed-end real estate investment funds listed on the Miv. ² In both cases the offers were for units of closed-end real estate investment funds listed on the Miv; in one case the offer was not successful. ³ In cases of obligation/right of purchase, no offer document has been drawn up as the information has been disseminated to the market through a special notice/press release. ⁴ Following the bids, respectively mandatory and voluntary totalitarian, made on Indesit and Cobra, the purchase obligation was exercised pursuant to Art. 108, paragraph 1, of the Tuf at the same time as the right to purchase pursuant to Art. 111, paragraph 1, of the same decree (so-called 'joint procedure'). Following the offer made on Poltrona Frau shares, the offeror initially fulfilled the purchase obligation pursuant to Article 108, paragraph 2, Tuf and, having reached a stake in the issuer's capital of more than 95%, thus giving rise to the "joint procedure". In none of these cases was the consideration determined by Consob, as the relevant legal requirements were not met.

The number of offers involving shares issued by listed companies remained substantially stable compared to the previous year (seven in 2014 and six in 2013), while the overall value decreased by approximately 56 percent (0.7 against 1.3 billion euro; Fig. 8).

Fig. 8 Public purchase and/or exchange offers on the securities of listed Italian companies
(billions of euro)



Source: processing on Borsa Italiana data and offer documents. The consideration in securities of the exchange offers is valued at market prices on the day prior to the announcement of the offer.

Among the offers made during the year, five were promoted by entities indicated in Article 39-*bis* of the Issuers' Regulations (respectively, on Indesit, Bonifiche Ferraresi, Aeroporto di Firenze, Poltrona Frau and Acque Potabili shares). Therefore, as part of these transactions, a justified opinion was prepared by the independent directors of the issuer, pursuant to the mentioned article, containing assessments of the offer and the fairness of the consideration.

During the course of the year, the Commission answered a number of questions concerning the applicability of the takeover bid rules and the rules on the exemption from the take-over bid obligation. The main ones are summarised below (Tab. 17).

Tab. 17 Questions on the subject of a takeover bid

object and normative references	Consob guidance
<p>Communication n. 0047353 of 6/6/2014. Entry of Banco di Desio e della Brianza Spa into the capital of Banca Popolare di Spoleto Spa in Amministrazione Straordinaria ('BPS') – Applicability of the exemption from the obligation to promote a takeover bid pursuant to art. 49, paragraph 1, letter b), (iii) of the Issuers' Regulations</p>	<p>Consob ruled out the existence of an Opa obligation on Banco Desio. From an analysis of the documentation acquired, the Commission found that all the conditions required by Article 49, paragraph 1, letter b), (iii), of the RE were met.</p>
<p>Communication n. 0049117 of 11/6/2014. Applicability with respect to a prior voluntary tender offer – promoted pursuant to Articles 102 and 106, paragraph 4, Tuf – of the provisions of Article 123, paragraph 3, Tuf.</p>	<p>The application of the provisions of Article 123, paragraph 3, Tuf does not fall within the competence of Consob, unlike the violation of the obligation of Opa which determines the application of pecuniary administrative sanctions and the adoption of authoritative measures by Consob. Any claim relating to the correct application of the content of the contractual agreements and any request relating to the possibility for individual shareholders to withdraw from the same must be made exclusively before the competent Judicial Authority.</p>
<p>Communication n. 0064164 of 3/7/2014. Reorganisation of the Marzotto group with consequent change of control of the vehicle (Wizard Srl), indirect holder of significant shareholdings in the listed company Ratti Spa and applicability of the regulations on mandatory tender offer for the 'acquiring party' (Trenora Srl) on the issued shares of the same Ratti Spa – Exclusion of the operation from the scope of application of article 106, paragraph 3, letters a) and b) of Tuf and articles 45 and 46 of the Issuers' Regulations.</p>	<p>The Commission's assessments focused on the notion of 'indirect shareholding', integrated subject to the use of prevalence indices articulated, on the one hand, from an objective point of view, in terms of the impact of the listed company's shareholding on the accounting level (condition of 'objective' prevalence) and, on the other, in terms of the valuation of the listed company's securities in the context of determining the price relating to the purchase transaction of the company participating in the listed company (condition of 'valuation' prevalence)</p>
<p>Communication n.0074531 of 18/9/2014. Inapplicability of the discipline of the mandatory tender offer in relation to an operation of purchase of a minority stake in the share capital of a listed issuer by an institutional investor at the same time as the signing of a shareholders' agreement between the aforementioned investor and the reference shareholder of the issuer.</p>	<p>Consob considered that the entry of the institutional investor into the issuer's capital and the concomitant stipulation of the shareholders' agreement – provided that the factual circumstances indicated in the question were actually confirmed in the future course of the corporate events – would not have a significant impact on the issuer's governance and would not lead to a change in its control structure capable of determining the emergence of a joint and several offer obligation on its shares, pursuant to the combined provisions of articles 106, paragraph 1 and 109, Tuf</p>
<p>Articles 106, paragraph 1 and 109, Tuf</p>	
<p>Communication n. 0098110 of 22/12/2014. Reorganization operation of Aedes Spa – Question regarding the applicability of the exemption from the obligation to promote a mandatory takeover bid, pursuant to the combined provisions of art. 106, paragraph 1, letter a) of the Tuf and art. 49, paragraph 1, letter b) of the Issuers' Regulation – Adoption of a reasoned exemption measure pursuant to art. 106, paragraph 6, of Legislative Decree no. 59/98.</p>	<p>The operation was deemed to be attributable to 'operations aimed at rescuing companies in crisis' as per article 106, paragraph 5, letter a) Tuf, as well as in line with the rationale underlying article 49, paragraph 1, letter b) no. 2, of the Issuers' Regulation and a measure was therefore adopted pursuant to article 106, paragraph 6, Tuf by which it was resolved that any exceeding of the 30% threshold referred to in article 106, paragraph 6, Tuf. 106, paragraph 1, Tuf in the capital of Aedes would not have led to the creation of an opa obligation on the part of those persons who, as a result of the subscription of the capital increases provided for in the recovery plan and resolved in relation to the rescue of Aedes, would exceed, individually or jointly, by virtue of the investment contract signed, the threshold referred to in Article 106, paragraph 1, Tuf.</p>

Source: Consob.

4 Corporate disclosure

As usual, Consob's supervisory activity on corporate disclosure gave rise to numerous requests for information and publication of data and news (Tab. 18).

More specifically, Consob made 633 requests for information pursuant to Article 115 of the Consolidated Law on Finance and 106 requests for publication of information and news pursuant to Article 114 of the Consolidated Law on Finance. In 24 cases, Consob requested the integration of the information contained in the accounting documents, while in 55 cases the information to the market was integrated through press releases.

Tab. 18 Supervision of corporate disclosure and ownership structure

	2009	2010	2011	2012	2013	2014
request of information pursuant to art. 115, TUF						
<i>recruitment of news from directors, auditors, general managers, parent companies and subsidiaries</i>	155	198	178	141	258	201
<i>data and information requests¹</i>	422	244	404	404	472	395
<i>requests for confirmation of significant shareholdings</i>	214	33	20	18	12	20
<i>requests for information for the identification of the persons responsible for compliance for which a violation is contested</i>	--	--	--	--	2	10
<i>requests for information on the shareholding</i>	20	31	9	7	4	7
<i>total</i>	<i>811</i>	<i>506</i>	<i>611</i>	<i>570</i>	<i>748</i>	<i>633</i>
request to publish data and information pursuant to art. 114, TUF						
<i>additions of news to be provided at the meeting</i>	38	24	18	30	16	16
<i>additions to periodic accounting documents</i>	59	7	15	20	15	24
<i>information to be provided to the market (press releases)</i>	112	109	76	55	104	55
<i>monthly periodic information</i>	3	9	10	12	6	--
<i>quarterly periodic information</i>	20	6	--	--	8	3
<i>integration of merger documents and other extraordinary operations²</i>	25	1	6	4	15	4
<i>additions to the press releases approved pursuant to art. 103 of the Tuf by the Boards of Directors of issuers in relation to takeover bid/exchange tender offer</i>	10	8	4	2	--	4
<i>integrations to proxy solicitations prospectuses</i>	--	--	--	5	--	--
<i>total</i>	<i>267</i>	<i>164</i>	<i>129</i>	<i>128</i>	<i>164</i>	<i>106</i>
waiver of disclosure of data and information pursuant to art. 114, par. 6, TUF	4	2	9	1	18	5
delays in disclosure pursuant to art. 114, par. 3, TUF	1	2	4	6	13	--
request for immediate publication of researches when there are rumours, pursuant to art 69-novies of Issuers' Regulation	4	4	2	--	9	29
reports to the judiciary	10	6	3	8	13	18
written reprimand	--	2	--	--	2	10
challenges of financial statements	1	1	--	1	1	1
non-compliance proceedings pursuant to art. 154-ter, par. 7, TUF	1	3	--	10	5	5

Source: Consob. ¹ The figure referred to 2014 includes requests for information related to the approval of takeover bids and exchange tender offer documents. ² The figure for 2012 includes a request for supplementary information concerning related-party transactions.

Furthermore, during the year, Consob intervened in five cases authorising the temporary suspension of the disclosure obligations, pursuant

to Article 114, paragraph 6, of the Consolidated Law on Finance, and in 29 cases ordering, pursuant to Article 69-*novies* of the Issuers' Regulations, the publication of investment recommendations, distributed by Italian and foreign issuers and authorised entities with branches in Italy, in the face of significant changes in the prices of the financial instruments being researched and news on their content, in order to restore equal information on the market.

As part of supervising accounting information, five proceedings were initiated pursuant to Article 154-*ter* of the Consolidated Law on Finance. Based on the evidence gathered, three cases ended with the declaration that the financial statements did not comply with the relevant accounting standards. In addition, an appeal action was initiated in one case pursuant to Article 157, paragraph 2 of the Consolidated Law on Finance (for further details, see the following paragraph).

5 Accounting information

During 2014, Consob strengthened its supervision of the financial and accounting disclosures of issuers with a higher systemic risk, consistently with the criteria for determining the supervisory sample pursuant to Article 89-*quater* of the Issuers' Regulation and with the objectives identified in the 2013-2015 strategic plan.

In detail, industrial companies were included in the supervisory sample, which showed significant risk factors as they were characterised by high indebtedness and declining operating profitability. In the presence of economic and financial tensions, the quality of information made available to the public may actually deteriorate, in particular for certain items in the financial statements (mainly intangible assets) whose valuation or recoverability is based on prospective valuations.

The monitoring activity on companies operating in the sectors identified in the process of defining the supervisory sample pursuant to Article 89-*quater* of the Issuers' Regulation focused on the most critical areas of the financial statements, also taking into account the peculiarities of the sectors analysed.

Monitoring was also very intensive on many large issuers, due to particular critical issues or complex corporate events.

Consob also took various supervisory measures with regard to listed insurance issuers in view of the significant changes resulting from introducing the new prudential supervisory regime provided for by Directive 2009/138/EC, so-called Solvency II, in force since 1 January 2016.

The supervisory information activity was particularly intense (see the previous paragraph). In particular, during 2014, 231 requests for data and information were made and 87 hearings of corporate bodies were held pursuant to Article 115 of the Consolidated Law on Finance. In 36 cases, the preliminary activity carried out led to request to supplement the information contained in the periodic accounting documents and those prepared for the Shareholders' Meetings pursuant to Article 114 of the Consolidated Law on Finance.

A further supervisory tool was the subjecting of listed companies to specific periodic disclosure requirements, imposed on the basis of the powers conferred by Article 114 of the Consolidated Law on Finance. These obligations are audited twice a year in order to take account of possible changes in the situation in which companies find themselves when issuers' accounting documents are published (financial statements and half-yearly reports). Following the review, the obligations are confirmed, their frequency is changed (from monthly to quarterly) or they are revoked if it emerges that the company's crisis conditions that had led to their imposition have been overcome.

As mentioned in the previous paragraph, in 2014 the Commission declared that the principles for the preparation of the financial statements of three companies (Sintesi Società di Investimenti e Partecipazioni, Investimenti e Sviluppo and Moviemax) were not in line with those of the previous year.

In 2014, the Commission also approved the activation of the powers provided for in Article 157, paragraph 2 of the Consolidated Finance Act (TUF) in relation to the financial statements as at 31 December 2013 of Banca Carige Spa, already the subject of interventions in 2013 pursuant to Article 154-ter of the Consolidated Law on Finance.

The in-depth analysis of the issuers included in the supervisory sample also concerned the 2014 financial statements, in relation to which meetings were held with the companies, aimed at proactively identifying possible areas for improvement in the information provided in the accounting reports soon to be approved in compliance with the reference accounting standards and regulations. Consob's supervision also took into account the developments in international guidelines aimed at ensuring the convergence of supervisory practices. ESMA's Public Statement 'European common enforcement priorities for 2013 financial statements', which identifies the priority issues in the supervisory activity on accounting information, is part of the latter. These priorities are set out in Consob Communication 3907 of 19 January 2015 and will be the subject of the supervisory reporting to be published in 2015.

5.1 Supervision of the banking sector

The continuation of the financial crisis and the persistent economic downturn continued to have a negative impact on the profitability of banking issuers, affected by a progressive deterioration in asset quality and a significant contraction in intermediation margins. In this context, the Commission, in line with the risk-based approach, intensified its monitoring of the financial reporting of the main listed issuers in this sector.

Consob's controls focused, in particular, on listed and widely traded bank issuers involved in the comprehensive assessment (CA) coordinated by the ECB.

In 2014, the information provided by banks on the accounting areas of greatest interest to the sector and investors also continued to be verified.

5.2 Questions concerning accounting information

With reference to the impairment test procedure that can be adopted in the event of an interim test, Consob intervened in response to questions received from supervised entities.

Supervision of intermediaries IV

1 Entities authorised to provide investment services

In 2014, the number of banking intermediaries and Italian investment firms authorised to provide investment services dropped further compared to 2013, from 723 to 692 (Tab. 19).

Tab. 19 Authorised investment service intermediaries

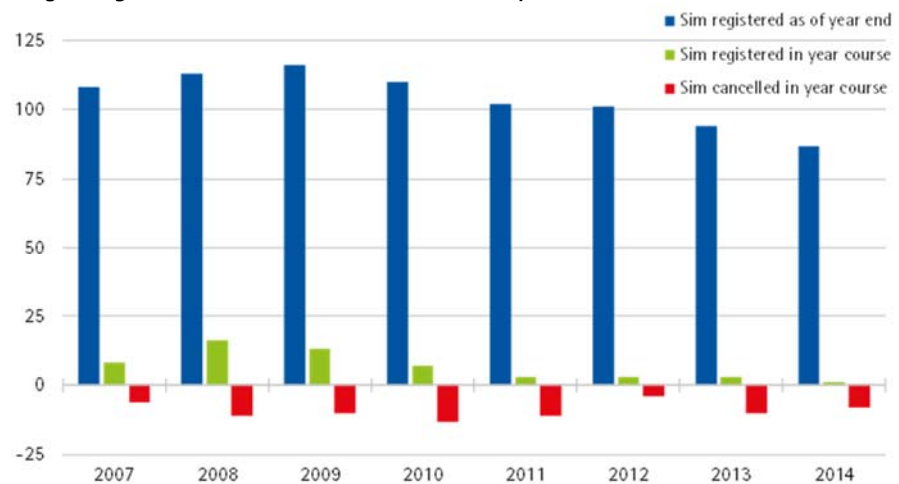
	2009	2010	2011	2012	2013	2014
investment firms						
<i>no. of authorised providers</i>	115	110	102	101	94	87
advice	110	103	94	92	84	77
trading on one's own account	17	15	14	14	15	16
trading on behalf of third parties	25	23	20	20	22	23
placement with prior subscription ¹	8	6	5	5	5	5
placement without prior subscription ¹	61	53	47	46	44	45
individual management	49	47	46	44	43	39
receipt and transmission of orders and brokerage	54	52	49	50	48	46
MTF management	2	3	3	3	3	3
<i>average number of services per provider</i>	<i>2.77</i>	<i>2.69</i>	<i>2.68</i>	<i>2.67</i>	<i>2.81</i>	<i>2.92</i>
banks						
<i>no. of authorised providers</i>	725	701	676	643	629	605
advice	692	673	651	617	602	583
trading on one's own account	535	516	500	467	461	445
trading on behalf of third parties	536	515	499	466	461	447
placement with prior subscription ¹	261	242	225	208	201	195
placement without prior subscription ¹	699	674	651	616	603	587
individual management	208	195	181	170	169	166
receipt and transmission of orders and brokerage	705	683	660	624	614	593
MTF management	1	1	1	1	1	1
<i>average number of services per provider</i>	<i>4.66</i>	<i>4.65</i>	<i>4.65</i>	<i>4.60</i>	<i>4.63</i>	<i>4.99</i>

Source: Consob and Bank of Italy. ¹ Includes underwriting and placement based on an irrevocable commitment towards the issuer.

With reference to the Register of Italian investment firms and trust firms, during 2014 there were eight cancellations (mainly due to voluntary exits from the market) and one new entry (Fig. 9). The number of trust firms registered in the special section of the Register was equal to four, unchanged compared to 2013.

At the end of 2014, there were 57 EU investment firms authorised to do business in Italy by establishing a registered branch, included in the list (58 at the end of 2013). During the year there were seven entries on the list and eight cancellations.

Fig. 9 Register of investment firms and trust companies



Source: Consob.

With reference to the Register of crowdfunding equity portal managers established in 2013, at the end of 2014, 11 portals were registered in the ordinary section for authorised entities other than banks and investment firms (one at the end of 2013). In the special section, intended to include banks and investment firms that have notified their intention to operate the portals, only one entity was registered.

During 2014, the National Investor Compensation Fund intervened against the insolvency of an asset management company. Therefore the number of interventions since its establishment has risen to 37 (Tab. 20).

Tab. 20 National Investor Compensation Fund interventions
(as of 31 December 2014; amounts in thousands of euros)

	insolvencies ¹				<i>total</i>
	Investment firms	stock brokers	AMCs	banks	
1997-2009	16	9	1	--	26
2010	2	--	1	--	3
2011	--	--	1	1	2
2012	--	1	--	1	2
2013	2	--	1	--	3
2014	--	--	1	--	1
<i>no. of insolvencies</i>	<i>20</i>	<i>10</i>	<i>5</i>	<i>2</i>	<i>37</i>
<i>for which liability statements have been filed</i>	<i>18</i>	<i>10</i>	<i>4</i>	<i>2</i>	<i>36</i>
no. of creditors admitted	2,616	1,008	1	--	3,625
amount of admitted credits²	27,587	42,204	3,751	--	73,812
Fund interventions³	9,131	11,421	--	--	20,552

Source: National Investor Compensation Fund data. ¹ Insolvencies for which the statement of liabilities was filed with effect from 1 February 1998. ² Values net of partial compensation ordered by the bodies responsible for insolvencies procedures. ³ Indemnities authorised, paid or committed against claims received.

2 Supervision of banks and Italian investment firms

The supervisory activity on the provision of investment services by banks and Italian investment firms made use of the usual investigation tools, including the summons of company representatives, formal requests for data and information, inspections and analysis of complaints (for details on inspections and complaints see, respectively, Chapter V 'Inspection activity and sanctioning measures' and Chapter VII 'Investor protection').

With reference to banks, 47 meetings were held in 2014 with corporate officers, in which issues regarding individual company situations were discussed, clarifications were provided and the attention of operators was focused on possible critical issues.

In addition, Consob sent 79 requests for data and news, partly relating to the methods for the concrete distribution of treasury shares to customers, in light of the frequent capital transactions carried out in 2014 by banks in view of the Asset Quality Review (AQR) conducted by the ECB.

With reference to Italian investment firms, during 2014, two summonses of corporate officers pursuant to Article 7, paragraph 1, letter a) of the Consolidated Law on Finance were carried out, as well as 25 requests for information and news pursuant to Article 8, paragraph 1, of the Consolidated Law on Finance (of which 19 directed at investment companies and six at EU investment firms). Upon ascertainment of the alleged infringement of sector regulations, 12 letters of notification were issued to corporate officers of an Italian investment firm. At the request of the

supervised entities, 16 meetings were also held with Italian investment firms and 20 with stakeholders that asked for clarifications on undertaking initiatives to manage equity crowdfunding portals.

During the year, as usual, Consob cooperated with Banca d'Italia and IVASS.

Finally, at the end of 2014, the Commission published a Communication aiming to clarify the precautions to be taken by intermediaries when distributing complex products to retail customers.

3 Supervision of asset management companies

In 2014, as usual, the supervisory activities of asset management companies used information acquired through meetings with corporate officers and requests for data and news. In particular, four meetings were held with corporate officers (pursuant to Article 7, paragraph 1, letter *a*) of the Consolidated Law on Finance) and ten formal requests for data and information were sent (nine pursuant to Article 8, paragraph 1 of the Consolidated Law on Finance and one pursuant to Article 8, paragraph 2 of the Consolidated Law on Finance). An order was also issued for the Board of Directors to summon an asset management company with the setting of the agenda (pursuant to Article 7, paragraph 1, letter *b*) of the Consolidated Law on Finance).

Based on proven violations of the rules regarding the correct provision of collective asset management and portfolio management services, 70 letters of notice were sent to the corporate officers of six asset management companies. At the same time, changes were required to the internal procedures to fulfil the obligations of fairness and transparency in providing services.

Supervision of open-end mutual fund managers focused on analysing the decision-making processes underlying the definition of the product range, in order to verify its effective orientation towards meeting the needs of target customers rather than the needs of the sales networks, including in terms of remuneration schemes.

The number of asset management companies active in managing closed-end real estate funds remained constant at 55 units. Nevertheless, the number of operating funds increased considerably, from 348 in 2013 to 391 at the end of 2014 (Tab. 21). During the same period, the overall value of real estate fund assets increased by more than three billion euro (+6 percent), while net equity increased by 4.7 billion euro (+14 percent). On the other hand, average debt fell by about 5 percentage points.

During 2014, the supervisory activities relating to the closed-end real estate funds sector continued in terms of assessing the correctness of the

behaviour of fund managers, close to the expiration date, offered to retail investors. In detail, the analysis focused on the consistency of the management activity with the plans of these funds, also as a result of the regulatory provisions that made it possible to extend, under certain conditions, the expiration date of the funds by a further two years. With regard to real estate funds reserved for qualified investors, the supervisory activity focused on analysing the relationships between managers and independent experts.

Tab. 21 Closed-end Italian real estate funds¹
(billions of euro)

	no. of asset management companies	no. of active funds	net asset value (A)	total assets(B)	total debt ((B-A)/B) %	percentage breakdown of assets			
						property and property rights	financial instruments	securities and liquidity	other assets
2009	54	259	26.3	47.5	44.7	86.2	5.2	4.6	4.0
2010	56	289	28.5	50.5	43.5	87.1	4.9	4.4	3.6
2011	57	323	31.3	53.6	41.5	87.7	4.0	4.4	3.8
2012	58	343	31.5	53.4	41.1	88.1	4.4	3.4	4.2
2013	55	348	32.9	55.1	40.2	87.6	4.9	3.7	3.9
2014	55	391	37.6	58.3	35.6	86.6	5.3	4.5	3.6

Source: calculations on funds reported data. ¹ Rounding may cause discrepancies in the total figure.

In 2014 a request was made to the Ministry of Economy and Finance to dissolve the board of directors and internal control bodies of an asset management company and submit it to the extraordinary administration procedure, pursuant to Article 56 of the Consolidated Law on Finance, having ascertained gross regulatory violations and serious irregularities.

As usual, over the past year Consob cooperated with the Ministry of Economy and Finance and Banca d'Italia in extraordinary or precautionary proceedings. In particular, observations were made to the Ministry pertaining to the proposal of extraordinary administration submitted by Banca d'Italia concerning two asset management companies (pursuant to Article 56 of the Consolidated Law on Finance), as well as the proposal of compulsory administrative liquidation against an asset management company (pursuant to Article 57 of the Consolidated Law on Finance). In addition, eleven opinions were provided to Banca d'Italia, of which four for the cancellation of asset management companies from the Register, one for the extension of the operations of an asset management company, six for extraordinary operations (mergers/divisions/transformations).

During 2014, from the point of view of transparency supervision, the analysis of the offer documentation of the harmonised open UCITS continued. Following a risk-based approach, 'key investor information' provided by the Key Investor Information Documents (KIID) was examined, together with their

consistency with the more detailed information available in the UCITS prospectus. The results of this analysis were included in the guidelines to prepare open UCITS offer documentation under Italian law (Communication 0045188 of 29 May 2014).

Attention was also paid to the advertising activities carried out by asset management companies, mainly in order to verify their suitability to correctly convey to potential investors, also in the marketing documentation, the elements characterising the product.

In accordance with the European directives on investment funds, 509 notifications sent by foreign authorities for the marketing of European UCITS shares in Italy were checked for documentation completeness and regularity (pursuant to Article 93 of Directive 2009/65/EC).

The examination of the structure of the board of directors of asset management companies and of independent director requirements continued also in 2014. In particular, the composition, by volumes of managed assets, of the boards of directors of the largest 15 banking and insurance asset management companies that manage at least one fund for the general public (at the end of 2014, assets of these asset management companies amounted to approximately 243 billion euro, or 92 percent of the assets held by open-end funds managed by companies under Italian law).

The overall number of directors in the asset management company sample examined decreased by 19 units, from 129 at the end of 2013 to 110 at the end of 2014 (Tab. 22).

Tab. 22 Infra-group interlocking in asset management companies
(number of directors)

		position held in asset management companies							
		executive directors		independent directors		other directors		<i>total</i>	
		<i>of which:</i>		<i>of which:</i>		<i>of which:</i>			
		<i>chair</i>	<i>CEO</i>	<i>chair</i>	<i>chair</i>	<i>chair</i>			
2014	position held in parent company	3	2	2		6	1	11	
	position held in other group companies	11	7	4	1	27	5	42	
	no position held in other group companies	8	2	5	39	2	10	57	
	<i>total</i>	<i>22</i>	<i>4</i>	<i>12</i>	<i>45</i>	<i>3</i>	<i>43</i>	<i>8</i>	<i>110</i>
2013	positions held in parent company	5	4	3		16	4	24	
	position held in other group companies	12	7	6	1	20	2	38	
	no position held in other group companies	7	1	5	40	2	20	67	
	<i>total</i>	<i>24</i>	<i>5</i>	<i>12</i>	<i>49</i>	<i>3</i>	<i>56</i>	<i>9</i>	<i>129</i>

Source: information sheets. Data relate to a sample based on the 15 major asset management companies (AMCs) controlled by banking or insurance groups, by volumes of assets under management in 2014; in the case of directors holding office both in the parent group and in other companies belonging to the group, the position in the former is considered prevalent. For the definition of Executive Director reference was made to article 2381 of the Italian Civil Code, while the definition of Independent Director derives from Assonime Code of Conduct.

4 Supervision of financial advisors

During 2014, the number of financial advisors registered in the relevant Register increased from 51,314 at the end of 2013 to 54,089 at the end of 2014, while the number of active advisors increased from 30,351 to 34,017 during the same period. Thus, there has been a reversal in the negative trend recorded over the last ten years.

The supervisory activity on financial advisors has been driven by the reports of intermediaries, the complaints submitted by investors, the communications from the Body for keeping the Register of Financial Advisors, the Judiciary and the Judicial Police, as well as inspections carried out at intermediaries.

During 2014, Consob adopted 39 precautionary suspension measures against financial advisors and forwarded 43 reports to the Judiciary for criminally significant facts that emerged during the course of the investigations carried out (see Chapter V 'Inspection activity and sanctioning measures' below).

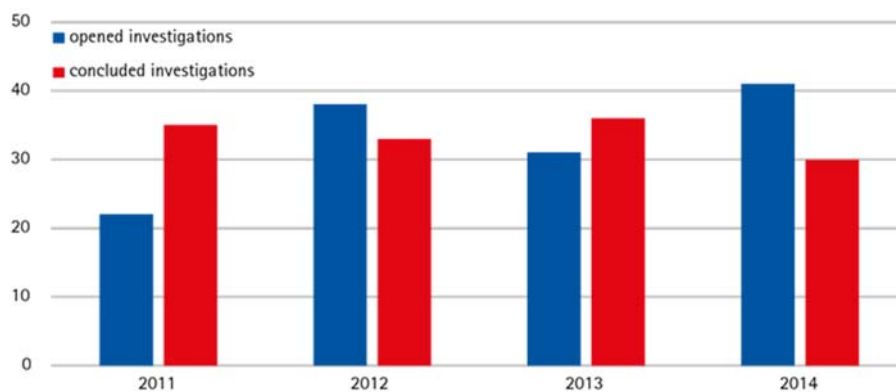
Particular attention was also paid to supervising intermediaries whose core business is the placement through off-site offerings with networks of financial advisors, with specific reference to the system of controls set up by intermediaries on the conduct of financial advisors, in order to ensure the best customer protection.

Inspection activity and sanctioning measures

1 Inspections

In 2014, the Commission launched 41 inspections and concluded 30 of them (of which six launched in 2013). There are seventeen inspections underway at the end of the year (Fig. 10).

Fig. 10 Inspections started and completed



Source: Consob.

The areas most frequently investigated concerned market abuse (16 cases, equal to 39 percent of inspections) and the rules of conduct and transparency of intermediaries (11 inspections, equal to 27 percent; Tab. 23).

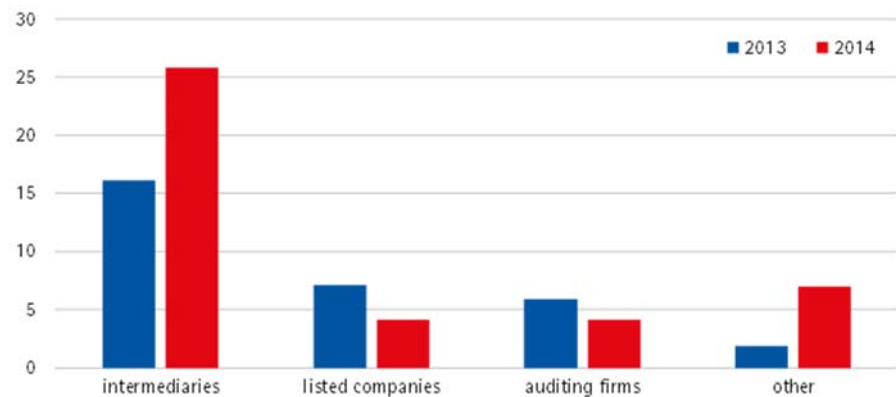
Tab. 23 Inspection activity
(percentage of total inspections)

	intermediaries and products		issuers and audit firms			markets	other	
	investment services	real estate funds and retail investors	corporate disclosure	ownership structure / takeover bid	audit appointments / quality control	market abuse / EMIR1	money laundering	other areas ¹
2013	16	4	6	29	13	13	13	6
2014	27	7	2	--	3	39	15	7

Source: Consob. ¹ Figures refer to area subject to Banca d'Italia supervision other than money laundering..

From the point of view of the type of entities subject to verification, these were listed intermediaries and issuers or shareholders in 26 and 4 cases, respectively. The remaining 11 audits concerned in 4 cases audit firms and in 7 cases entities not ordinarily subject to Consob's supervision (Fig. 11).

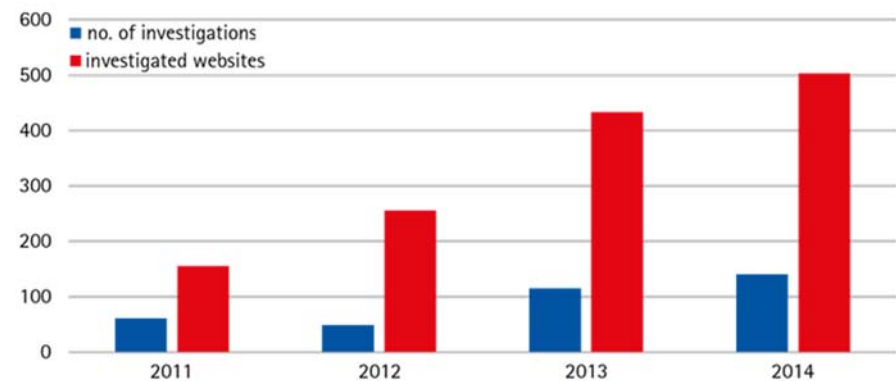
Fig. 11 Investigated entities



Source: Consob.

In the money laundering prevention activity, the instruments of regulatory supervision and reporting were used in addition to inspection supervision.

Fig. 12 Inspection activity on websites



Source: Consob.

With reference to illegal financial activity via the Internet and falling within Consob's competence, 140 investigations were carried out in 2014, involving the analysis and in-depth examination of 503 websites (Fig. 12).

2 Investigations on hypothesis of abusive practices

In 2014, the supervisory activity on the hypothesis of abuse provided for by the regulation of intermediaries and issuers was intensified. During the period in question, Consob launched 133 investigations and adopted 118 enforcement initiatives (79 in 2013; Tab. 24).

In line with previous years, most of the cases investigated (more than 2/3) concerned alleged violations of the regulations on intermediaries.

Tab. 24 Enforcement measures for unauthorised provision of investment services, unauthorised offer financial products and related advertisement

	temporary prohibition to provide investment services	prohibition to provide investment services	communications aimed at investor protection	report to legal authorities
2009	6	4	--
2010	5	5	--
2011	3	6	1
2012	6	6	16	41
2013	2	2	25	50
2014	3 ¹	2	47	66

Source: Consob. ¹ The figure includes an initiative which eventually resulted in the prohibition to provide investment services during 2015.

As part of the investigations launched and the measures taken for violating the provisions of the regulations governing issuers, particular attention was paid to offers (i.e. advertising) of high yield investment programs (HYIP).

In the wake of what emerged in the second half of 2013, numerous web platforms offering investors the possibility of financing business projects through the subscription of financial instruments were also reported to Consob in 2014. These platforms refer to the idea of equity crowdfunding without, however, complying with the rules laid down in Consob Regulation 18592 of 2013.

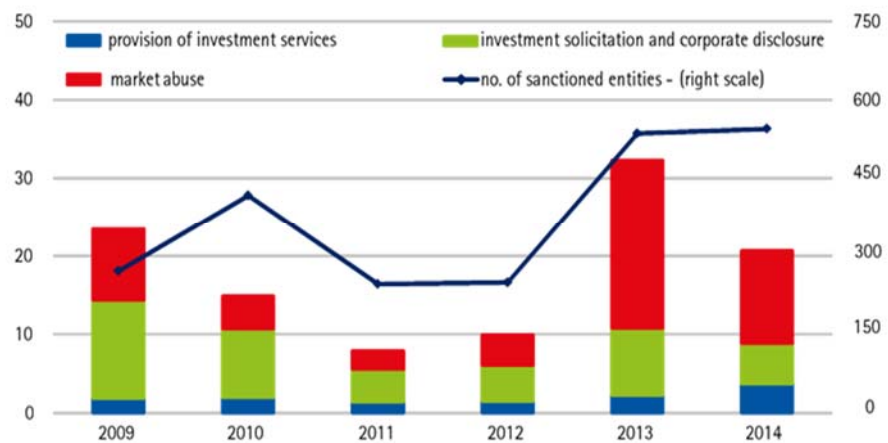
The web is confirmed as the most widely used channel to make unauthorised offers. Nevertheless during 2014, there was an increase in reports of investors contacted directly by telephone.

3 Sanctioning measures

In 2014, 160 sanctioning proceedings were completed (142 in 2013), of which 140 concluded with the application of sanctions (135 in 2013). The total amount of fines applied was approximately 20.6 million euro,

compared with 32.5 million euro in 2013 (Fig. 13). In addition, during the year, interdictive accessory sanctions were imposed for a total of 156 months (231 months in 2013) and, as a result of proceedings for infringements of market abuse regulations, assets were confiscated for a value corresponding to approximately 396 thousand euro (1.8 million euro in 2013).

Fig. 13 Monetary sanctions imposed by Consob¹
(millions of euro)



Source: Consob. ¹ Data include reduced payments and injunctions against financial advisers.

3.1 Measures concerning market abuse

Nine sanctioning measures were applied in total by Consob for violations of market abuse regulation (14 in 2013), two of which involved abuse of inside information (Article 187-*bis* of the Consolidated Law on Finance) and seven integrated cases of proven unlawful disclosure of inside information (Article 187-*ter* of the Consolidated Law on Finance).

Against this, fines amounting to approximately 11.8 million euro (21.6 million euro in 2013) were imposed on 24 entities, including 13 natural persons and 11 legal entities (Tab. 25). In eight cases the latter fines were imposed for the violation of Article 187-*quinquies* of the Consolidated Law on Finance (Responsibilities of the organisation) for a total of 6.8 million euro.

Tab. 25 Disciplinary measures for market abuse offences
(millions of euro)

		no. of cases	no. of entities fined	amount of sanctions	amounts confiscated	no. of entities given additional penalties	additional penalties (months)
2009	insider trading	11	16	7.490	20.893	14	130
	manipulation	6	7	1.729	14,6	6	22
	<i>total</i>	<i>17</i>	<i>23</i>	<i>9.219</i>	<i>20.908</i>	<i>20</i>	<i>152</i>
2010	insider trading	11	13	2.404	2.025	12	55
	manipulation	4	7	1.810	--	7	28
	<i>total</i>	<i>15</i>	<i>20</i>	<i>4.214</i>	<i>2.025</i>	<i>19</i>	<i>83</i>
2011	insider trading	2	4	1.720	1.139	4	16
	manipulation	5	5	700	101	4	20
	<i>total</i>	<i>7</i>	<i>9</i>	<i>2.420</i>	<i>1.240</i>	<i>8</i>	<i>36</i>
2012	insider trading	6	8	1.975	5.958	7	48
	manipulation	6	11	1.900	6	9	78
	<i>total</i>	<i>12</i>	<i>19</i>	<i>3.875</i>	<i>5.964</i>	<i>16</i>	<i>126</i>
2013	insider trading	5	7	1.120	1.844	7	54
	manipulation	9	19	20.450	3	13	177
	<i>total</i>	<i>14</i>	<i>26¹</i>	<i>21.570</i>	<i>1.847</i>	<i>20</i>	<i>231</i>
2014	insider trading	2	2	350	343	2	22
	manipulation	7	19	11.500	53	11	134
	<i>total</i>	<i>9</i>	<i>21²</i>	<i>11.850</i>	<i>396</i>	<i>13</i>	<i>156</i>

Source: Consob. Insider trading is punishable pursuant to art.187-bis, *quarter, quinquies* and *sexies* of the Consolidated Law on Finance (TUF); market manipulation is punishable pursuant to art. 187-ter, *quarter, quinquies* and *sexies* of the Consolidated Law on Finance (TUF). ¹ Of which 20 natural persons and 6 legal entities; the figure does not include legal entities jointly and severally liable with the authors of the violations.

² The figure includes natural persons and legal entities punished under arts. 187-bis, 187-ter, 187-quinquies; it does not include 3 legal entities jointly and severally liable with the authors of the violation.

3.2 Measures related to financial intermediaries and advisors

The sanctioning measures adopted against financial intermediaries for violations of the general rules of diligence, fairness and transparency in the provision of services and investment activities and in the management of conflicts of interest, amounted to a total of 16 (14 in 2013) and concerned four banks, four asset management companies, three Italian investment firms and five EU investment firms (of which three without branches in Italy). The pertinent fines imposed against 101 corporate officers, totalled approximately 3.7 million euro (102 in 2013; Tab. 26).

Tab. 26 Monetary sanctions inflicted on financial intermediaries
(thousands of euro)

	no. of involved intermediaries					no. of representatives sanctioned					amount of penalties ¹				
	banks	Sims	stockbrokers	AMCs	total	banks	AMCs	stockbrokers	AMCs	total	banks	Sims	stockbrokers	AMCs	total
2009	1	4	2	2	9	16	6	2	20	44	156	380	415	945	1,896
2010	2	7	--	2	11	15	50	--	17	82	194	1,262	--	511	1,967
2011	2	7	--	2	11	4	37	--	2	43	460	800	--	140	1,400
2012	2	3	--	2	7	3	5	--	18	26	80	990	--	408	1,478
2013	5	3 ²	--	6	14	30	17	--	55	102	820	199	--	1,288	2,307
2014	4	8 ³	--	4	16	42	31	--	28	101	2,550	900	--	250	3,700

Source: Consob. ¹ Rounding may cause discrepancies in the total figure. ² Figures reported for investment firms include: one European investment firm not having a branch in Italy in 2013. ³ The figure includes five European investment firms, three of which have no branch in Italy.

With reference to financial advisors, in 2014 a total of 68 sanctioning measures were adopted (63 in 2013), of which 37 cancellations from the Register and 22 with temporary suspension (from a minimum of one month to a maximum of four months) and 9 fines for a total amount of approximately 50 thousand euro.

In addition, 67 reports were sent to the Judiciary for criminal matters that emerged during the investigations (compared to 27 in 2013; Tab. 27).

Tab. 27 Sanctions and precautionary measures inflicted on financial advisors

	sanctions					total	as a percentage of the registered advisors	precautionary measures	report to legal authorities
	reprimand	cancellation from register	temporary suspension from register	monetary sanction	temporary suspension of activity				
2009	5	43	25	1	74	0.26	23	43	
2010	6	78	61	1	146	0.51	40	57	
2011	1	92	23	--	116	0.42	28	68	
2012	--	70	14	1	85	0.35	32	38	
2013	--	44	18	1	63	0.27	20	27	
2014	--	37	22	9	68	0.11	39	67	

Source: Consob.

In addition to the above-mentioned proceedings, 6 sanctioning measures were taken in relation to the unauthorised provision of investment services and activities as well as unauthorised off-site offerings. These measures resulted in applying fines totalling 99 thousand euro and involved both Italian and foreign entities.

Finally, during the year, a sanctioning measure was adopted for infringements of the transaction reporting regulations (Article 65, paragraph 1, letter *b*) of the Consolidated Law on Finance and Article 23 of Consob Regulation 16190 of 2007) against which a penalty of 2,500 euro was imposed (24 thousand in 2013 in relation to two cases).

3.3 Measures relating to issuers

40 sanctioning measures concerning violations in relation to issuers and disclosure to the public and Consob were taken in 2014 (38 in 2013). The related financial penalties totalled 4.9 million euro (8.2 million euro in 2013; Tab. 28).

Tab. 28 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 ¹						
	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	(internal) 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
2009	3	1	17	17	--	--	38	11	8	17	18	--	--	54	1.3	2.7	0.3	5.8	--	--	10.1
2010	4	8	19	35	--	--	66	16	16	20	55	--	--	107	4.4	0.9	1.2	1.3	--	--	7.8
2011	11	3	13	33	3	--	63	15	1	6	12	3	--	37	1.1	0.3	0.7	1.2	0.4	--	3.7
2012	5	4	18	17	5	5	54	12	10	18	25	4	14	83	0.9	0.4	0.8	1.3	0.1	0.9	4.4
2013	10	4	11	8	1	4	38	18	4	11	26	1	18	78	1.8	0.6	1.1	0.6	..	4.1	8.2
2014	6	--	12	9 ²	5	8	40	53	--	13	9 ²	9	38	122	2.1	--	0.3	0.5 ²	1.0	1.1	4.9

Source: Consob. ¹ Rounding may cause deviation from total figure. ² The figure does not include three sanctioning procedures extinguished in advance due to the recourse of the three parties concerned to the faculty of payment in a reduced amount (ex art. 16 of Law 689/1981). for a total amount paid equal to 150 thousand Euro.

With regard to public offerings and related advertising activities, six sanctioning measures were applied (four for violations of Article 94, paragraphs 1 and 2 of the Consolidated Law on Finance and two for violation of Article 95, paragraphs 1 and 2) which resulted in the application of fines amounting to approximately 2.1 million euro, in one case together with the accessory penalty of temporary ban for four months.

11 penalties were applied for violations of disclosure to the market and Consob, with sanctioning measures amounting to 284 thousand euro against 10 organisations and a natural person.

Nine sanctioning measures derive from violating the obligations to disclose significant shareholdings and led to applying fines totalling 450 thousand euro.

In 2014, five sanctioning measures were applied for violations of auditing regulations for which fines of just over 1 million euro were imposed.

Eight measures were adopted for violations of supervisory duties by members of the board of statutory auditors pursuant to Article 149 of the Consolidated Law on Finance and involved 30 auditors as well as eight entities jointly and severally liable, against which fines totalling 1.08 million euro were imposed.

1 Transposition of European directives and implementation of the primary discipline

2014 saw Consob engaged in work to transpose Directive 2013/36/EU of the European Parliament and Council of 26 June 2013 on accessing the activity of credit institutions and the prudential supervision of credit institutions and investment firms (so-called CRD IV). To this end - after a long legislative process during which the Commission provided its technical contribution - Law 154 of 7 October 2014, so-called 'European Delegation Law 2013-*bis*', was approved, aimed, among other things, at transposing CRD IV.

This Directive, soon to be transposed, will significantly modify the Consolidated Law on Finance, with reference to both the regulations on administrative sanctions and the regulations to supervise intermediaries.

With regard to the area of administrative sanctions, the main developments arising from the implementation of CRD IV will first of all concern the introduction of a new regime to distribute administrative liability between natural and legal persons.

Finally, in line with the new European guidelines, the rules governing the criteria to quantify sanctions and the way they are published were revised.

With regard to the supervision of intermediaries, the transposition of CRD IV will lead to reviewing the requirements for corporate officers and shareholders of intermediaries in order to strengthen their suitability to ensure their sound and prudent management.

The implementation of CRD IV will result in the introduction of 'whistleblowing' in the Consolidated Law on Finance, an important tool aimed at facilitating Consob's timely knowledge of conduct violating the discipline resulting from implementing the 'CRD IV package', so as to adequately intervene also in order to mitigate or prevent any harmful outcome. Certain specific technical-applicative aspects of the instrument (such as, for example, the configuration of any reduction in the penalties to be imposed on whistleblowers who are co-responsible for the reported violation), will be the subject of the secondary regulations implementing the reform, during which Consob will engage with Banca d'Italia in 2015.

In 2014 Consob's regulatory activity was also guided by the amendments to the Consolidated Law on Finance following the transposition of Directive 2011/61/EU on Alternative Investment Fund Managers (AIFMD). Legislative Decree no. 44 of 4 March 2014 contains the provisions amending the Consolidated Law on Finance in order to allow the transposition into national legislation of the AIFMD and the inclusion of the provisions necessary for the application of EU Regulations 345/2013 and 346/2013 that have regulated European venture capital fund managers (EuVECA) and European social entrepreneurship fund managers (EuSEF).

In implementing the regulatory mandates contained in that decree and in order to complete the process of transposing the directive in question and the related implementing provisions, during 2014, the consultation of the market on a set of amendments concerning Consob Regulations 11971/1999 (Issuers' Regulations) and 16190/2007 (Intermediaries' Regulations), the joint Banca d'Italia-Consob Regulation on the organisation and procedures of intermediaries providing investment services or collective asset management of 29 October 2007 (Joint Regulation) and the Bank of Italy Regulation on collective investment scheme was initiated and concluded, in cooperation with Banca d'Italia for the pertinent profiles.

On 8 January 2015, the Commission approved the amendments to the Regulations for Issuers and Intermediaries. On 19 January 2015, Banca d'Italia and Consob approved the measure amending the Joint Regulation and Banca d'Italia approved the new Collective investment scheme regulation. These regulatory acts became effective following the publication, on 20 March 2015, of the Regulation adopted by the Ministry of Economy and Finance to implement Article 39 of the Consolidated Law on Finance.

However, the regulatory activity put in place has not concluded the process of transposing AIFMD into national law. At present, the regulatory regime concerning the operation of third country fund managers (non-EU AIFM) has not been codified in line with the transitional rules contained in Legislative Decree 44/2014, according to which the entry into force of the rules concerning these entities will start from the date set forth in the delegated act to be adopted by the European Commission pursuant to Article 67, paragraph 6 of AIFMD.

As far as the Intermediaries' Regulation is concerned, Book IV has been adapted in order to allow the application of the rules of conduct declined for AIF managers by the AIFM Directive and further detailed by EU Regulation 231/2013 (Delegated Regulation).

With reference to the Issuers' Regulations, the changes made have allowed a full alignment with the AIFMD, while keeping unchanged in the Regulation the previous placement of the provisions relating to UCITS, in order to ensure continuity of reading and guidance.

With regard to the amendments to the Joint regulation, in terms of publishing technique, the approach described above for the Intermediaries' Regulation has been followed, by identifying a single set of rules, subject to the due differences that characterise the two types of UCITS and AIF derivation management. The above required an overall review of the Regulation in question in order to adapt its contents in light of the changes brought about by supranational regulations, making the necessary coordination and rationalisation adjustments.

Finally, it should be noted that, as part of the document submitted for consultation with the market, the contributions relating to the Regulatory Impact Analysis (RIA) on the changes made to the aforementioned Regulations were also published. The RIA report was prepared in order to represent the regulatory changes in the wider regulatory environment defined by AIFMD.

During 2015, Consob's regulatory activity will be guided by the transposition of numerous directives, entailing the implementation of the process of integrated review of the regulation of intermediaries and markets referred to above.

2 Other measures implementing the Consolidated Law on Finance

During 2014, Consob amended the Issuers' Regulations to bring them into line with the new regulations on increased voting shares and shares with multiple voting rights. Legislative Decree 91/2014, converted with amendments into Law 116/2014 (so-called 'Competitiveness Decree'), repealed the prohibition to issue shares with multiple voting rights, previously governed by Article 2351, paragraph 4 of the Italian Civil Code. Moreover, with reference to listed companies, the decree introduced Article 127-*quinquies* of the Consolidated Law on Finance, which allows for the attribution of increased voting rights, up to a maximum of two votes, to shares belonging to the same shareholder for at least 24 months.

With reference to shares with multiple voting rights, the aforementioned decree introduced Article 127-*sexies* into the Consolidated Law on Finance. This allows companies that have issued shares with multiple voting rights before the start of trading on a regulated market to maintain the rights and characteristics of such shares unchanged, as well as, within the limits provided for therein, to issue multiple voting shares following a share capital increase, merger and spin-off. Whereas, with regard to shares with increased voting rights, the voting rights resulting from the increase are required to be included to determine the quorums for incorporation and resolutions that make reference to rates of share capital, unless the by-laws provide otherwise (Article 127-*quinquies*, paragraph 8).

The regulatory changes above thus led to the need to revise the existing regulatory provisions in order to bring them into line with the new rules on the increase in voting rights and the issue of shares with multiple voting rights. The same new Article 127-*quinquies* of the Consolidated Law on Finance also expressly assigned Consob the task of issuing implementing provisions on the subject, in particular in order to ensure the transparency of ownership structures and compliance with the rules on takeover bid obligations, without prejudice to the disclosure obligations imposed on major shareholders.

With resolution 19084 of 19 December 2014, therefore the Commission approved the amendments to the Issuers' Regulations in order to implement the delegations mentioned above. First of all, the new legislation made it necessary to lay down specific rules on the content of the list of shareholders of the company wishing to use the increased vote and on the transparency of the relevant information.

With regard to applying the new provisions as part of the ownership structure regulation and mandatory takeover bids, a number of adjustments were made to the regulatory rules to reduce any information asymmetries to the detriment of minority shareholders and to ensure the effectiveness of the bidding obligations in the event of a transfer of control of the issuer.

A particularly important aspect that was addressed during the consultation process for the above-mentioned regulatory changes concerned verifying the actual ownership of the shares for at least two years.

In the context of market consultation, it was hypothesised that an instrument to guarantee the truthfulness of the information about the uninterrupted shareholding (both for the purposes of registration in the list indicated in Article 127-*quinquies* of the Consolidated Law on Finance and the consequent surcharge) could lie in a certification issued by the intermediary, pursuant to Article 83-*quinquies*, paragraph 3 of the aforesaid Consolidated Law on Finance, and Article 25, of the Provision adopted in agreement with Banca d'Italia and Consob on 22 February 2008 (containing the 'Regulations for Centralised Management Services, Liquidation Services, Guarantee Systems and related management companies' - Single Provision).

In view of the clear preference expressed by the almost unanimous consensus of the participants in the consultation for communication instead of certification, and also taking into account the possible application problems that could have led to providing a certification, it was preferred to use the communication tool through introducing specific provisions in the Single Provision.

In accepting the observations made by the market, Consob, in coordination with Banca d'Italia, within the sphere of their respective competence, by order of 24 February 2015, published in GURI no. 54 of 6

March 2015, amended the Regulation governing centralised management services.

3 Additional regulatory interventions

During 2014, the provisions set forth in the new Consob Regulation on the sanctioning procedure (adopted with Resolution 18750 of 19 December 2013), which came into force on 1 March 2014, were applied for the first time.

The organisational model outlined with the new regulation made it possible to compress the total duration of sanctioning proceedings, reduced by half from 360 days (540 in the case of persons residing abroad) to a single term to conclude the proceedings, equal to 180 days. The shorter procedural deadlines were achieved by centralising the preliminary phase of the proceedings in a single organisational unit of Consob.

The concrete operation of the new sanctioning module made it possible to identify and modify, with Resolution 19016 of 3 September 2014, certain profiles that could be further simplified and streamlined in their procedures.

4 Measurement of the administrative burdens on supervised entities

Consob's regulatory initiatives include activities related to measuring administrative charges (Measurement of Administrative Burdens Project) in compliance with the provisions of Article 6, paragraph 3 of Legislative Decree no. 70 of 13 May 2011, converted into Law no. 106 of 12 July 2011. Following the first phase of the Measurement of Administrative Burdens project completed in 2013 (when the Commission completed the mapping of the disclosure obligations provided for by the regulatory provisions issued by it), as a result of the analyses and findings made, some first possible actions were identified, to be implemented - according to a specific program of activities - through regulatory, organisational and IT changes, aimed at reducing the burden for supervised entities and increasing the benefits for the market as a whole. These measures were partially implemented in 2014, in accordance with the main purposes identified in Article 6 of the Consolidated Law on Finance, for which Banca d'Italia and Consob observe certain principles, including the facilitation of innovation and competition, in the performance of regulatory supervisory functions.

Moreover, during 2014, the second phase of the project aimed essentially at the actual measurement of disclosure burdens, with particular attention to those relating to regulating intermediaries, was launched. By

mapping the disclosure obligations, the elementary flows were identified and the relative size was also estimated, so that they can be identified according to their number. In this phase, the analysis focused on the disclosure obligations deriving from the Intermediaries' Regulations, characterised by a common 'regulatory' model and a significant homogeneity of the recipients, such as to require a significantly smaller sample of observations in order to obtain significant estimates and, in this way, minimise the survey cost.

The activity of mapping and measuring the disclosure burden deriving from the regulations falling within Consob's remit is being examined by academics and experts in the field, who have recognised and appreciated its innovative nature and sound methodology, mentioning Consob as a top reformer for the year 2013 (see 'Impact analysis and other tools for the quality of regulation. Yearbook 2013', edited by Alessandro Natalini, Francesco Sarpi and Giulio Vesperini, December 2014).

1 Financial education

With a view to helping to raise the level of knowledge and financial skills of citizens, during the year Consob launched a series of lessons/seminars aimed at the so-called 'training the trainers'. The first recipients were the contact persons of consumer associations, interested in raising the quality of interactions with investors and maintaining a constant disclosure channel with Consob.

Finally, in 2014, the definition and implementation of Consob's Financial Education Portal (the portal) required as part of the 'Investor Charter' Project was launched.

Specifically, the portal was conceived as a channel to disseminate information and knowledge on the 'management' of personal savings and investments and was designed to be enjoyed by multiple types of recipients (including students, teachers, workers and retirees).

From an IT point of view, the development of the portal took into account the possibility that it will become the main nucleus of a national platform on which the contributions of all the competent authorities on the various thematic areas of economic-financial education will converge.

The training initiatives to be launched in 2015 and the definition of the portal's contents will also benefit from the results of the research undertaken by Consob on behavioural finance, with particular reference to the evidence of a consumer testing aimed at verifying the relationship between risk representation, risk perception and investment choices.

2 Complaint management

In 2014, Consob received about 1.500 complaints, 940 of which related to areas of institutional competence and therefore usable for market surveillance purposes.

Most of the reports received by Consob refer to investment services provided by licensed parties or by entities that carry out this activity unlawfully. In more than 130 cases, the events reported in the complaint

concerned actions, while in just under 50 cases they regarded derivative or structured instruments (Fig. 14).

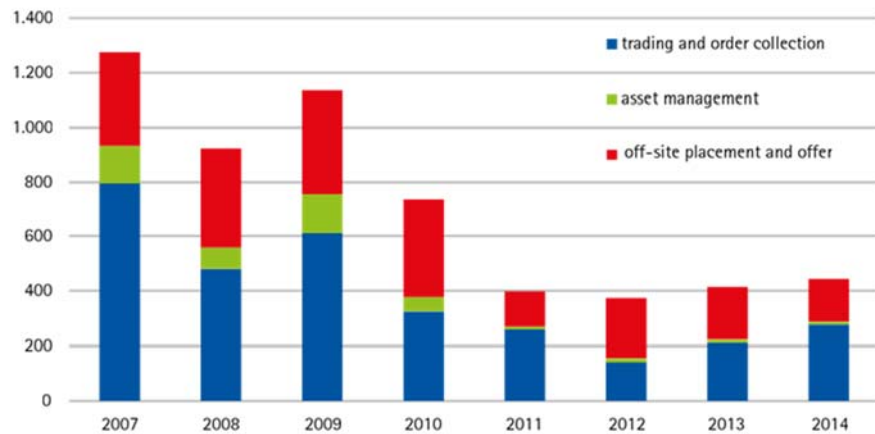
Fig. 14 Received complaints in 2015 relating to areas of Consob competence



Source: Consob.

With regard to reports of possible anomalies in providing investment services, overall in line with the figure recorded in 2013, 63 percent of the reports related to the trading and order collection service, while 35 percent related to placement and off-site offerings; only two percent of the reports were attributable to the asset management service (Fig. 15).

Fig. 15 Received complaints in 2014 relating to investment services



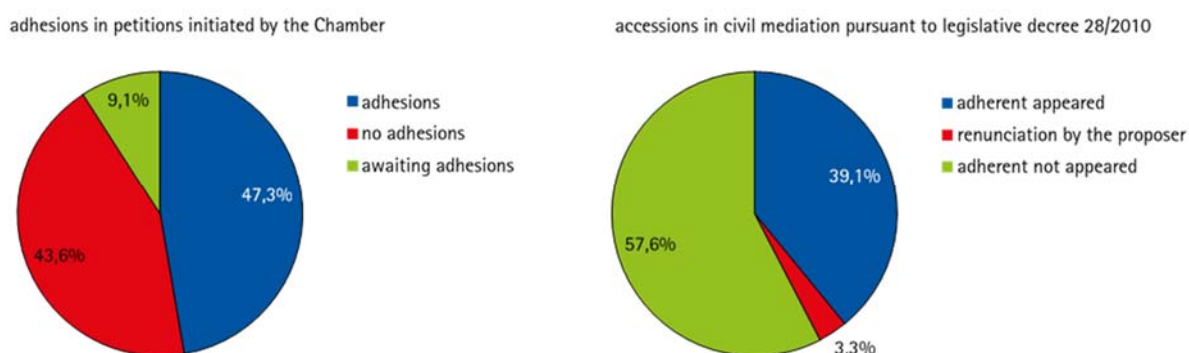
Source: Consob.

3 The activity of the Conciliation and Arbitration Chamber

Throughout 2014, the Conciliation and Arbitration Chamber received 121 conciliation requests (162 in 2013), aimed at resolving disputes between investors and financial intermediaries with reference to information, transparency and correctness obligations that the latter must observe in the contractual relationships with investors.

With reference to the 110 applications that were actually initiated as of 31 December 2014, the intermediary joined the conciliation attempt in 52 cases (equivalent to about 47 percent of the total, compared to 53 percent in 2013), i.e. more frequently than in civil mediation cases pursuant to Legislative Decree 28/2010 (Fig. 16). Of the 52 applications to which the intermediary had adhered, 17 were concluded with an agreement, 26 had a negative outcome, while 9 are still open. Most of the applications received during the period in question come from the regions in Northern Italy (Tab. 29).

Fig. 16 Adhesions to petitions by intermediaries
(data as at 31 December 2014)



Source: Consob.

Tab. 29 Requests by geographical area

	number of requests
North area	68
Central area	28
South area and islands	17
<i>total</i>	<i>113</i>

Source: Consob.

Compensation claims received during the year amounted to 18.9 million euro (about twice as much as in 2013), about half of which related to the applications to which the intermediary adhered (3.8 million in 2013). The amount reimbursed following the positive outcome of the dispute totalled more than 175 thousand euro (350 thousand euro in 2013).

In 2014, more than 40 percent of conciliation requests related to investments in bonds (government bonds and various bonds, such as those issued by the Argentine Republic, Lehman Brothers, Cirio, Convertendo BPM), while about 15 percent referred to derivatives (interest rate swaps, certificates) and shares (Tab. 30).

As of 31 December 2014, the number of registered members on the list of conciliators was 959, while the number of registered members on the list of arbitrators was 737. As part of the activity of keeping the lists, during the year the Conciliation and Arbitration Chamber proceeded to remove 715 members from the list of conciliators and 435 members from the list of arbitrators.

Tab. 30 Received complaints by type of intermediary and compensation amount
(percentage values; monetary values in thousands of euro)

financial instruments	received complaints ¹	claims for compensation ²
bonds	42	35.2
derivatives	15	150.0
equities	14	10.1
other instruments	13	85.0
mutual funds	9	22.1
financial policies	6	50.0

Source: Consob. ¹ The eventual lack of quadrature is due to rounding off. ² Median value.

Back-office activities VIII and international cooperation

1 Financial management

The draft total expenditure for the 2014 financial year (118.4 million euro) increased by 4.4 million euro compared to the final figure of 2013 (Tab. 31).

Tab. 31 Revenues and expenditure¹
(millions of euro)

Items	2009	2010	2011	2012	2013	2014
REVENUES						
previous year surplus ²	11.5	6.5	14.5	14.3	18.3	13.7
state funding	7.9	1.0	0.4	0.4	0.0	0.0
supervisory fees	87.8	108.9	116.6	108.9	98.0	99.9
other revenues	11.1	6.8	12.0	12.2	10.4	8.5
<i>total revenues</i>	<i>118.3</i>	<i>123.1</i>	<i>143.5</i>	<i>135.8</i>	<i>126.7</i>	<i>122.1</i>
EXPENDITURES						
current expenditure	119.6	105.8	128.5	114.1	110.7	115.6
Commission members	2.6	2.0	2.3	2.3	1.2	0.7
staff	70.6	80.5	82.0	88.1	88.3	92.7
goods and services	23.3	18.2	21.5	16.0	16.1	14.6
property refurbishment	4.0	3.9	3.6	3.7	4.8	5.1
provisions for legal risks	18.3	0.4	17.8	0.0	0.0	0.0
other expenditures	0.8	1.3	1.3	4.0	0.3	2.5
capital expenditure	3.2	3.2	1.4	4.4	3.3	2.8
<i>total expenditure</i>	<i>112.9</i>	<i>108.6</i>	<i>129.9</i>	<i>118.5</i>	<i>114.0</i>	<i>118.4</i>

Source: Consob. ¹ Until 2013 the final figures are shown. For 2014 the final quotation data are reported. ² The surplus is the difference between total revenue and total expenditure, as well as differences arising from the management of residues and value adjustments to invested assets (not shown in the table). The 2013 surplus is carried over to 2014 revenue.

In particular, current expenditure for 2014 (115.6 million euro) increased by around 4.9 million euro compared to the same figure for 2013, while capital expenditure (2.8 million euro) decreased by 0.5 million euro.

The increase in current expenditure is mainly due to the transfer of financial resources to other independent authorities, introduced by the 2014

stability law, and to higher personnel expenses, largely offset by lower charges to purchase consumer goods and services, resulting from adopting current cost containment measures.

Capital expenditure is essentially attributable to the acquisition of hardware and software products.

Total revenues for 2014 (excluding budget surplus for 2013) amounted to 108.4 million euro, of which 8.5 (approximately 8 percent) from other income (essentially receivable interest, the application of property restoration funds and amounts paid to Consob as a result of court orders) and 99.9 million (approximately 92 percent) from income from supervisory contributions received (Tab. 32).

Tab. 32 Fees breakdown by category of supervised entities¹
(millions of euro)

	investment firms and stockbrokers	banks	audit firms	financial advisors	market operators ²	issuers	UCITs ³	entities soliciting retail investment	other	<i>total supervisory fees</i>
2009	1.3	13.1	9.0	5.0	5.4	14.7	8.6	29.1	1.6	<i>87.8</i>
2010	1.6	16.9	11.9	5.5	5.7	19.8	10.7	34.8	2.0	<i>108.9</i>
2011	1.7	20.1	12.1	5.2	5.7	23.1	11.5	34.7	2.5	<i>116.6</i>
2012	1.4	17.7	12.7	4.9	5.7	23.5	10.4	30.5	2.1	<i>108.9</i>
2013	1.5	16.2	12.5	4.7	5.2	22.5	8.8	23.9	2.7	<i>98.0</i>
2014	1.6	17.0	12.8	4.7	5.0	22.5	9.4	23.5	3.4	<i>99.9</i>

Source: Consob. ¹ Until 2013 the final figures are shown. For 2014, the preliminary figures are given below. ² Including Borsa Italiana, MTS Spa, Cassa di compensazione e garanzia Spa, Monte Titoli Spa and Organismo dei consulenti finanziari. ³ Including supervisory fees paid by individual portfolio management provided by asset management companies (AMCs).

2 Internal organisational and functional structure

Also during 2014, particular attention was paid to implementing initiatives to rationalise and contain expenditure, with particular reference to current expenditure.

The results achieved on this front were formally and positively acknowledged by the internal and external bodies responsible for controlling Consob's financial management.

This trend will continue in 2015 and will find additional forms of implementation also following the recent signing of the agreement with the Antitrust Authority for the joint management of certain back office services (general affairs, asset management, technical-logistics services and related contractual activities) to implement the provisions of Article 22 of Decree Law 90/2014.

Among the initiatives to implement the aforementioned Article 22 of Decree Law 90/2014, there is also the definition, among the independent authorities indicated in paragraph 1 of the same article, of an agreement for the joint execution of bankruptcy procedures for hiring personnel. This initiative also features completely new profiles, the implementation of which involved the joint execution of a series of technical studies, now in their final stage.

Noteworthy activities were then carried out during 2014 to implement the regulations on administrative transparency (Legislative Decree 33/2013) and, at the same time, to pursue broader objectives of operational rationalisation and cost minimisation, as well as improving the quality of services provided to users.

In this context, following the approval of the regulation implementing Legislative Decree 33/2013 at the end of 2013, the first three-year Transparency and Integrity Programme was launched in April 2014.

In this context, the first 'Transparency Day' was organised at the end of 2014, which provided an opportunity to explain to consumer associations the initiatives carried out and those planned, in order to encourage a climate of cooperation and stimulation also on the issues of administrative transparency.

For 2015, Consob's commitment is not only to constantly adapt the set of data and news available to users to the requirements of the reference legislation, but also to increase the flow of information accessible to stakeholders in terms of quality and quantity, also by providing manuals relating to the various types of administrative procedures under Consob's jurisdiction, also replicating and strengthening the opportunities of contact and discussion with external stakeholders.

Another important project is at an advanced stage of completion and will be implemented within the first half of this year: the re-engineering of the institutional website, which has undergone a radical architectural and applicative restructuring, as well as graphic restyling. A strong innovative element of the new website is given by the interface modes, now focused on three dedicated Areas (information of public utility, services for operators and investors, investor education initiatives).

During 2015, through the strengthening of technological and process innovations, the channels of communication and information exchange with ESMA will also be increased, towards which, in compliance with EU-wide constraints and based on shared European standards, increasingly structured data flows will be directed, using integrated applications and tools.

3 Human resource management

In view of the persistent need for cost containment, new recruits were again limited in 2014 to cases of strict and unavoidable necessity. In particular, compared to 2013, Consob's staff decreased by 4 staff units (compared to two entries and 6 terminations), bringing the total number of employees to 614 (Tab. 33 and Tab. 34).

Tab. 33 Human Resources¹

	permanent positions				fixed-term positions	total
	managers and middle managers	white collars	other employees	total		
2009	231	287	13	531	47	578
2010	239	270	21	530	45	575
2011	260	280	22	562	48	610
2012	278	276	21	575	52	627
2013	317	232	17	566	52 ²	618
2014	349	198	13	560	54 ²	614

Source: Consob. ¹ As of 31 December. ² This includes 7 employees seconded from other administrations and equivalent to one of the functional qualifications provided for in the Staff Regulations.

Tab. 34 Distribution of personnel by qualification and organisational unit¹

organisational unit	executives	officials	employees	other ²
General Direction	3	4	9	4
General Secretary	1	1	2	0
General Advocate	1	0	0	0
Legal Advice	6	24	7	0
Uncoordinated offices within Divisions ³	9	37	33	3
Divisions				
Issuers Information	4	32	12	0
Corporate Governance	6	27	10	0
Markets	9	41	28	0
Intermediaries	5	48	26	0
Inspectorate	3	37	9	0
Studies	4	19	11	0
Administration	10	39	45	9
Regulatory Strategies	3	8	3	0
Consumer Protection	6	8	7	1
<i>total</i>	<i>70</i>	<i>325</i>	<i>202</i>	<i>17</i>

Source: Consob. ¹ As of 31 December 2014. Contractors are distributed according to their equalisation. ² The item 'Other' includes general services career staff. ³ Uncoordinated offices within the Divisions.

In addition, during the year, calls for tenders were published for two competitive procedures, still in progress, aimed at hiring persons belonging to protected categories.

The current organic plan provides for a 10-place competition per deputy that, together with the competition procedures mentioned above, mean a reversal of the trend compared to the last three years, which is necessary to restart a recruitment cycle that allows the hiring of new and young professionals. The completion of this competitive procedure will also represent the first act applying the agreement on public competitions in common with the other independent authorities, pursuant to Article 22 of Decree Law 90/2014.

As far as smart working is concerned, which is the working method introduced in 2012, the last annual session saw a significant increase in the so-called teleworkable areas and associated positions, with an increase to 17 (3 in 2012 on an experimental basis and 11 in 2013). These positions are currently held at 10 organisational units (14 at the Rome office and 3 at the Milan office). This is an incremental trend that will be confirmed in the coming years, in the knowledge that it represents a flexible instrument that manages to combine Consob's needs with those of its employees, with profiles that are also socially useful.

The initiatives of negotiation with the Trade Unions currently underway follow the same approach. They are aimed at introducing other working practices to provide for maximum flexibility in working hours, so as to reconcile internal organisational and production needs with those, of equal importance, typical of the personal and family life of each worker.

A further important management initiative is the concrete launch, during 2014, of the Supplementary pension scheme for Consob's employees, aimed at ensuring them a more adequate level of pension coverage, according to payment criteria and based on the capitalisation principle. The Scheme's participation rate, which in 2014 involved 503 employees, was 65 percent of those eligible upon launch.

With regard to staff training, the objective pursued during 2014 was to give priority to initiatives carried out within Consob, also with the participation of external teachers, involving large categories of employees on issues of collective interest.

4 Information systems

In 2014, efforts continued to contain ICT costs, aimed at optimising investments. Particular attention was paid to developing applications capable of reducing Consob's reaction time to market events.

As part of the activities to adapt to the innovations of the reference institutional context, communication channels and exchanges of information with ESMA and various data repositories have been set up.

As part of simplifying the requirements for supervised entities and integrating the systems dedicated to these activities, work was carried out to rationalise the systems to acquire information flows from supervised entities.

5 External relations, conferences and studies

During 2014, relations with the public and investors were, as usual, core to Consob's work. The website proved to be the main tool for institutional communication with the public: the high number of accesses confirms the importance of the instrument for the acquisition of data and information by operators, students, scholars and retail investors (Tab. 35).

Tab. 35 Number of accesses to Consob website
(thousand)

sections	2009	2010	2011	2012	2013	2014
home page (what's new)	1,873	1,819	1,275	1,305	1,178	904
for investors	173	193	199	180	159	220
for supervised entities	309	388	322	340	271	218
for journalists	12	12	5	6	4	5
Consob	1,454	1,254	1,154	1,160	968	703
issuers	3,679	3,275	3,177	3,119	2,706	1,283
intermediaries and markets	1,020	1,121	1,090	1,088	988	771
Consob decisions / newsletter	968	935	977	982	891	476
regulation	1,906	2,127	2,065	2,100	1,618	730
publications and press releases	–	–	191	188	126	55
links to other websites	209	9	4	4	5	3
unique search software	209	196	116	112	147	57
help and site map	15	16	9	10	7	4
interactive area	44	97	51	54	36	36
English site	845	290	322	340	343	532
transparency ¹	–	–	–	–	–	168

Source: Consob. ¹ The data are available from March 2014, the date on which the new section of the site was published.

As in the past, there have been numerous written requests for assistance as well as reports on events concerning corporate operations and the market. Of the approximate 1.600 requests received by Consob from the public and retail investors, 900 were sent via the Integrated System for External Users (SIPE) and the form available therein; the numerous requests for clarification, data and information received by telephone during the year must be added to these (Tab. 36).

Tab. 36 Request of documents and information on Consob activity

	applicants			applications breakdown				
	institutional investors, intermediaries, operators	retail investors, students, other	total	resolutions, communications, prospectuses	amended laws and regulations	data and information	other	total
2009	175	2,640	2,715	80	1,100	1,470	65	2,715
2010	308	1,291	1,599	178	264	763	394	1,599
2011	315	1,385	1,700	188	270	792	450	1,700
2012	321	1,394	1,715	183	275	801	456	1,715
2013	340	1,265	1,605	175	260	830	340	1,605
2014	346	1254	1600	180	258	810	352	1600

Source: Consob.

With reference to the seminars and conferences held during 2014, on the occasion of the 40th anniversary of its establishment, Consob organised a cycle of four seminars with the aim of stimulating debate on the evolutionary profiles of financial market regulation and supervision.

As far as study activities are concerned, during the year Consob published research work aimed at contributing to the academic debate on issues of economics, finance and law. Consob also published two issues of the 'Risk Outlook' (a report analysing the economic phenomena and trends characterising the evolution of the financial markets), as well as the third issue of the 'Report on the corporate governance of Italian listed companies', an annual document based on statistical supervisory reports and public information, which contains data on the ownership structure, corporate bodies, shareholders' meetings and transactions with related parties of Italian listed issuers. These documents were presented during public events involving representatives of the Ministry of Economy and Finance, Borsa Italiana, industry and academia.

There was also a seminar on the 2013 Annual Report and workshops dedicated to expanding the implementation measures of EMIR and MiFID II.

Consob also published the fourth and fifth issue of the 'Statistical Bulletin', a six-monthly document containing data on institutional sectors of interest to Consob based on statistical surveillance reports.

6 International cooperation

In 2014, Consob continued exchanging information with the supervisory authorities of the EU Member States and non-EU countries (Tab. 37).

In detail, Consob activated international cooperation with foreign supervisory authorities in relation to 75 cases (77 in 2013), most of them in connection with alleged market abuse (36 cases). Consob received requests in connection with 87 cases (47 in 2013), particularly regarding integrity and professionalism requirements (65 cases).

Consob also reported 9 suspicious transactions to the competent foreign authorities (3 in 2013) and 70 requests to remote members (97 in 2013), 40 reports of suspicious transactions were received from foreign authorities (41 in 2013). Consob also provided and received assistance in the absence of a specific request in this sense, respectively, in 20 and 8 cases.

In May, the Multilateral Memorandum of Understanding on cooperation arrangements and exchange of information between ESMA and the European competent national authorities entered into force, implementing ESMA Guidelines of March 2014 (see Chapter V 'The regulatory and institutional framework', Part B). The agreement was also signed by Consob.

Cooperation between the authorities for enforcement purposes also continues to be regulated by a multilateral memorandum of understanding signed at IOSCO, of which Consob is a signatory.

During the year, Consob also signed several Memoranda of Understanding, negotiated directly by ESMA in accordance with the provisions of the Directive on Alternative Investment Fund Managers (Directive 2011/61/EU - AIFMD) with the regulatory authorities of third countries.

Tab. 37 Exchange of information between Consob and foreign supervisory authorities

topic	2009	2010	2011	2012	2013	2014
Requests to foreign authorities						
insider trading	23	20	27	16	12	21
market manipulation	14	23	18	14	11	15
unauthorised public offerings and provision of investment services	3	10	14	33	42	26
transparency and corporate disclosure	1	8	--	--	2	1
relevant shareholding in listed companies and authorised intermediaries	2	9	5	1	1	0
integrity and professional requirements	--	--	1	1	1	2
infringement of rules of conduct	3	3	1	1	8	3
short sales	1	--	--	--	--	0
insider trading	6	4	--	--	--	2
requests to remote member pursuant to art. 57 MiFID	2	5	24	67	97	70
establishment of a European investment firm branch in Italy	--	--	--	--	--	5
<i>total</i>	<i>55</i>	<i>82</i>	<i>90</i>	<i>133</i>	<i>174</i>	<i>145</i>
Reports to foreign authorities						
suspicious transactions	6	9	5	9	3	9
unsolicited assistance	--	--	--	--	--	20
<i>total</i>	<i>6</i>	<i>9</i>	<i>5</i>	<i>9</i>	<i>3</i>	<i>29</i>
Requests from foreign authorities						
insider trading	5	9	11	9	7	17
market manipulation	2	4	5	5	1	3
unauthorised public offerings and provisions of investment services	8	6	4	2	1	2
transparency and corporate disclosure	1	2	3	--	--	--
relevant shareholding in listed companies and authorised intermediaries	--	1	1	--	--	--
integrity and professional requirements	36	41	50	30	38	65
infringement of rules of conduct	2	5	--	1	--	--
transaction reporting ex art. 25 MiFID	--	--	--	--	--	--
short sales	--	--	--	--	--	--
requests to remote member pursuant to art. 57 MiFID	--	1	--	1	--	--
<i>total</i>	<i>54</i>	<i>69</i>	<i>74</i>	<i>48</i>	<i>47</i>	<i>87</i>
Reports received from foreign authorities						
suspicious transactions	5	8	11	22	41	40
unsolicited assistance	--	--	--	--	--	8
<i>totale</i>	<i>5</i>	<i>8</i>	<i>11</i>	<i>22</i>	<i>41</i>	<i>48</i>

Source: Consob.

Contents

Consob activity

I Markets supervision

1	Supervision of trading platforms	5
1.1	Regulatory supervision	5
1.2	The suspension of financial instruments from trading	7
2	Supervision of market trading and information integrity	8
2.1	Supervision of transparency and orderly trading	8
2.2	Supervision of market information integrity	8
3	Supervision of post-trading and OTC derivatives	12
4	Supervision of short selling	12
5	Supervision over the dissemination of research and ratings	13
6	Supervision of market abuse	14
6.1	Prevention	14
6.2	Repression	14

II Supervision of issuers and audit firms

1	Ownership structure disclosure	19
2	Supervision of related party transactions	20
3	Supervision of corporate governance and internal supervisory bodies	21
4	Supervision of audit firms	22

III Supervision of corporate disclosure

1	Supervision of public offerings and admission to trading of equity instruments	27
2	Supervision of public offerings and admission to trading of non-equity instruments	28
3	Takeover bids and exchange tender offers	32
4	Corporate disclosure	34

5	Accounting information	36
5.1	Supervision of the banking sector	38
5.2	Questions concerning accounting information	38
IV	Supervision of intermediaries	
1	Entities authorised to provide investment services	39
2	Supervision of banks and Italian investment firms	41
3	Supervision of asset management companies	42
4	Supervision of financial advisors	45
V	Inspection activity and sanctions	
1	Inspections	47
2	Investigations on hypothesis of abusive practices	49
VI	Regulatory activity	
1	Transposition of European directives and implementation of the primary discipline	55
2	Other measures implementing the Consolidated Law on Finance	57
3	Additional regulatory interventions	59
4	Measurement of the administrative burdens on supervised entities	59
VII	Investor protection	
1	Financial education	61
2	Complaints management	61
3	The activity of the Conciliation and Arbitration Chamber	63
VIII	Back-office activities and international cooperation	
1	Financial management	65
2	Internal organisational and functional structure	66
3	Human resources management	68
4	Information systems	69
5	External relations, conferences and studies	70
6	International cooperation	72