

## IFIAR 2020 Member Profile – CONSOB

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Italy
<b>2. Member<sup>1</sup></b>	<b>2.1 Insert the name of the Member, both in the local language and in English:</b>  Commissione Nazionale per le Società e la Borsa (CONSOB)
	<b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b>  Via Giovanni Battista Martini, 3 - 00198 Rome (Italy)  <u>Tel.:</u> +39 06 84771 (switchboard) <u>Fax:</u> +39 06 8417707 <u>Website:</u> <a href="http://www.consob.it">http://www.consob.it</a> (English version is available)
	<b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b>  <p>Consob is an independent authority, with legal personality in accordance with public law, established with Law no. 216/1974. It is responsible for the regulation and supervision of the Italian securities markets and for the protection of investors. It has, among other, oversight responsibilities on issuers, financial intermediaries, regulated markets and other trading venues, auditors and audit firms.</p> <p>Legislative Decree no. 58/1998 ("The Consolidated Law on Finance" and following amendments) and its implementing measures constitute the main regulatory framework for Consob's oversight activity.</p> <p>Consob's oversight on auditors and audit firms is regulated by Legislative Decree no. 39/2010. According to that Decree auditors and audit firms that audit financial statements of "public interest entities" (as defined in the Audit Directive 2006/43/EC (as amended by Directive 2014/56/EU) - listed companies, banks and insurance companies) and of other entities subject to a special regime of supervision because of the nature of their activities</p>

<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>(financial intermediaries and other entities belonging to the financial sector) are subject to Consob's oversight. Consob is entrusted with the task to supervise the organization and the activities of the above-mentioned auditors and audit firms in order to verify their independence and technical adequacy. This oversight activity includes periodic inspections for quality control reviews on auditors and audit firms and the power to recommend them to implement specific measures to improve their internal quality control systems. In addition to the recurring inspections, Consob has the power to carry out investigations on specific cases for enforcement purposes and to apply administrative sanctions and measures against auditors and audit firms.</p> <p>Consob is the competent authority responsible for carrying out the tasks of EU Regulation no. 537/2014 dealing with specific requirements regarding statutory audit of public interest entities.</p> <p><b>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p>
<p><b>3. Governing Body Composition and members</b></p>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p>The Board is the governing body of Consob. It is of a collegial nature and is composed by the Chairman and 4 members (5 in total). They are appointed by a Decree of the President of the Republic acting on a proposal submitted by the Prime Minister and approved by the Council of Ministers. The term of mandate is 7 years without re-confirmation.</p> <p>The current Board of Consob is composed of:</p> <p>Mr. Paolo Savona, Chairman</p> <p>Ms. Anna Genovese, Commissioner</p> <p>Mr. Giuseppe Maria Berruti, Commissioner</p>

<sup>2</sup> An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>Mr. Carmine di Noia, Commissioner</p> <p>Mr. Paolo Ciocca, Commissioner.</p> <p>All members are independent from the audit profession.</p>
	<p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>The criteria for selection are established by the above-mentioned Law no. 216/1974: the Chairman and the members of the Board must be chosen from among persons with specific skills and experience as well as unquestionable integrity and independence. The law also requires that they cease from any previous activity to work exclusively for Consob. They are obliged to resign if the preconditions for their appointment cease to be valid.</p> <p>Since 17 June 2016, article 21 of EU Regulation no. 537/2014 is also applicable to Consob. Article 21 establishes further conditions of independence for members of the governing body of the competent authority in charge of carrying out the tasks of the Regulation.</p>
	<p><b>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p style="text-align: center;">N/A</p>
	<p><b>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</b></p> <p style="text-align: center;">N/A</p>
	<p><b>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p>

	<p>EU Regulation no. 537/2014 (art. 21) establishes the “Conditions of independence” applicable to the board members of the competent authority. The aforesaid conditions include a cooling – off period of 3 years for former auditors.</p> <p>At national level, members of the Board should also comply with the Consob’s Code of Ethics that establishes policies and procedures to protect the independence of the Board members and to avoid conflicts of interest. The Code is published on Consob’s website.</p>
	<p><b>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</b></p> <p style="text-align: right;">N/A</p>
<p><b>4. Funding Arrangements</b></p>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>According to the law (Law no. 216/1974) Consob manages its operating expenses autonomously on the basis of an annual budget approved by the Consob’s Board. Consob is funded through fees collected directly from markets and market participants (including audit firms) for the oversight activities it carries out. The fees collected from the market and market participants are fixed by Consob and ratified by a decree signed by the Prime Minister after consulting the Minister of Economy.</p> <hr/> <p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>As described above the funding mechanism is established by law.</p>
<p><b>5. Inspection System</b></p>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>

	<p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> <b>Directly</b>                      <input type="checkbox"/> <b>Through Oversight</b></p> <p>Pursuant to Article 22 of Legislative Decree no. 39/2010 Consob shall supervise the organization and activities of the statutory auditors and audit firms that have statutory audit engagements with PIE (and with entities subject to a special regime of supervision because of the nature of their activities) in order to verify the correct performance of the audit.</p> <p>The same Article states that, in the exercise of its functions, Consob shall carry out quality assurance controls pursuant to Article 26 of the EU Audit Regulation and to Article 20 of the same Legislative Decree and that it is empowered to exercise the power to carry out on-site inspections of statutory auditors or audit firms and the other powers referred to in Article 23 of the EU Audit Regulation.</p> <p><b>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</b></p> <p style="text-align: center;">N/A</p> <p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>According to EU Regulation no. 537/2014 (art. 26) the frequency of quality assurance reviews on auditors and audit firms of public interest entities shall be determined on the basis of an analysis of risk and is at least every 3/6 years on audit firm and auditors carrying out statutory audits on public-interest entities depending on engagement relevance (as defined by Directive 2013/34/EU)..</p>
<p><b>6. Audit and Financial Market</b></p>	<p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</b></p> <p>In 2019 the Consob’s audit oversight activity focused on no. 24 audit firms and 17 auditors who currently undertake the audit of public interest entities and of entities subject to a special oversight regime. The overall number of such audit engagements is about 1350.</p> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</b></p> <p>The BIG 4 firms market share with regard to the audit of public interest entities is about 95%.</p>

<b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b>	<b>7.4 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b>  <input type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input checked="" type="checkbox"/> Other: Market Monitoring _____
	<b>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</b>  <input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight  If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.  <p style="text-align: center;">N/A</p>
	<b>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</b>  <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight  If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.  Legislative Decree 39/2010, implementing EU Directive 2006/43 (and following amendments due to the implementation of the audit reform), establishes in art. 11 that, until the auditing standards are adopted by the European Commission, all statutory audits (PIEs and non – PIEs) are performed in compliance with standards (derived from international standards) developed by professional bodies and associations (which have signed a special agreement with the Ministry of Economy and Finance), together with CONSOB and the said Ministry.  The law also establishes (art. 11) that the so developed national standards are adopted by means of an administrative decision issued by the Ministry of Economy and Finance, following the advice of Consob.

	<p>An identical mechanism is in place for ethic and independence standards, which are drafted at national level taking into account the international standards and the rules established by the national law.</p> <hr/> <p><b>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p style="text-align: center;">N/A</p> <hr/> <p><b>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>Consob has the power to carry out directly investigations on specific cases for enforcement purposes and to apply directly administrative sanctions and measures against auditors and audit firms for breaches of the law and of the audit and independence standards.</p> <hr/> <p><b>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</b></p> <p>Art. 27 of EU Regulation 537/2014 establishes that the competent authority for audit oversight of PIEs has also responsibilities for monitoring the audit market concentration and the performance of audit committees of PIEs in relation to the duties assigned to audit committees by the Directive 56/2014 and the Regulation itself.</p>
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<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</b></p> <p>Consob has a wide range of responsibilities as a securities regulator. CONSOB is the competent authority for ensuring, among other:</p> <ul style="list-style-type: none"> <li>• transparency and correct behaviour by market participants;</li> <li>• disclosure of complete and accurate information to the public by listed companies;</li> <li>• accuracy of the facts represented in the prospectuses related to offerings of transferable securities to the public.</li> </ul> <p>It conducts investigations with respect to potential infringements of insider dealing and market manipulation law.</p>
<p><b>9. Major Events and Activities</b></p>	<p><b>9.1 Describe any recent major events and activities:</b></p> <p>Consob publishes every year in May an Annual report that is available on Consob's website that includes information on the audit oversight activity performed and on the overall results of the quality controls activity.</p>