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ALERT MEMORANDUM

Capital Markets Bill: Measures to Support the Competitiveness of Italian Capital Markets

March 13, 2024

Key Points

- **Increased votes for loyalty shares of listed (or soon to be listed) companies and multiple voting shares (prior to listing), in each case up to 10 votes per share, to discourage issuers from relocating to more flexible jurisdictions**
- **The bylaws of listed companies may allow the outgoing board of directors to submit a slate of candidates for the new board, subject to restrictions and a complex voting mechanism**
- **The bylaws may provide for shareholders' meetings to be held exclusively through the intervention of a designated representative**
- **Repeal of the shareholders' right to submit proposals and ask questions directly at the meeting**
- **Additional exemptions from the "*door-to-door*" regime to encourage so-called "*self-placement*" by the issuer**
- **More companies will be able to benefit from the less burdensome rules applicable to SMEs**
- **Dematerialization of equity interests in limited liability companies to facilitate the transfer of interests in SMEs and start-ups and streamline the procedures for updating the register of equity holders**
- **Repeal of the obligation to disclose internal dealing transactions by shareholders holding at least 10% of the share capital and by controlling shareholders**
- **Amendments to the rules governing the issuance of debt securities to professional investors**
- **Repeal of the specific liability regime applicable to the intermediary responsible for the public placement of securities**

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On February 27, 2024, the Senate approved Bill No. 674, tabled by the Minister of Economy and Finance, containing measures to improve the competitiveness, attractiveness and European integration of Italian capital markets (the "Capital Markets Bill"). The Capital Markets Bill was published in the Official Journal[1] on March 13, 2024 and will enter into force on March 27, 2024.

The Capital Markets Bill addresses several significant issues concerning Italian financial markets and also includes a broad delegation of powers to the Government to undertake a comprehensive reform of the current codified financial markets statute (the "TUF") within 12 months of its entry into force.

I. Introduction

The Capital Markets Bill stems from the conclusions of the so-called Green Book[2] on "*The competitiveness of the Italian financial markets to support economic growth*" presented by the Ministry of Economy and Finance, aimed at accelerating the reform of Italian capital markets and increasing the attractiveness of the Italian financial system to promote growth and investments (the "Green Book").

The Green Book identified some possible areas of simplification and streamlining to:

- improve the listing process in Italy, making it easier to enter into and remain on the market, with a particular focus on small and medium-sized enterprises ("SMEs");[3]
- improve the conditions for investor participation in Italian capital markets and encourage investments by institutional investors;
- increase the opportunities for digital finance within the market; and
- amend the functions and responsibilities of the supervisory authorities to promote competitiveness.

Implementing the above guidelines, the Capital Markets Bill aims to: (i) promote the development of the Italian capital markets (as well as discourage Italian issuers from relocating their headquarters abroad), and (ii) channel more private investments (from both retail and institutional investors) into Italian listed companies by:

- removing a number of rules that impose a higher level of regulation – and related burdens – than the "minimum" required by EU regulations (so-called gold-plating);
- supporting the role of investors;
- amending the powers and responsibilities of the supervisory authorities; and
- modernizing various aspects of Italian corporate law.

II. Main changes

The main changes introduced by the Capital Markets Bill are analyzed below.

a. *Access to, and regulation of, capital markets*

- Exemptions from the "*door-to-door*" regime (Article 1 of the Capital Markets Bill)

  Article 1 of the Capital Markets Bill increases the exemptions from the door-to-door regime.[4]

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[1] The text (in Italian only) of the Capital Markets Bill published in the Official Journal is available here.

[2] The text (in Italian only) of the Green Book is available here.

[3] Article 2 of the Ministerial Decree of April 18, 2005, implementing the European Commission Recommendation 2003/361/EC of May 6, 2003, on the definition of micro, small and medium-sized enterprises, defines SMEs as companies that cumulatively have: (a) fewer than 250 employees, and (b) an annual turnover not exceeding €50 million or an annual balance sheet total not exceeding €43 million.

[4] The TUF defines a door-to-door offer as "*the promotion and placement with the public of: (a) financial instruments in a place other than the registered office or the establishments of the issuer, the offeror or the person appointed to carry out*

In particular, the Capital Markets Bill exempts from the door-to-door rules cases of so-called "*self-placement*" by the issuer, *i.e.* offers for the sale or subscription of shares issued by the issuer (or other financial instruments issued by the issuer which allow for the purchase or subscription of such shares), without a placement intermediary provided that:

(i) the securities are issued by issuers listed on regulated markets or multilateral trading facilities in Italy or in the EU; and

(ii) the offer is carried out by the issuer through its directors or officers for amounts to be purchased or underwritten of at least €250,000.

Accordingly, those offers may be carried out without involving an intermediary authorized to provide placement services.

Issuers will be able to offer their shares without involving an entity authorized to provide placement services (so-called "self-placement")

- Measures on SMEs (Articles 2 and 3 of the Capital Markets Bill)

  The Capital Markets Bill focuses mainly on SMEs, given the importance of this type of company in the Italian economy.

  Articles 2 and 3 of the Capital Markets Bill provide, respectively, for:

  – an increase in the number of companies that can benefit from the rules applicable to SMEs issuing listed shares (and thus from the related less strict rules on transparency of ownership structures, takeover offers, etc.),[5] by raising the maximum capitalization threshold to €1 billion (from the current €500 million); and

  – the dematerialization – on a voluntary basis – of SMEs' equity interests (*quote)*, to reduce the costs and administrative burdens related to issuing and transferring SMEs/limited liability companies' interests, especially when these companies decide to access the capital markets.

- More companies will be able to benefit from the less burdensome rules on SMEs

- The dematerialization of limited liability companies' equity interests will allow investors to broaden their investment horizons and benefit from a faster exit from unlisted companies

- Regime for issuers of financial instruments widely distributed among the public (Article 4 of the Capital Markets Bill)

  Article 4 of the Capital Markets Bill comprehensively changes the regulation of issuers of financial instruments widely distributed among the public[6] (*emittenti diffusi* - or widespread issuers) to remove a case of gold-plating.

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the promotion or placement; (b) investment services and activities in a place other than the registered office or the establishments of the provider, promoter or seller of the service" and provides that such offers may only be made through an intermediary authorized to provide such services.

[5] The less burdensome rules available to SME issuers of listed shares provide that, with respect to disclosure obligations, the threshold triggering the disclosure of major shareholdings under Article 120 of the TUF is 5% instead of 3%, and with respect to takeover bids, the threshold triggering the obligation to launch a takeover bid is equal to 30% of the issuer's capital or voting rights instead of 25%.

[6] Currently, Article 2-*bis* of Consob Regulation No. 11971 of May 14, 1999, defines "*issuers of financial instruments widely distributed among the public*" as those that contemporaneously: (a) have more than five hundred shareholders holding an overall interest of at least 5% of the share capital other than the majority shareholders; and (b) exceed two of the following three limits set out in paragraph 1 of Article 2435-*bis* of the Italian Civil Code, (1) total balance sheet assets: €4,400,000; 2)

The Italian regime for widespread issuers is a unique feature in the European regulatory framework and provides for an intermediate regime between that for companies listed on regulated markets and that for so-called closed companies.

The category of issuers of financial instruments widely distributed among the public was originally introduced to make the obligations and burdens on issuers proportionate to the degree of public distribution of their securities and thus to the protection of investors' interests.

However, the proportionality sought has not been achieved, as these rules have led to the application to companies listed on MTFs of several rules applicable to companies listed on regulated markets, effectively eliminating the intended diversification of the listing markets.

Article 4 of the Capital Markets Bill removes a number of obligations[7] that currently apply to both widespread issuers (also listed on MTFs) and those whose securities are listed on regulated markets, deeming the protections and safeguards resulting from listing on MTFs sufficient.

The reorganization of the regulations applicable to widespread issuers introduces a number of simplifications that will be of particular benefit to MTF issuers that also qualify as issuers of securities widely distributed among the public, which are currently subject to a dual regime

- Simplification of listing procedures (Article 8 of the Capital Markets Bill)

  Article 8 of the Capital Markets Bill introduces a number of simplifications to the procedures for the admission to trading of financial instruments, including through the removal of certain requirements for listing on the stock exchange.

  In particular, Consob's power to regulate listing requirements for the shares of companies controlling non-EU companies, and the shares of companies whose assets consist exclusively of equity participations, has been repealed.[8]

The procedure for listing the shares of these companies will be simplified and accelerated

revenues from sales and services: €8,800,000; 3) average number of employees during the financial year: 50 units. These limits are considered exceeded only in certain circumstances.

7 The simplification of the rules governing issuers of financial instruments widely distributed among the public introduced by the Capital Markets Bill includes, by way of example, the elimination of: (i) certain disclosure obligations, which go beyond those imposed on closed companies, to the public (*e.g.* disclosure of non-public information that, if made public, could have a material effect on the price of the securities) and to Consob (*e.g.* disclosure of the acquisition or loss of the status of widespread issuers); (ii) the power of the shareholders to resolve upon equity incentive plans in favor of directors, employees or independent contractors, and the disclosure thereof; (iii) the limits on the number of offices that can be held by directors and auditors and the obligations to notify Consob and the public of such offices.

8 See Article 15 (*Conditions for the listing of shares of parent companies that control companies incorporated under and regulated by the law of non-EU countries*) and Article 17 (*Conditions for the listing of shares of companies the assets of which exclusively consist of shareholdings*) of Consob Regulation No. 20249 of December 28, 2017.

- <u>Regime for the approval of the prospectus and the intermediary responsible for the public placement of securities (so called *responsabile del collocamento* - Article 9 of the Capital Markets Bill)</u>

  With regard to public offers, Article 9 of the Capital Markets Bill:

  (i) specifies that – in line with the provisions of Regulation (EU) No. 2017/1129 on prospectuses – the deadlines for the approval of the prospectus run from the date on which the draft prospectus is filed with Consob and not from the date on which Consob deems the application complete, in favor of procedural certainty; and

  (ii) abolishes the specific liability of the intermediary responsible for the public placement of securities for false information or omissions likely to influence the decisions of a reasonable investor, as provided for in Article 94(7) of the TUF, which constitutes another gold-plating aspect of the Italian regime.

- The deadlines for the approval of the prospectus are in line with European regulations

- Repeal of the presumption of negligence on the part of the intermediary responsible for the public placement of securities

- <u>Disclosure of transactions carried out by controlling and qualified shareholders (Article 10 of the Capital Markets Bill)</u>

  Article 10 of the Capital Markets Bill repeals Article 114(7) of the TUF, which regulates the obligation to disclose transactions carried out by shareholders holding at least 10% of the issuer's shares or by any other person controlling the issuer.

  The current provision had no basis in European law, as Regulation (EU) No. 596/2014 on market abuse only imposes such obligations on persons discharging managerial responsibilities at the issuer.

Removal of the internal dealing disclosure obligation for transactions carried out by shareholders holding at least 10% of the share capital or by controlling shareholders, which is a unique feature in the European regulatory framework and often a source of concern for international investors

b. ***Corporate law***

The Capital Markets Bill addresses some aspects of corporate law concerning shareholders' meetings, the slate of candidates submitted by the board of directors, and the content and exercise of voting rights.

- <u>Shareholders' Meetings (Article 11 of the Capital Markets Bill)</u>

  Article 11 of the Capital Markets Bill reflects developments in the decision-making model of shareholders of listed companies, according to which the shareholders' meeting loses its informative and adversarial function (as most shareholders define their vote well in advance of the meeting). It also takes into account the experience gained in the context of the pandemic and the related emergency legislation.[9] It provides that:

  – where set forth in the bylaws, the shareholders' meeting of companies listed on a regulated market or an MTF can be held exclusively through the intervention of a representative designated by the company pursuant to Article 135 of the TUF, to whom the shareholders may grant proxies or sub-proxies;

[9] See Law Decree No. 18/2020 (converted into law by Law No. 27/2020).

- the submission of proposals directly at the shareholders' meeting is not permitted;[10] and
- the right to ask questions can only be exercised by tabling them before the shareholders' meeting.[11]

The possibility of holding closed shareholders' meetings through a designated representative requires a prior amendment to the bylaws, approved by a two-thirds majority of those attending the extraordinary shareholders' meeting.

- The possibility of holding shareholders' meetings exclusively through the intervention of a designated representative may facilitate the participation of certain types of investors (mainly institutional investors) and reduce the costs associated with holding traditional shareholders' meetings

- At the same time, the strict restrictions on proposals and questions at the meeting deprive the shareholders' meeting of its adversarial function, which is **de facto** ***transferred to before and outside the-meeting***

- Slate of candidates submitted by the board of directors in joint-stock listed companies (Article 12 of the Capital Markets Bill)

One much-debated aspect of the Capital Markets Bill is the new rule on the submission of a slate of candidates by the board of directors of listed companies when renewing the board of directors.

Article 12 of the Capital Markets Bill permits the introduction of the slate, provided that:

- two-thirds of the outgoing board of directors approves the submission of the slate; and
- the number of candidates included on the slate is one third greater than the number of members to be elected.

The change introduced by Article 12 of the Capital Markets Bill reproduces a provision that already exists in several bylaws – and that was the subject-matter of a consultation document published by Consob on December 2, 2021[12] – and introduces several limitations (and procedural rules) that could give rise to criticism.

Indeed, the new Capital Markets Bill provides that, if the slate of the outgoing board obtains the highest number of votes, the shareholders' meeting will proceed to a further individual vote for each candidate, with the candidates with the highest number of votes being elected progressively in proportion to the number of seats to be allocated to that slate.

Furthermore, the directors from the other slates will be elected in different ways, depending on the number of votes obtained by those slates. In particular, if the first two minority slates have obtained in the aggregate:

(i) up to 20% of the votes cast at the shareholders' meeting, such minority slates will still be entitled to a number of board seats equal to at least 20% overall (*i.e.*, a kind of "minority premium"); and

(ii) more than 20% of the votes cast at the shareholders' meeting, minority slates that have obtained at least 3% of the votes cast will participate in the allocation of board seats in proportion to the votes obtained. The votes obtained by the slates that have not reached 3% of the votes cast will be allocated proportionately only to the slates that have exceeded that threshold.

The provisions introduced will apply from the first shareholders' meeting convened for the election of

[10] In particular, shareholders may submit proposals no later than fifteen days before the meeting.

[11] The company will provide answers to questions received at least three days before the meeting.

[12] The text (in Italian only) of Consob's consultation document dated December 2, 2021 is available here.

the Board of Directors on a date after January 1, 2025.

The mechanism envisaged for the submission of a slate of candidates by the outgoing board could give rise to significant issues: for instance, in case of truly public companies (that is, without a reference shareholder), absent other minority slates in the situation referred to in point (i) an activist fund with a minimal shareholding (even only 1%) may be able to obtain one-fifth of the board seats. In the hypothetical at point (ii), if the slate of the outgoing board wins but does not obtain an absolute majority of the votes, the rule on the proportional allocation of seats could lead to an outcome in which the elected candidates of the first minority slate (alone or together with any elected candidates from the second minority slate) could constitute the majority of the board.

The outgoing board's decision to submit a slate will depend on the existence of a reference shareholder and the board's alignment with it: with a reference shareholder willing to support the existing strategy, the board will likely not submit a slate, leaving that to the shareholder and thereby avoiding the application of the new rules

- Multiple voting shares (Article 13 of the Capital Markets Bill)

  Article 13 of the Capital Markets Bill increases the maximum number of voting rights that may be assigned to each multiple-voting share from three to ten.[13] This provision only applies to new listings, as multiple voting shares can only be introduced at the pre-listing stage.

The amendment is mainly aimed at enhancing the flexibility of the Italian corporate law system and encouraging companies with a controlling shareholder to go public without the fear of losing control

- Increased voting rights for loyalty shares (Article 14 of the Capital Markets Bill)

  Article 14 of the Capital Markets Bill completely replaces Article 127-*quinquies* of the TUF on increased voting rights.

  The new provision allows the bylaws to allocate increased voting rights, up to a maximum of two votes, for each share held by the same person for an uninterrupted period of no less than twenty-four months. The bylaws may also allocate one additional vote at the end of each subsequent twelve-month period, up to a maximum of ten votes per share.

  In the case of a cross-border merger, demerger or transformation where the company resulting from such operations is a company with listed shares or in the process of being listed, the bylaws may provide that the period of uninterrupted ownership accrued in the company being absorbed, demerged or transformed shall also count towards the two-year continuous period.

  Unless the bylaws provide otherwise, the increase in voting rights shall also be taken into account in determining the *quorum* for the constitution of the shareholders' meeting and for adopting resolutions, which refer to share capital quotas. Article 14 of the Capital Markets Bill provides that the bylaws shall establish the methods for the allocation of the increased voting rights and the verification of the respective conditions, in any case contemplating the creation of a specific registry. The Capital Markets Bill gives Consob the power to adopt implementing provisions to ensure the transparency of ownership structures and compliance with the provisions of the

[13] See Article 2351(4) of the Italian Civil Code.

TUF concerning the exercise of shareholders' rights.

Unless the bylaws provide otherwise, the increased voting rights:

– are maintained in the event of succession pursuant to death as well as in the event of merger and spin-off of the holder of the shares; and

– extend to the newly issued shares in the event of a free capital increase by conversion of reserves, pursuant to Article 2442 of the Italian Civil Code.

Finally, the bylaws may provide that the person entitled to vote may irrevocably waive all or part of the increased voting rights. If the bylaws are amended to allow the allocation of more than two votes, absent or dissenting shareholders must be allowed to exercise their withdrawal right pursuant to Article 2437 of the Italian Civil Code.

The enhancement of increased voting rights for listed/to be soon listed companies and of multiple pre-listing voting rights is intended to discourage Italian issuers from relocating to more permissive jurisdictions, such as the Netherlands

However, the amendments have given rise to concerns about the fairness of the system introduced regarding the relationship between short-term and long-term shareholders, by increasing the difference between the so-called entrepreneurial shareholders and the so-called investor shareholders

- Simplification of proxy voting (Article 17 of the Capital Markets Bill)

Article 24(1)(c) of the TUF currently provides that the power to exercise voting rights in relation to financial instruments that are under management may be conferred by proxy, granted in writing, for each shareholders' meeting. This is another gold-plating aspect of the Italian regime.

Article 17 of the Capital Markets Bill permit the grant of a proxy to a portfolio manager to exercise voting rights at more than one meeting, in line with the practice of other foreign jurisdictions and the spirit of the so-called Shareholder Rights Directive II.

The amendment will facilitate the involvement of asset managers in the exercise of shareholders' voting rights by reducing onerous restrictions on voting proxies

c. ***Investor Support***

The Capital Markets Bill aims to encourage investment in financial instruments and thus facilitate the use of investment services, also with a view to increasing the resources available to issuers wishing to grow through recourse to the financial markets.

- Professional investors (Article 15 of the Capital Markets Bill)

Article 15 of the Capital Markets Bill extends the status of professional investors for the provision of investment services to private and privatized pension funds.

The amendment, on the one hand, recognizes the market knowledge and experience of these investors and, on the other hand, allows these entities and the counterparties with whom they interact to avoid the procedures and costs associated with the need to be recognized as "professional clients on request", thus encouraging their investment flow

d. ***Measures concerning the supervisory authority***

The Capital Markets Bill amends some of the responsibilities and powers of Consob and other independent administrative authorities.

- Repeal of Consob's power to increase free-float thresholds (Article 6 of the Capital Markets Bill)

  Article 6 of the Capital Markets Bill repeals Consob's power to increase above 90% the ownership threshold in a listed issuer above which the purchase obligation (so-called "sell-out") set out in Article 108 of the TUF[14] applies.

  Such power – which is partly discretionary on the part of Consob – does not arise from the EU mandatory takeover bid regime and does not exist in other jurisdictions, and thereby gives rise to the risk of potential asymmetries and uncertainty in relation to its enforcement.[15]

  Removal of the provision that allowed Consob to increase the threshold above which the sell-out right is triggered, which was not present in any other European jurisdiction and was the subject of enforcement uncertainty due to the proliferation of financial instruments that replicate equity indices in different ways

- Liability of supervisory authorities (Article 20 of the Capital Markets Bill)

  Market participants have often complained about excessive delays in administrative procedures and a supervisory approach based on a prudential rationale without any need for protection. The reason for this cautious approach has been repeatedly identified as the high risk of litigation faced by the supervisory authorities due to a legal liability regime that is punitive compared to that of other authorities.

  The current regime[16] provides that the supervisory authorities (the Bank of Italy, Consob, Ivass, Covip and the Competition Authority), the members of their bodies and their employees are liable for damages caused, in the exercise of their supervisory functions, by acts or omissions committed with intent or gross negligence.

  Article 20 of the Capital Markets Bill permits third parties to take direct action against the public authorities only in the event of damages caused to them by a regulated entity, provided that such damages are the direct and immediate consequence of the violation of laws or regulations in respect of which the public authority has failed to adequately exercise its functions.

  The reform of the liability regime applicable to Consob and the other supervisory authorities introduced by the Capital Markets Bill, although moving in the right direction, does not seem sufficient to address the existing and long-standing concerns

  In any case, the delegation of powers to the Government to reform the TUF contained in Article 19 of the Capital Markets Bill – see section f. below (Reform of the TUF) – provides for the possibility to further amend the liability regime of supervisory authorities

[14] Article 108(2) of the TUF currently provides that any person who acquires more than 90% of share capital represented by securities admitted to trading on a regulated market must purchase the remaining securities from any person who so requests, unless a free-float sufficient to ensure regular trading performance is restored within ninety days. In this respect, the subsequent Article 112 of the TUF establishes the power of Consob to increase the 90% threshold for individual companies if it deems it appropriate.

[15] Indeed, the provision could create difficulties of interpretation for issuers, as they would not be able to predict with sufficient certainty the actual threshold above which the obligation to restore the free-float would be triggered. Moreover, European capital markets are witnessing an increasing presence of qualified professional investors, such as investment funds that replicate indices using different methodologies, which may complicate the assessment of the free-float, with the risk of increasing the discretionary nature of the exercise of Consob's power.

[16] See Article 24, paragraph 6-*bis*, of Law No. 262 of December 28, 2005.

- "*Cooling-off*" and "*cooling-in*" periods (Article 21 of the Capital Markets Bill)

  Article 21 of the Capital Markets Bill makes some changes to the ineligibility regime for staff of the authorities, to address concerns about the overly punitive nature of the current regime.

  In particular:

  – for members of Consob's governing bodies and managers, the period of ineligibility is reduced from 2 years to 1 year from the date of termination of office (the so-called "*cooling-off*" period); and

  – for top positions in the independent administrative authorities, the period of ineligibility is reduced from 2 years to 1 year from the date of termination of office (the so-called "*cooling-in*" period).

  Relaxing the current rules on the conditions for entering and leaving management positions at Consob (and other authorities) will allow greater flexibility for managers who can be recruited or decide to work elsewhere more easily, thus promoting the exchange of expertise in the market

- Consob's power to issue penalties (Article 23 of the Capital Markets Bill)

  Article 23 of the Capital Markets Bill grants Consob the power to close sanction proceedings (including those for violations of the Market Abuse Regulation) by imposing certain commitments on the sanctioned party to restore the damages caused to investors and the market.

  In addition, in the event of non-compliance with the commitments undertaken by the sanctioned party, the maximum administrative fine provided for by the applicable law will be increased by 10%.

  The possibility to settle sanction proceedings relating to financial markets should lead to a reduction in litigation

e. Bonds

- Offer of bonds issued by joint-stock companies and debt securities issued by limited liability companies (Article 7 of the Capital Markets Bill)

  Article 7 of the Capital Markets Bill amends the rules on the offer of bonds issued by joint-stock companies and debt securities issued by limited liability companies.

  Article 2412 of the Italian Civil Code provides that companies may issue bonds for an amount not exceeding twice the amount of their share capital, statutory reserve and distributable reserves as resulting from the latest approved financial statements. This limit may be exceeded if the bonds issued in excess of this amount are underwritten by professional investors subject to prudential supervision that will guarantee the solvency of the issuer in the event of the subsequent transfer of such debt securities to non-professional investors.

  The Capital Markets Bill provides that the above limits do not apply in the case of bonds subscribed, even upon resale, exclusively by professional investors, if this provision is one of the conditions of the issue.

  This exception will also apply to limited liability companies (Article 2483 of the Italian Civil Code), and is also aimed at reducing costs for issuers – in this specific case, by making the onerous guarantee provided by the professional investor optional.

The proposed amendments are aimed at facilitating the issuance of debt securities to professional investors by joint-stock companies not listed on regulated markets (or by limited liability companies)

In addition, the removal of the obligation of intermediation by a professional investor subject to prudential supervision – to guarantee the creditworthiness of the issuer – will help joint-stock companies and limited liability companies to reduce financing costs, as the professional investor guarantee currently required is particularly onerous

f. Reform of the TUF

Finally, the Capital Markets Bill delegates certain powers to amend the rules applicable to issuers under the TUF and the Italian Civil Code. The long-awaited reform of the TUF will adapt certain rules that entered into force more than 25 years ago to the new needs of the system, with a view to simplifying the capital markets regulations.

- Delegation of certain powers to the Government (Article 19 of the Capital Markets Bill)

Article 19 of the Capital Markets Bill provides that, on the basis of the abovementioned delegation of powers, the Government shall adopt one or more decree to adopt an overall reform of the rules governing capital markets.

In exercising its delegated powers, the Government shall observe the following general principles and criteria:

– support the country's growth;

– increase the competitiveness of the national market, simplify and streamline the regulation of issuers;

– facilitate the transfer of listings from MTFs to regulated markets;

– revise the rules on private investment activities;

– simplify corporate governance rules, also taking into account the rules of self-regulatory codes;

– reorganize and update the rules on public offers of securities and takeover bids;

– balance the level of administrative burden on business with the need to ensure the efficiency, effectiveness and relevance of controls;

– ensure a coherent and integrated system of internal controls; and

– update the liability regime of supervisory authorities, such as the Bank of Italy and Consob.

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