Research Article

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Disclosure on Related Party Transactions: Evidence from Italian Listed Companies

Abstract: Recent shortcomings in corporate affairs, related to the bursting of the New Economy Bubble and the global financial crisis, have forced regulators to strengthen current rules introducing new bans and requirements, aimed at guaranteeing the substantial and economic fairness of related party transactions (RPTs). In 2010 rules regarding RPTs were completely reshaped by the Italian Regulatory Body for the Italian Stock Exchange (CONSOB Regulation no. 17221). One of the most important amendments regarded the change in the criteria by which RPTs are mandatorily disclosed to investors. This change replaces a selection process based on a qualitative with a quantitative approach, in order to reduce the subjectivity of this particular evaluation. This study aims to analyze the effectiveness of the disclosure of RPTs after the introduction of the new rules. Our results show that although the new rules contribute to increasing the amount of information disclosed to investors through a higher number of documents reported by companies, their percentage in relation to the overall amount is worryingly low.

Keywords: related party transactions, disclosure, transparency, quantitative criteria

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1 Introduction

Recent shortcomings in corporate affairs, related to the bursting of the New Economy Bubble and the global financial crisis have led regulators to strengthen the existing rules, introducing new bans and requirements, aimed at guaranteeing the substantial and economic fairness of related party transactions (RPTs). The reforms introduced by regulators mainly focus on two areas: first the approval processes and second increasing the level of transparency. Considering information transparency as the basis of market credibility, the aim of our study is to analyze the effectiveness of the approved disclosure of the RPT through an empirical analysis of Italian listed companies.

We focus on the Italy for two main reasons: first because in 2010 the rules governing RPTs were completely overhauled by the Italian regulatory body for the Italian Stock Exchange (CONSOB Regulation no. 17221); and second because Italian listed companies are strongly inter-related as in most European countries. These relations involve intra-group entities as well as extra-group entities. In particular, the Italian listed corporate sector features concentrated control (Bianchi & Bianco, 2006) through opaque structures such as pyramids and the dominance of a small number of interlinked but competitive entrepreneurs (Assonime, 2011). Italian companies are generally characterized by the presence of a controlling owner (Bianchi, 2010). This shows the relevance of this topic in the Italian context because minority shareholders are exposed to a high risk of exploitation (Dyck & Zingales, 2004; Nenova, 2003). And, as Holderness (2009) states, minority control is an issue that is widespread and constant the world over, in different forms and modes.

Our study disregards the approval process and focuses on the informative matter.

The selection of RPTs to be disclosed to the market was defined by former regulations through qualitative criteria. (Former regulations enshrined qualitative criteria to establish which RPTs were to be disclosed to the market?) The regulator has now adopted a quantitative approach, aiming at reducing the subjectivity of this particular evaluation. The reason for this change is that

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qualitative criteria, albeit theoretically superior, do not work properly in reality (OECD, 2012). Despite the amendment, the OECD study criticizes the use of a high threshold, inspired by quantitative criteria, because they "would exclude major transactions because they may not be material to the company."

This research aims to contribute to RPT literature by addressing the suspicions of the OECD, by answering the following RQ: *would the imposed thresholds guarantee an appropriate disclosure on RPT?*

In order to answer this RQ we examined the 252 Italian companies listed in 2011 (the year the new rules took effect). In 2011, these companies published 92 documents on RPTs.

Most data about RPTs, excluding banks subject to specific rules, were collected from the financial statements, pursuant to Consob Resolution no. 15519/2006, as well as from the Notes on financial statements, required by IAS 24 to disclose details regarding related parties. The EC Regulation on the application of International Accounting Standards (EC/1606/2002) became law on 12 September 2002. In Italy, the IAS/IFRS system was adopted in commercial law with Legislative Decree 38/2005. More information on our sample is provided in the following pages.

This paper provides input to legislators to fine-tune the current regulations and should be considered as a starting point for future research.

2 Literature review of RPTs

The sequence of scandals (Enron, Arthur Andersen, WorldCom, Adelphia, Tyco International and Parmalat) that shook up financial markets at the beginning of the new millennium has fueled the debate on Corporate Governance (CG). To understand its relevance, it is important to clearly establish the purpose of a corporation. As Stout (2013a) and many others authors (Clarke, 2013; Stevelman, 2013; Weinstein, 2013) argue, the corporate form can meet the needs of many different groups of entities. One of the most widespread theories is the maximization of shareholder value based on the difficult issue of resolving conflicts between the ownership and other stakeholders. In this sense CG rules aims to put shareholder interests before those of Directors (Agency theory) and stakeholders. Hence RPTs can play a positive role in helping companies to acquire their shareholder targets. This excludes their total ban (Goshen, 2003). But, at the same time, they can be used to generate abuses against other different types of entity involved in corporate life. RPTs can reduce asymmetric information problems between outsider stakeholders (including investors) and corporate

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management (Gordon, Henry, & Palia, 2004), partly because of the conflict of interest that can arise between/among shareholders.

For this reason, CG is expected to reduce the opportunistic behavior of management, to improve the quality of corporate reporting quality, and to increase firm performance (Bhagat & Bolton, 2008; Chen, Chen, & Wei, 2009; Denis & McConnell, 2003). At the same time, it constrains (diminishes) the opportunistic uses of discretionary accruals in a company's financial statements (Chung, Firth, & Kim, 2002; Park & Shin, 2004), inter-group borrowings (Berkman, Cole, & Fu, 2009), and corporate fraud (Chen et al. 2009).

In the Shareholder Value Myth, Stout (2013b) shows how the traditional managerial focus on the shareholder's interest can be harmful to the corporation. He suggests a more long-term perspective that does not reward a small subset of shareholders, the most shortsighted, opportunistic, undiversified, and indifferent to ethics and others' welfare. Furthermore, as Biondi (2005) suggests, the accounting system can be deemed the heart of the business corporation and can replace or complement the market price. A method based on accounting reporting is better able to represent and control the relationship between shareholders and the business corporation (Biondi, 2012).

Due to this, CG rules must regulate the assessment process and approval of these RPTs and must improve the efficiency and quality of financial reporting (Rezaee, 2004). This would limit the improper use of RPTs and foster the disclosure of the information required to assess these transactions (Fooladi & Shukor, 2011).

As with CG, RPTs are also an issue that is strongly influenced by the type of culture to which they are applied. Hofstede (1980) points to the large cultural differences between countries as the reason the approaches adopted for specific subjects can be so varied. As a consequence there are many different types of CG models and rules. Globally, three main forms of capitalism are identifiable: Anglo-Saxon, Teutonic and Latin. The main differences are generally produced by the differences in culture but there are other elements that influence CG variables. Despite the globalization process which is fostering unification of the models in many counties, significant differences remain, i.e. the ownership structure and corporate control. In particular, many studies focus on the relationship between ownership structure (Jian & Tak, 2010; Kun, 2005; Munir, 2010; Zengquan, Sun, & Wang, 2004), the role played by the stock market (Gordon et al., 2004; Lo, Wong, & Firth, 2010; Yeh, Shu, & Su, 2012) and the quality and relevance of RPTs in corporate life. Cernat (2004) argues that CG represents not only a crucial difference between varieties of capitalism but is also a major factor in determining their economic performance. Chen (2014) found that the financial crisis has triggered a need for companies to adopt a new governance structure in order to better cope with the challenges of the environment. Anyway, as yet, the literature on RPTs has

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not paid sufficient attention to the relationship between CG and RPT disclosure, although the knowledge of these transactions can affect the way in which analysts of Financial Statements assess the performance, financial position and risk and opportunities of an entity (Corlacio & Tudor, 2011).

In the business literature two main definitions are used for RPTs (Chen-Wen & Chinshun, 2007).

The first is that RPTs are generically defined as transactions between a company and related entities (e.g. subsidiaries, affiliates, principal owners, officers and directors) (FASB 1982). Young (2005) suggests a second definition of RPTs that defines them as "transactions between a company and an insider," who is a person considered to be part of the company (Pan & Hsiu-Cheng, 2007). The common element is the relationship between parties that can influence and establish the binding conditions of the contract (implicitly or explicitly), that are different because the parties are not independent.

One of the most influential and widespread definitions is provided by International Accounting Standards which define RPTs as a "transfer of resources, service or obligations between a reporting entity and a related party, regardless of whether a price is charged" (IAS 24), and where "a related party is a person or entity that is related to the entity that is preparing its financial statements" (IAS 24). Two or more parties are considered to be related, both companies and people, when one of them has the ability to influence the other in making operational or financial decisions. Furthermore, International Accounting Standards state that related entities are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others), including where the entity, or any member of a group provides key management personnel services to the reporting entity or to the parent of the reporting entity. The latter provision was added by Annual Improvements to the IFRSs 2010–2012 Cycle, taking effect for annual periods beginning on or after July 1, 2014. This version does not deem two entities related simply because they have a director or key manager in common.

To sum up, RPTs can be observed through different perspectives, one that puts the risks before the advantages produced by these transactions, and the other which highlights their natural tendency to reduce monitoring costs and information asymmetry.

From a theoretical perspective, RPTs are studied according to two different perspectives:

a. conflicts of interest;
b. the efficient transaction hypothesis.

Lemmon and Lins (2003) suggest that a corporation ownership structure is what principally determines the extent of agency problems between controlling insiders

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and outside investors. The insiders able to control corporate assets can potentially expropriate outside investors by diverting resources for their personal use or by committing funds to unprofitable projects that provide private benefits. Furthermore, Grossman and Hart (1980) showed that if a corporation has a broad shareholder base, no single shareholder has adequate incentives to monitor management closely. In this context the transfer price could favor the controlling or related party at the expense of minority shareholders (Johnson, La Porta, Lopez-de-Silanes, & Shleifer, 2000). For this reason it is important to guarantee an adequate legal process that protects minorities and small investors. La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998) argue that the absence of strong legal protection and other external governance mechanisms further increases the severity of agency problems between controlling insiders and outside investors.

Based on these assumptions, the first theory supports the idea that these transactions represent a conflict of interest and that they conflict with company and investor protections (Emshwiller, 2003). The conflict of interest theory claims that RPTs may in general be the instrument of abuse relating to two main opposing groups: ownership and control (executive directors and management), or between majority and minority shareholders.

The first conflict is examined by Agency Theory literature (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976), which also deals with the effectiveness of monitoring management (Fama & Jensen, 1983a, 1983b). The second conflict is sufficiently analyzed in literature as an investor protection tool (La Porta, Lopez-de-Silanesb, Shleifera, & Vishnyc, 2000). In particular, these transactions are subject to moral hazard, i.e. a situation where a party has the tendency to take risks because it is not liable for any costs incurred. Thus, RPTs can produce benefits for the strong party (insiders) at the expense of the weak (outsider). The reasons for this discrepancy are the lack of elements to preserve the minority's rights and the presence of asymmetric information (Beak, Kang, & Lee, 2006). Some examples of this abuse could lead to a reduction in shareholder wealth (tunneling transactions), yielding a virtual increase in the resources of the corporation or finally towards producing misleading statements (earnings management). Furthermore, some studies (Gordon et al., 2004; Kohlbeck & Mayhew, 2005) conclude that weak CG leads to a larger number of RPTs. Several studies have confirmed the use of earnings management by large numbers of listed companies in order to achieve particular levels of return on equity (ROE) (Chen & Yuan, 2004; Liu & Lu, 2007). The manipulation of the process of financial reporting to obtain private gain may be easily placed through RPTs.

In contrast with the previous approach, the efficient transaction hypothesis assumes that RPTs represent sound business exchanges, efficiently fulfilling the underlying economic needs of the corporation (Pizzo, 2013). The basis of this

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theory is the reduction of transactions costs as well as the reduction of the risk associated with these transactions.

Although the theories are opposed, Kohlbeck and Mayhew (2005) suggest that the potential benefit or detriment depends on the parties involved in the transaction or the type of RPTs conducted.

Some studies underline a positive relation between RPTs and corporate performance, through increasing sales or reducing transaction costs (Khanna & Palepu, 1997), whereas other studies support the evidence that there is a negative association between RPTs and performance, with Tobin's q and return on assets (ROA) (Munir & Gul 2010) or ROE (Cheung, Jing, Lu, Rau, & Stouraitis, 2009). In addition, Pozzoli and Venuti (2014) conclude that RPTs and company financial performance (ROA) are not correlated and there is no evidence of cause and effect. Considering Tobin's q and the net profit after tax divided by the average shares outstanding for the year, Wen-Yi Lin et al. (2010) claim that it is difficult, if not impossible, to determine whether such transactions are beneficial or detrimental to organizational performance, and this evaluation should be made case by case. This analysis is made harder considering the difficulties in the different activities through ordinary and anomalous transactions (Wong & Ming, 2003).

Other studies evaluate the effect produced by RPTs on the corporate value. For instance, Kohlbeck and Mayhew (2010) found that the market assigns lower values and subsequent returns to corporations that engage in certain type of RPTs. Moreover, this study verified the different influence RPTs had in relation to the type of RPT involved.

The conflicts of interest theory and the efficient transaction theory are not necessary in opposition, because these transactions can produce benefits as well as disadvantages. For this reason, as stated by Goshen (2003), a total ban on self-dealing would be irreconcilable with the goal of preserving the performance of efficient transactions. Furthermore, a non-intervention approach does not protect the investor from the conflict of interest problem.

Finally, a contingency perspective has been suggested that encompasses both the theories (Pizzo, 2011). The basis of this perspective is the consideration that both of the above research methodologies have inconsistencies or deficiencies and are unable to cope with various kinds of possible cases.

Some studies suggest that, on average, RPTs are not harmful to outside shareholders (Ryngaert & Shawn, 2011). This observation can be extended to the other classes of stakeholders (Henry, Gordon, Reed, & Louwers, 2007). However, a high inherent risk exists due to the attitude of RPT, higher than for other operations, to engage in fraudulent behaviors. In particular this type of transaction tends to increase the discrepancy in treatment between those who hold the power and those who can only be subject to it (minority shareholders or shareholdings in general).

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Most of these transactions are a normal feature of business, because many entities frequently carry out their activities through subsidiaries, joint control or significant influence, and the fact that corporations conduct a high volume of such transactions should not automatically lead to the conclusion that they are instruments used to hide accounting and financial fraud (Gordon, Henry, Louwers, & Reed, 2007).

Although it should be remembered that the disclosure of RPTs is essential for the proper understanding of corporate performance, it does not itself prevent improper or illegal activities. Consequently informing stakeholders is different from supplying a legal protection of stakeholders' rights.

Regarding disclosure, some studies (Chalmers & Godfrey, 2004; Chalmers, 2001; Taylor & Darus, 2006) provide evidence that the quality of voluntary derivative disclosure by corporations gradually increased over the period leading up to the introduction of the mandatory disclosure requirements, and, at the same time, there was a significant increase in voluntary disclosure in the year in which the mandatory disclosure requirements came into effect. Hwang et al. (2013) provide evidence that disclosure regulation helps to reduce a few types of transactions (earnings management), but this influence is non-symmetric between different sectors.

More detailed disclosure requirements limit the number of accounting choices to managers, forcing them to disclose related party information (Leuz & Verrecchia, 2000).

Regulators have issued rules aimed at increasing the transparency of RPTs and reducing their tendency to generate conflicts of interest.

From a normative point of view the presence of gaps and weaknesses is evident.

Numerous studies provide evidence of their role in many financial crises (Swartz & Watkins, 2003; Tague, 2004) and in achieving specific aims (Erickson, Mayhew, & Felix, 2000), whilst others show that RPTs did not play a strategic role in various corporate scandals (Bell & Carcello, 2000). While the presence of RPTs is not indicative of fraudulent financial reporting, failure to recognize or disclose RPTs was found to be one of the top 10 audit deficiencies in the United States by Beasley et al. (2001).

Regulators reacted by strengthening the existing rules introducing new bans and requirements, aimed at guaranteeing the respect of stakeholders' rights. For instance, in 2002 the Sarbanes–Oxley Act set new or enhanced standards for all US public company boards, management and public accounting corporations with the aim of restoring public trust in the nation's securities markets. Section 402 of the document deals with the issue of conflicts of interest and prohibited loans to some related parties such as directors and officers.

In response to the perception that stricter financial governance laws were needed, SOX-type laws were subsequently introduced in many other countries such as Japan, Germany, France, Italy and Australia.

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However, these frauds can be carried out with parties not included in the most common definitions of related parties.

As stated, the attention paid to these transactions in particular is due to their greater inherent risk. Hence regulation cannot exclude a risk approach to evaluating the transactions to be disclosed in order to identify a correct tradeoff between costs and positive effects.

3 Rules on RPT disclosure

3.1 Italian rules

In Italy the legislative process has been gradual, starting with the adoption of EU directives. Consob communiqués 93002422 in 1993, 97001574 in 1997 and 98015554 in 1998 (the latter focused on the transparency of RPTs in Financial Statements) have played a central role.

In 2002, the regulation of RPTs was implemented with the introduction (Resolution no. 13616) of a mandatory communication of material RPTs in a specific document or press release.

IAS/IFRS has been applicable in Italy since 2005. IAS 24 is entitled "Related Party Disclosures." The disclosure of these transactions aimed at ensuring that "Financial Statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties" (IAS 24 par. 1).

Finally, another step was taken in Italy at the end of 2010. The rules on RPTs were overhauled by the Italian regulatory body for the Italian Stock Exchange (CONSOB Regulation no. 17221).

The full introduction of new regulations at the beginning of 2011 was the final step of the process in order to improve the protection of minority shareholders, initiated by the Draghi reforms of 1998 and accelerated after the Cirio[1] and Parmalat[2] (Ferrarini & Giudici 2005; Bava & Devalle, 2012; Melis, 2005) scandals.

1 In 2002, the Cirio company declared default on its bonds. The default cost about 1.125 million euros to a plethora of small investors, most of them Italian. Cirio involved a major conflict of interest by banks and therefore a failure of board and internal oversight.

2 US SEC defines Parmalat as "one of the largest and most brazen corporate financial frauds in history." On December 2003, after the Bank of America had stated that Parmalat did not hold nearly $5B in liquid assets, Parmalat filed for bankruptcy. The auditors determined that the debts amounted to €14.3 bn euros, which was almost eight times the sum originally stated.

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The recent Italian rules on RPTs (Consob Regulation no. 17221/2010) established two main targets in order to promote and improve investor protection: guaranteeing the substantial correctness of these transactions and improving transparency

This new regulatory approach establishes that RPTs need to be reviewed by a committee of independent directors, and the procedure differentiates between material and non-material RPTs. For material RPTs, a special procedure is followed, involving review and disclosure. A committee of independent directors must be involved in the negotiation of these transactions, and adequate information must be received in order to express an opinion on fairness. After the committee has expressed a favorable opinion, the transactions must be approved by the board of directors.

Rules on RPTs do not only concern the implementation of specific processes in corporations, but also accounting fulfillments, requiring new mandatory disclosure in order to improve transparency.

In particular, this paper focuses on the rules concerning disclosure ex post (after approval), without analyzing the entire regulation and approval process. This study investigates whether the new rules, based on quantitative thresholds, have increased the transparency level of RPTs, and whether this level can be considered sufficient to inform stakeholders of RPTs.

We verified the achievement of the two targets by analysis at two levels. The first aimed to understand whether the Consob Regulations have produced an increase in the number of transactions disclosed to the market, and the second to estimate whether the percentage of operations disclosed is appropriate for a proper understanding of Financial Statements.

The main innovation introduced by Consob concerns the selection of the RPTs to disclose. Previously qualitative criteria were used, now replaced by quantitative criteria. In other words, Directors had previously judged when a transaction was material, and duly disclosed it to investors. The regulator has changed this to a quantitative approach, reducing the subjectivity of this evaluation because qualitative criteria, although theoretically superior, do not work properly in reality (OECD, 2012). Today directors are obliged to apply a special procedure involving review and ad hoc disclosure of the transactions that exceed established thresholds. Disclosure of RPTs is graduated according to the relevance of the transaction that is immediate, because, as the OECD states, "it is important for the market to know whether the company is being run with due regard to the interests of all its investors. To this end, it is essential for the company to fully disclose material related to party transactions to the market, either individually, or on a grouped basis, including whether they have been executed at arms-length and on normal market terms. In a number of jurisdictions this is indeed already a legal requirement" (OECD, 2004). Consequently

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two general issues arise. First, a quantitative approach based on thresholds weighed on specific balance sheet items might not seem material for a company (OECD, 2012). Irrelevant transactions might appear to the public as exorbitant and nothing but the exploitation of the system. As stated by the OECD (2012), a high threshold could exclude most RPTs from information obligations, because they are not individually material.

An anti-elusive provision may require the disclosure of homogeneous transactions entered into with the same related party which, although not individually, reach the materiality threshold when considered cumulatively. However, such essentially arbitrary criteria carry the risk of manipulation by companies, requiring underpinning by actions such as requiring the continuous reporting of transactions below the limit to the regulator, in order to increase the number of operations disclosed (Gromis di Trana, 2014).

Secondly, as noted in the Second Consultation paper on the regulation of RPTs (April 2008), the ability of major shareholders and managements to establish what is a normal transaction might open up the opportunity for the abuse of minority shareholders' rights. Therefore, the new regulation excludes transactions in the normal course of business: these transactions should be closely monitored to ensure that the concept is not violated in practice.

A preliminary analysis conducted by Consob to justify normative changes (Consob Consultation Paper on the regulation of RPTs) showed that the magnitude of RPTs differed significantly between companies, leading Consob to amend the qualitative definition of RPTs to be disclosed by introducing quantitative criteria: material transactions are now identified as a result of a significance test.

Consob identified three main ratios:

I. Transaction value ratio

$$\frac{\text{Transaction value}}{\text{Equity (or capitalization)}} \geq 5\%$$

This ratio compares the consideration of the transactions and the book or market values of listed companies.

II. Assets ratio

$$\frac{\text{Assets of the transaction}}{\text{Assets}} \geq 5\%$$

This test regards the ratio of the assets involved in the transaction and the company's total assets.

III. Liabilities ratio

$$\frac{\text{Liabilitiesofthetransaction}}{\text{Assets}} \geq 5\%$$

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This test regards the ratio of the liabilities of the transaction and the company's total assets.

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The three-ratio system was set up in order to evaluate different types of transactions. Commercial transactions are generally evaluated using the first ratio, acquisitions can be evaluated with the second ratio, whereas the third ratio is more appropriate for loans.

According to quantitative criteria, a transaction is considered material if it exceeds one of the three thresholds. The rules fix the threshold at 5%, but companies can set lower levels in their internal codes.

Furthermore, a reduction of these thresholds to 2.5% is applied in the case of transactions with the parent company. In any case for some large Italian companies the material level is estimated at several hundred million euros.

In addition, in order to increase the number of operations disclosed, an anti-elusive provision requires the disclosure of homogeneous transactions entered into with the same related party which, although not individually, reach the threshold when considered cumulatively. This provision is the result of consultation. The first version required the grouping of all transactions carried out with the same entity. The new version, based on essentially arbitrary criteria, was fiercely demanded by some organizations (Assonime, Abi, Confindustria and Enel) and aimed at reducing the extension of the first version, carrying the risk of manipulation by companies, requiring underpinning by actions such as requiring the continuous reporting of transactions below the limit to the regulator.

There are also opt-out provisions regarding transactions in the ordinary course of business, small transactions and urgent transactions whenever the company is facing financial distress. These transactions are not disclosed to the markets, but if they are material they are the object of specific communication to Consob which verifies that no abuse has taken place.

The new regulations came into force at the end of 2010.

3.2 Other countries

In order to complete our analysis it is useful to understand how RPTs have been regulated in other countries. Specifically with regard to the approach for the selection of transactions to disclose, this paragraph briefly summarizes other regulations which have inspired Italian legislators or which could inspire them in future.

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Like Asia, Anglo-Saxon countries pay particular attention to disclosure using a quantitative approach aimed at identifying the relevant transactions to be reported. Unlike them, the Latin (France) and German models establish the approval process with the related internal mechanism of control first. These differences highlight the different roles played by the stock market in each country.

In the UK, rules on RPTs are included in Listing rule 11 ("Related party transactions"). The regulation is based on a quantitative approach. It is the model used by Consob to reshape the Italian rules. Listing rule 11 is not applied to small transactions (≤0.25% for each percentage ratio) and to operations without unusual features.

Regulations concern transactions that exceed at least one of the percentage ratios fixed by more than 5%. In this case disclosure consists of a communication to the Regulatory Information Service (RIS) and the creation of a specific document for the shareholders, known as a circular, where the transaction is described in detail. In the case of transactions included between 0.25% and 5%, the rules oblige companies to communicate to the Financial Service Authority (FSA) by written confirmation of an independent adviser certifying that the terms of the transaction are fair and reasonable. The approval process is based on the circulation of a form to the shareholders before entering into material RPTs. A review by independent financial experts is required and the majority of the minority shareholding has to be approved.

Regarding the US system, on January 27, 2006, the SEC proposed an amendment to Items 402 (executive compensation) 30, 404 (RPTs) and 407 (independent directors) of Regulation S-K regarding disclosure. In particular, the amendment to Item 404 "significantly modified" the disclosure requirement for RPTs promulgated in 1982.

The American regulation for the disclosure of RPTs is included in Regulation S-X (17 CFR 210.4–08k).

It imposes a communication on RPTs in the management report or proxy statement for the Annual Shareholders Meeting and establishes a communications obligation for transactions made with the related person where the amount involved exceeds 120,000 dollars. In addition, the rules are stricter for smaller reporting companies in that mandatory disclosure applies for transactions of amounts equal or superior to 120,000 dollars or 1% of the average value of the net assets in the last 2 years if lower.

Companies use directors' and officers' questionnaires on an annual basis in order to collect information about their family members' affiliations with entities that have transactions with the company.

For transactions carried out with other entities, FAS 57 states that "Financial Statements shall include disclosures of material related party transactions, other

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than compensation arrangements, expense allowances, and other similar items in the ordinary course of business.

The disclosure shall include:

a. The nature of the relationship(s) involved;
b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary for an understanding of the effects of the transactions on the financial statements;
c. The dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period;
d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement."

The approval process is required from an appropriate group within the company (e.g. audit committee). This is similar to the Italian model.

In Asia, the Hong Kong Stock Exchange has clear rules governing RPTs. Their aim is to ensure that the interests of shareholders as a whole are taken into account.

They include a set of requirements regarding disclosure and approval mechanisms depending on the size and significance of the transaction.

Listing rules 14A divide RPTs into three categories:

1. Small operation exempt: less than 0.01% of total assets or revenues, or less than 2.5% of total assets and revenues and lower than HK$1,000,000
2. Operation to report and announce but not approved by a majority of the independent shareholders: less than 2.5% of total assets or revenues, or less than 25% of total assets and revenues and lower than HK$10,000,000
3. Operation to report and approved by a majority of the independent shareholders: more than 2.5% or more than HK$10,000,000

The approval process is required from an independent financial advisor who must advise an independent board committee. This committee advises shareholders for minority approval.

The rules in Singapore are similar to those in Hong Kong and are similarly based on a quantitative approach.

Under the Singapore Exchange Listing Manual an RPT must immediately be reported if the value involved exceeds 3% of total assets. A transaction must

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be reported and approved if it has a value of over 5% of total assets. The announcement must also include a statement by the Audit Committee that attests the fairness of the operation.

In Singapore, board approval is required by the Audit Committee, and shareholders vote on significant transactions after advice from an independent financial adviser.

For Latin countries, the French regulation is included in the Code de Commerce (sections L 225–38 – L 225–42) applicable only to listed companies. This regulation does not adopt a quantitative approach but is focused on the approval process for relevant transactions. It establishes that approval must be given by the directors after the information has been analyzed by the chairman and external auditor in order to produce documents for the Shareholders Meeting.

In France the board of directors must notify the auditors of RPTs approved, and the auditors prepare the list of RPTs made for ex-post authorization by shareholders.

The German Corporate Governance Code includes mandatory disclosure for directors (management board) addressed to the supervisory board in case of a conflict of interests. Specific obligations of disclosure for transactions between the company and its shareholders are not included. Only group regulations include the requirement to include details of intragroup transactions in the Management Report.

Neither board nor shareholder approval is required.

Table 1 shows the different approaches adopted by various countries to define relevant transactions.

Table 1: RPT approach in other countries.

Country	Quantitative approach	Material transactions
UK	Yes	Transactions that exceed at least one of the percentage ratios fixed for more than 5%
USA	Yes	Transactions made with the related person where the amount involved exceeds 120,000 dollars and other material transactions carried out with related entities
Hong Kong	Yes	Operation to report and approve: more than 2.5% or more than HK$10,000,000, whichever is the lowest
Singapore	Yes	Transaction that has a value superior to 5% of the total assets
France	No	Qualitative approach
Germany	No	Qualitative approach

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4 Research questions and samples

Our analysis aims primarily to verify whether the new rules have increased transparency and whether the magnitude of the RPTs disclosed, selected through the new Consob ratios, is deemed acceptable for the stakeholder. The introduction of quantitative criteria aims to reduce subjectivity in the selection process of the RPTs to disclose, but it does not set a low limit of magnitude in the disclosing process.

Our RQs are:

RQ 1) Have Consob Regulations increased the number of RPTs disclosed to markets?

The reference population comprises 2,524 companies/year in the period between 2003 and 2012.

The subject of this analysis is the specific documentation that companies are obliged to publish when they carry out material RPTs. A total of 366 communications were made over this period, obtained by analyzing the companies' websites and checking them against the Annual Consob Report (showing the number of transactions disclosed). The data were analyzed using descriptive statistics.

A preliminary Consob analysis covering the period between 2003 and 2007 (Consob Consultation Paper on the regulation of RPTs, April 2008) aimed at justifying the regulatory changes was also examined. In particular, the evidence produced in the last few years is compared with the Consob results in order to reveal any differences between these two periods.

RQ 2) Would the imposed thresholds guarantee appropriate RPT disclosure?

As implied by the OECD, the use of a high threshold, inspired by quantitative criteria, "would exclude major transactions because they may not be material to the company."

Our sample is restricted to 2011, when the Italian regulation came into force. Forty-three Italian listed companies published at least one disclosing document on RPTs in 2011 (a total of 92 documents), some operating in the financial sector. Our sample includes all the non-financial companies and a total of 30 companies (69.7%) and 46 documents (50%).

In order to estimate the economic effects of disclosed RPTs on the economic effects of executed RPTs during the sample year, a great deal of data needs to be collected (see Appendix for further details).

There are many sources of information on RPTs, with varying content. The information reported in financial statements was analyzed in compliance with Consob Resolution 15519/2006, which obliges companies to itemize the amount

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of RPTs for each line of the financial and income statement. This type of disclosure applies to separate as well as Consolidated Financial Statements. The total amount of related revenues and costs was obtained from this provision. This information is only quantitative and it shows the extent to which RPTs influence economic and financial results. This source is useful to understand the weight of related parties on the business. Investors are unable to understand the transactions, but can see their effects on the balance sheet.

Additional information on material RPTs is disclosed in specific documents as required by art. 5 of Consob Regulations 17721. As previously illustrated, the total amount of related revenues and costs disclosed to the market was obtained from this source. In particular, we assessed the effect produced by each transaction on 2011 company Income Statements. This is the sole instrument informing investors in "real time." Others sources are temporary and deferred to the balance sheet date. This type of disclosure informs investors who are able to react to directors' actions.

Other sources were considered for dual control purposes, such as the information required by International Accounting Standards (IAS 24). Companies must provide details of the most significant transactions with qualitative (nature of the relationship) and quantitative information (amount and effect produced), or through disclosures made in Management Reports and Interim Management Reports regarding material RPTs, RPTs identified by section 2427, paragraph 1, subsection 22-bis of the Italian Civil Code, and the modification or evolution of RPTs already started and producing material effects on the business results must be listed. These channels are useful to gather information on material transactions together, but the timing of these types of disclosure depends on balance sheets' dates.

5 Results

5.1 Transparency level

One of the main aims of Consob Regulation 17221 is to increase the transparency level of RPTs.

We propose a quantitative analysis inspired by a preliminary study conducted by Consob aimed at legitimizing legal amendments. These observations are based on the number of documents on RPTs published before and after the application of the new rules. The results give an idea of the success or failure of the modification.

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In order to examine the changes produced by Consob Regulations two main periods need to be distinguished: pre- and post-reform. For our purposes, years 2003–2010 are "pre-reform" and the years from 2011 to 2012 are "post-reform" for a gross amount of 366 documents.

Furthermore, the "pre-reform" period can be divided into two parts: the first from 2003 to 2007 (ante-Crisis period) and the second from 2008 to 2010 (Starting Crisis period). By Crisis, we mean the events and conditions (subprime mortgage crisis and Lehman Brothers) which led to a financial crisis and subsequent recession beginning in 2008. Table 2 summarizes the results of the analysis, showing the number of communications produced in these years (press releases and informative documents).

Table 2: Disclosure of RPTs (2003–2012).

Year	Press release	Informative document	Total	No. companies	No. listed companies	Commun. on listed companies
2003	6	10	16	15	219	0.07
2004	8	10	18	16	219	0.08
2005	2	12	14	12	257	0.05
2006	2	11	13	13	258	0.05
2007	8	15	23	20	263	0.09
2008	13	17	30	28	251	0.12
2009	18	14	32	27	280	0.11
2010	23	21	44	38	271	0.16
2011	–	92	92	43	261	0.35
2012	–	84	84	44	249	0.34
Tot.	80	286	366			
Avg.	10	29	37			

Before the reform there were two alternative means to disclose RPTs: via a press release or informative document. The option of the press release was abolished by Consob Regulations making the specific document the sole instrument for the disclosure of material RPTs. The legislator has fixed the minimal contents directors must disclose and explain in the document, in order to reduce discretionary contents and give proper emphasis to the transaction.

Table 2 shows that on average 29 documents per year were published with a total of 286 documents. Including press releases the average is 37 out of a total of 366. From 2003 to 2010, 110 RPTs were disclosed (190 including both options), 14 documents per year. After the reform, 176.92 RPTs were disclosed in 2011 and 84 in 2012. This substantial increase is partly due to the use of the quantitative instead of the qualitative method.

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Table 3: Relation between number of communications, number of communicating companies and number of listed companies.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Comm./Communic. comp	1.07	1.13	1.17	1	1.15	1.07	1.19	1.15	2.13	1.9
Communic. Comp/ listed comp.	0.07	0.07	0.05	0.06	0.08	0.11	0.1	0.14	0.16	0.17

Tables 2 and 3 show that the regulations appear to have improved disclosure. This is confirmed by the ratios of communications to the number of listed companies and by the increased percentage of communicating companies out of the total number of listed companies. Results show that after 2011 the percentage is twice what it was before. At the same time there is also a greater tendency for communicating companies to disclose more than one transaction.

Table 4 analyzes the relationship between the reporting entity and the related party with which the transaction is made, in the 2003–2007 period (Consob report) and 2011–2012 period (our analysis).

Table 4: Type of party engaged in the transaction.

Type of party	2003–2007	2011–2012
Parent company	22.62%	39.77%
Director	14.29%	11.93%
Companies subject to common control	9.52%	17.62%
Associate	5.95%	6.82%
Subsidiary	47.62%	23.86%
Tot.	100.00%	100.00%

Table 4 shows that in the pre-Crisis period (2003–2007) half of the RPTs disclosed (47.62%) involved subsidiaries. Parent companies were involved in 22.63%, 14.29% directors, 5.95% were carried out with associates and 9.52% with companies subject to common control.

In the post-reform period the trend seems to be inverted. The main parties involved are parent companies (39.77%). Only 23.8% of those involved are subsidiaries. There has been an increase in RPTs made with companies subject to common control. The associate percentages are similar in the two periods analyzed.

Table 5 shows that in the pre-Crisis period (2003–2007) the majority (75%) of RPTs disclosed were sales and purchases, loans were less than 10% and mergers and divisions accounted for only 8%.

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Table 5: Type of transactions.

Type of transaction	2003–2007	2011–2012
Sales and purchases	75.00%	22.16%
Other	0.00%	17.61%
Mergers and spins-off	8.33%	9.09%
Loans	9.52%	40.91%
Equity transaction	7.14%	10.23%
Tot.	100.00%	100.00%

Post reform (2011–2012), the most frequently disclosed RPTs were loans (41%), followed by acquisitions and transfers, at 22%. Regarding classified RPTs in the post-reform period, it was necessary to identify a residual class (other) that was not taken into account in the Consob study because new regulations extended materiality evaluation to other types of transactions not previously considered (cash pooling, SWAP, risk transfers).

This analysis is suggested by the difference in the number of communications made between the pre-Crisis period and the Starting Crisis period. In the first 5 years (2003–2007) the average is 17 communications per year against 35 from 2008 to 2010. This increase is interesting considering that from 2003 to 2010 there were no regulatory changes (so with nil effect), but the period after 2008 was notoriously characterized by growing instability.

Table 6 presents-cross analysis.

Table 6 shows that the majority of transactions involved loans and parent companies. In one case a company disclosed information of an unrelated transaction due to the imminence of the relation.

Table 6: Cross-analysis of party and transaction type (post reform 2011–2012).

	Directors	Parent company	Associate	Common control	Subsidiary	No related?	Tot.
Sales and purchases	4	14	2	4	15	–	39
Other	2	16	1	6	5	1	18
Merg. and spins-off	–	3	1	7	5	–	16
Loans	11	28	6	12	15	–	72
Equity transaction	4	9	2	1	2	–	31
Tot.	21	70	12	30	42	1	176

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5.2 Magnitude of RPTs disclosed

Our analysis was based solely on listed commercial and industrial companies, observing only the effects produced by RPTs on Income Statements.

The selection of companies per sector reduced our sample to 30 companies (see Appendix) and 46 documents published. This is because banks differ in their approach to RPTs and are subject to other regulations.

After selecting the companies, analysis was carried out by considering solely the economic effect of RPTs due to operational concerns making the impact of RPTs on the Income Statement easier to calculate. In fact, Income Statement items are reset every year, removing the restrictions produced by a lack of information traceable to Financial Statements.

As for every other business operation, RPTs produce economic and/or financial effects. These effects may be separate or combined in the same transactions.

This analysis considers solely the impact of RPTs on the Income Statement, hence evaluating only the economic effect produced. But comparisons are made simultaneously, distinguishing between revenues (positive items on the Income Statement) and costs (negative items on the Income Statement). The reason for this choice is that using solely net income (difference between earnings and costs) does not enable the proper estimation of RPT impacts due to algebraic compensation.

5.2.1 Step 1: impact of RPTs on income statements

First of all, the total effect of RPTs made during the year was compared with the total amount of revenues or costs.

The total amount of revenues and costs collected in our sample is shown in Table 8 in thousands of euros, the sum of all positive items (for revenues) or negative items (for costs), excluding tax, in 2011 Income Statements.

The ratio used is:

Weight of RPTs in the Income Statement

$$\frac{\text{Amount of economic effect produced by RPTs}}{\text{Total amount of revenues (or costs)}} = xx\% \qquad [1]$$

Related values are the sum of all revenues and costs made with related parties. These amounts are shown in Financial Statements, in compliance with Consob Resolution 15519/2006. Companies are obliged to itemize the amounts of revenues and costs produced with RPTs in separate and Consolidated Income Statements. More details are provided in Appendix.

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Table 7: Total revenues and costs and total related revenues and costs (thousands of euros).

	Total	Related	%	% adjusted	Std. dev.
Revenues	19,775,195	1,235,012	6.25%	16.99%	0.249
Costs	19,755,957	1,446,706	7.32%	8.59%	0.096

A simple comparison between total and related revenues (absolute value comparison) does not produce correct results because of the variation in the size of the companies considered (Table 7). The comparison has therefore been adjusted calculating the mean of the percentage for every observation.[3]

Table 8 presents the distribution of the percentage of related revenues and costs out of the total.

Table 8: Descriptive statistics of related revenues and costs on the total.

	Revenues	Costs
Mean	16.99%	8.56%
Min.	0.00%	0.00%
25	0.00%	2.00%
50	4.50%	5.00%
75	25.75%	14.00%
Max.	92.00%	43.00%

Table 7 shows that total revenues are higher than total costs, but this is not reproduced for related income components. The amount of related costs is higher than related revenues. The rough percentage of related revenues out of the total shows that only 6% of all transactions are carried out with related parties, whereas the adjusted value is 16.99%, because of the average weighting of related out of total revenues. The rough percentage of related costs out of the total shows that 7.32% of all transactions are carried out with related parties. The adjusted value for costs is 8.58%. Differences emerge between the percentage and adjusted percentage for the costs, due to the asymmetry of the deviation standard calculated solely on the percentage. For instance, in 8 out of 30

3 An example is provided in Table 9: In the example, the weight of related revenues on total revenues is 11% (473,851/4,312,349), whereas the adjusted percentage is 21% (the mean of the percentages 8%, 18%, 37%).

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Table 9: Example.

Company	Total revenues	Related revenuse	%
A	3,427,187	258,219	3%
B	587,465	105,410	18%
C	297,697	110,222	37%
Tot.	4,312,349	473,851	21%

companies the related revenues are over 25%, against only 1 case (out of 30) where related costs are over 25% of the total.

5.2.2 Step 2: the impact of RPTs disclosed on RPTs made

In order to evaluate the level of transparency and its adequacy, a comparison must be made between the amount of RPTs disclosed and RPTs carried out, because only some are disclosed.

In fact, transparency cannot be evaluated solely by observing the number of RPTs disclosed; it is also important to assess the magnitude of transactions disclosed to the stakeholders out of the total. The ratio used is:

Effects disclosed on the total

$$\frac{\text{Amount economic effects produced by RPTs discolosed}}{\text{Total amonut of economic effects produced by RPTs}} = xx\% \qquad [2]$$

This ratio is applied keeping revenues separate from costs.

Table 8 shows the total amount of related revenues and costs and the sum of all positive (for revenues) or negative effects (for costs) produced by RPTs disclosed in specific documents in 2011 Income Statements in thousands of euros. The amounts of disclosed revenues and costs are calculated analyzing the 46 specific documents for material RPTs published in 2011 (required by Consob Regulation 17721). For each we have identified and assessed solely the economic effect on the 2011 Income Statement.

Table 10 shows worrying results. The total revenues disclosed are considerably higher than the total costs disclosed (882%), which may suggest a dangerous tendency to limit negative news to investors. Furthermore, it is interesting to consider that the amount of the related costs is higher than the related revenues.

The rough percentage of disclosed revenues out of the total of related revenues suggests that only 9.37% are disclosed to markets. The adjusted result

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Table 10: Total related revenues and costs and total disclosed revenues and costs (thousands of euros).

	Related	Disclosed	%	% adjusted disclosed	% adjusted undisclosed
Revenues	1,235,012	115,617	9.37%	4.92%	95.08%
Costs	1,446,706	13,105	0.91%	1.91%	98.09%

is 4.92%, due to the average weighting of related revenues in the total. Only 1.91% of related costs are disclosed.

Analysis shows that 95% of revenues and 98% of costs made with related parties are not subject to disclosure.

Table 11 shows the distribution of the percentage of related revenues and costs disclosed out of the total related amount.

Table 11: Descriptive statistics of related revenues and costs disclosed out of the total related amount.

	Revenues	Costs
Mean	4,92%	2.11%
Min.	0.00%	0.00%
25	0.00%	0.00%
50	0.00%	0.00%
75	30.00%	29.00%
Max.	92.00%	43.00%

The reason for these disclosure inefficiencies are that the quantitative ratios applied to identify material transactions are weighted on the basis of the dimensions of the Financial Statement (total assets or equity) or market value (capitalization), and disregard the dimensions of the Income Statement. Alternatively, observing the same problem from a different point of view, the quantitative thresholds applied are too high to identify material transactions producing effects on Income Statements.

At the same time the lack of clear rules about gathering similar transactions together may lead companies to split large into smaller transactions, reducing the cost of disclosure and other fulfillments.

Our calculations are all made using information which has been made public but, as previously explained, only some of this information is useful for

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investors to understand directors' actions and, furthermore, only a part of this information is disclosed in time to influence investor decisions.

6 Conclusions

As suggested in the literature, RPTs may be instruments to carry out abuse concerning conflicts of interest between ownership and control or between majority and minority shareholders. These transactions are subject to moral hazards, and for this reason are characterized by a greater inherent risk than other transactions.

Regulators have recently strengthened existing rules introducing new bans and requirements, aimed at guaranteeing the substantial and economic fairness of these transactions.

Rules on RPTs were overhauled by the Italian regulatory body for the Italian Stock Exchange (CONSOB Regulation 17221) in 2010. Regarding disclosure, the main change was in the selection criteria for the transaction to be disclosed. Regulation changed from a qualitative to a quantitative criterion in order to reduce the subjectivity of the selection process of the RPTs to disclose.

Hence this research investigated the effect produced by the new rules on the disclosure to market of RPTs.

Our analysis focuses first on verifying whether the new rules have increased transparency, and second on whether the magnitude of RPTs disclosed, selected through the new Consob ratios, guarantees acceptable information for stakeholders.

In terms of increased transparency, our results show that the new rules have contributed to increasing the amount of information to the market through a higher number of documents reported by companies.

The evidence produced highlights that new regulations have increased the quantity of information disclosed to the market, but the percentage of their magnitude on the gross amount is worryingly low. Our study confirms OECD suspicions that, as a consequence of the adoption of the quantitative threshold, major transactions involving RPTs are not disclosed.

This study provides input to legislators to refine the current regulations and is a starting point for future research, which could extend our analysis (which deals only with economic effects) to include financial effects, or to compare the magnitude of RPTs before and after new regulations. Furthermore, at the moment, information on RPTs is provided by various sometimes disconnected sources. Law-makers could oblige companies to consolidate these sources or

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create a platform where all this information is consolidated by a third party (if not the regulatory body itself).

Appendix

	Company	No. doc.	Type of transaction	Revenues (mill.)	Related revenues (mill.)	Related revenues disclosed (mill.)
1	Acea	2	Extension of a commercial contract, JV dismissal	3,427	258	40
2	Acegas	1	Commercial contract	587	105	8
3	Arena	3	Equity transaction, investment agreement, guarantees on corporation restructuration	69	–	–
4	Borgosesia	1	Asset transfer	13	3	1
5	Emak	1	Stock acquisition	205	3	–
6	ERG Renew	1	Financial support	115	0.9	–
7	Ergycapital	1	Contract of guarantee	20	0.7	–
8	Fidia	1	Equity transaction	46	–	–
9	FNM	1	JV	325	300	34
10	Gas Plus	1	Financial support	668	–	–
11	Greenvision	3	Stock acquisition, commercial contract, payment agreement	91	25	2
12	IGD	1	Asset acquisition	140	35	1
13	Kerself	2	Equity transaction, equity transaction, commercial contract	298	110	9
14	Krenergy	2	Equity transaction, equity transaction	18	7	–
15	Le Buone società	1	Stock transfer	–	–	–
16	Meridiana	3	Equity transaction, patronage, financial integration	98	8	–
17	Meridiana fly	6	Patronage, commercial contract, financial integration, financial integration, equity transaction	647	30	–

(*continued*)

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(*Continued*)

	Company	No. doc.	Type of transaction	Revenues (mill.)	Related revenues (mill.)	Related revenues disclosed (mill.)
18	Meridie	1	Contract modification	42	–	–
19	Mittel	1	Stock transfer and acquisition	65	1	–
20	Mondo TV	1	Equity transaction	20	–	–
21	Parmalat	1	Cash pooling	4,618	8	–
22	Pierrel	1	Financial support	46	–	–
23	Pirelli	1	Financial support	6,019	25	4
24	Poligrafici	1	Financial support	231	81	–
25	Prelios	1	Financial support	223	125	–
26	RDB	2	Equity transaction, stock transfer and acquisition	157	2	–
27	Risanamento	1	Credit line	94	3	–
28	Safilo	1	Financial support	1,116	39	–
29	Telecom media	2	Credit line, financial support	265	46	14
30	Tesmec	1	Leasing contract	116	16	4
	Total	**46**				

	Company	No. doc.	Type of transaction	Costs (mill.)	Related costs (mill.)	Related costs disclosed (mill.)
1	Acea	2	Extension of a commercial contract, JV dismissal	3,274	773	–
2	Acegas	1	Commercial contract	533	11	–
3	Arena	3	Equity transaction, investment agreement, guarantees on corporate restructuring	73	16	–
4	Borgosesia	1	Asset transfer	12	1	–
5	Emak	1	Stock acquisition	196	7	–
6	ERG Renew	1	Financial support	129	18	–

(*continued*)

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(*Continued*)

	Company	No. doc.	Type of transaction	Costs (mill.)	Related costs (mill.)	Related costs disclosed (mill.)
7	Ergycapital	1	Contract of guarantee	22	1	–
8	Fidia	1	Equity transaction	45	1	–
9	FNM	1	JV	306	62	–
10	Gas Plus	1	Financial support	668	28	–
11	Greenvision	3	Stock acquisition, commercial contract, payment agreement	90	4	–
12	IGD	1	Asset acquisition	109	5	–
13	Kerself	2	Equity transaction, equity transaction, commercial contract	317	44	9
14	Krenergy	2	Equity transaction, equity transaction	44	1	–
15	Le Buone società	1	Stock transfer	1	–	–
16	Meridiana	3	Equity transaction, patronage, financial integration	197	3	–
17	Meridiana fly	6	Patronage, commercial contract, financial integration, financial integration, equity transaction	758	55	–
18	Meridie	1	Contract modification	58	2	1
19	Mittel	1	Stock transfer and acquisition	129	3	–
20	Mondo TV	1	Equity transaction	21	1	–
21	Parmalat	1	Cash pooling	4,407	4	–
22	Pierrel	1	Financial support	55	–	–
23	Pirelli	1	Financial support	5,487	47	–
24	Poligrafici	1	Financial support	226	49	–
25	Prelios	1	Financial support	495	213	4
26	RDB	2	Equity transaction, stock transfer and acquisition	402	22	–
27	Risanamento	1	Credit line	170	32	–
28	Safilo	1	Financial support	1,062	19	–
29	Telecom media	2	Credit line, financial support	356	21	–
30	Tesmec	1	Leasing contract	106	3	–
	Total	**46**				

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