

Italian regulator establishes quant unit

Italy's Commissione Nazionale per le Società e la Borsa (Consob), the regulator that oversees the country's securities markets, has created a stand-alone quantitative analysis unit. Headed by Marcello

products and detect market abuse. The unit was unveiled on May 2 as part of an overall organisational restructuring at Consob.

Consob has long been a leader in using quantitative methods to uncover market abuse and identify the mis-selling of financial products. One of its most high-profile retail investor cases involved the mis-selling of the 4 You product by Banca Monte dei Paschi di Siena, which came to light in 2003 (*Risk* June 2003, pages 20–21). Consob's quantitative analysis of the 4 You offering

revealed that upon signing up, investors were 20% worse off than if they had invested in a risk-free asset such as a government security.

With the creation of the quantitative analysis unit, Consob plans to build upon the work it has already done. There are plans to double the size of the six-strong team in the next few months. One idea is to build a model that can predict default by tracking shares on the quoted market. Share ownership is another area Consob will study – in particular, examining how

derivatives structures allow investors to build exposures to certain companies without buying shares directly. There are also plans to analyse new complex products and the level of disclosure on the part of the issuers.

In addition to the quantitative analysis unit, Consob has established two other new groups. One is charged with performing legal analysis on all new regulation to determine the impact on the market. The other is a liaison office dealing with union issues.

Rachel Wolcott



Marcello Minenna, Consob

Minenna, Consob's chief quantitative analyst, the unit will seek to build quantitative systems to enhance the regulator's ability to conduct market surveillance on sophisticated investment