

Issues rising from the discussion of the Addendum to the Consultation Paper – CESR’S Advice on possible Level 2 Implementing Measures for the Proposed Prospectus Directive

Part I – Registration Document

□ Debt securities:

- The threshold of € 50.000 per investor is too high as regards the denomination per unit commonly present on the Italian market, which is typically “retail”: this specific schedule would consequently become almost “not applicable” in Italy.
- As regards listed companies, we suggest a simplified set of disclosure requirements referring to the issuer and the possibility of using incorporation by reference as regards the information already published by the issuer.
We underline – as we already pointed out in our response to the Consultation Paper – the necessity of differentiating such information requirements for different types of issuers (we refer to the present rules provided by Consob).
- IV : liquidity and capital resources:
 - necessity of inserting all information about liquidity and capital resources requested by Annex A of the Consultation Paper (Core Equity Registration Building Block), with a special focus on solvency.
- V.C: board practices:
 - necessity of explaining the possible differences arising from the comparison between the issuer’s corporate governance regime and its country of incorporation’s one.
- VII.I: legal and arbitration proceedings:
 - add fiscal proceedings.

□ Securities issued by banks:

We reaffirm – as we already pointed out in our response to the Consultation Paper – the necessity of providing different requirements of disclosure for different types of issuers. In particular, “supervised entities” (banks) shall not supply all the information on the issuer required by the Implementing Measures and shall focus especially on the procedures of risk monitoring (see also Basel II) and on supervisory capital [We think the information on the issuer required by Consob rules is exhaustive].

□ Derivative Securities:

- We focus on the necessity – as we already pointed out in our response to the Consultation Paper – of providing a definition of “derivative” which makes a clear distinction between options and securities that track the underlying. We also define “guaranteed” a derivative that offers a return of the nominal value.
- As regards the question about non-bank issuers, we remind that the case is “not applicable” in Italy, because such entities are not allowed to issue derivatives.
Referring to bank issuers, we underline again the necessity of providing a simplified set of requirements for “supervised entities”, with a particular focus on the procedures of risk monitoring and on supervisory capital.

□ Asset Backed Securities:

We basically don't agree with the proposed schedules (Annex 4: Registration Document and Annex 10: Securities Note): the required information about the issuer is excessive, because risks are typically centred on the assets.

Focus is consequently to be given on the information about the assets, which are to be described as a "block" and not by disclosing detailed characteristics of every single item.

We further stress the following issues:

- the SPV must always be a separate legal entity (→ we don't agree with the following sentence set out in Annex 4: "...where a SPV or entity has no separate legal entity, the issuer is the financial services firm that has set up the SPV or entity...");
- a special focus is to be given to the disclosure of legal risks (the SPV shall be "unassailable");
- disclosure on credit enhancements shall be given.

Part II – Securities note

□ Blanket clause:

We agree with the opportunity of introducing in the draft schedule the proposed sentence : *"if certain information required in the line items or equivalent information is not applicable to the issuer or to the securities to which the prospectus relates this information can be omitted"*.

□ Additional SN Building Block for guarantees:

We don't deem necessary to have a specific Building Block for guarantees.

We suggest that such disclosure requirements remain a fixed part of the other Securities Note schedules and we focus on the following issues:

- when there is a guarantor, all information usually requested to the issuer shall be given about this other subject (in this last case the issuer shall give shorter and essential information about itself);
- clear and exhaustive disclosure shall be given on the guarantee and the way it works;
- a complete description of the procedures and formalities through which the bondholder can exercise his/her rights shall be given.

Milan, February 6th, 2003