

To:
The Committee of European Securities Regulators

*Mr Fabrice Demarigny
Secretary General
by email at: secreariat@europesefco.org*

Milan, 4th August, 2003

Dear Sirs,

CESR's Advice on Level 2 Implementing Measures for the Proposed Prospectus Directive - Consultation Paper -

Further to analyzing CESR's Advice on Level 2 Implementing Measures for the Proposed Prospectus Directive we reproduce here below our answer to Question n° 89.

Derivative securities: Past performance and volatility

From CESR Paper, page 17:

"84. Last proposal of the SN Derivatives Schedule as set out in Annex E requires disclosure of past performance of the underlying and its volatility. This requirement states:

4.2.2.

- Information required in respect of the underlying, a statement setting out the type of the underlying and details of where information on the underlying can be obtained;

- past performance of the underlying – in a practical form or otherwise – and its volatility over a period corresponding to at least the maturity of the derivative security; in any case a period of two years is sufficient.

...

Three options were discussed:

- 1. No past performances and no volatility should be required.*
- 2. Mandatory indication of where information about past performances and volatility can be found or, if not easily accessible, indication by the issuer of the past performances and the volatility.*
- 3. Mandatory indication of past performances and volatility only where the issuer has composed the underlying of the derivative instrument."*

QUESTION

89. Which of the above options do you consider should be adopted by CESR (1, 2 or 3)? Please state your reasons.

ANSWER:

We consider that option 3. should be adopted.

As from point 4.2.2, first indent, it will be required *“a statement setting out the type of the underlying and details of where information on the underlying can be obtained”*.

It should be clearly mentioned in the prospectus where this information can be easily obtained - through internet websites, specialized newspapers, etc.

Only ***where the issuer has composed the underlying of the derivative instrument***, which could not be found on independent provider the volatilities and past performances should be added.

We agree with CESR, where it says *“there should be a clear warning to the investors stating that past performances and volatility do not give reliable guidance on the future performance of the security”*.

Yours faithfully,

TradingLab Banca S.p.A.