FSCG (Financial Service Consumer Group)

"La Commissione europea ha deciso di istituire un gruppo consultivo di esperti in materia di servizi finanziari che concernono sostanzialmente il credito e gli investimenti, ma che comprendono anche altre materie tipo i pagamenti transfrontalieri. Tale gruppo consultivo, denominato FSCG (Financial Service Consumer Group), è composto dagli esperti nominati dalle associazioni dei consumatori dei paesi membri dell'UE (per l'Italia Gianni Colangelo, responsabile Adusbef Abruzzo) e dei due Paesi candidati a farne parte, Romania e Bulgaria. Esso dovrebbe bilanciare il peso dei gruppi di Esperti, troppo spesso sensibili agli interessi delle lobby industriali.

Grazie alla sapienza, responsabilità e coscienza dell'interesse nazionale della classe politica italica, l'italiano non è più una lingua di lavoro della UE. I documenti, di conseguenza, possono essere scritti in inglese, francese e tedesco. La maggior parte di essi, tuttavia, è in inglese. Per i documenti da noi presentati faremo ogni sforzo per pubblicare il testo in italiano."

Il sito di FSCG (Financial Service Consumer Group) è il seguente:
http://ec.europa.eu/internal_market/finances/fscg/index_en.htm

Financial Services Consumer Group

DISCLAIMER – The Financial Services Consumer Group (FSCG) as a sub-group of the European Consumer Consultative Group (ECCG) is a consultative group set up by the Commission, entrusted to represent the interests of consumers at the Commission and to ensure that consumer interests are properly taken into account in EU financial services policy development. The opinion of the FSCG does not reflect the opinion of the Commission or one of its Services.

19.09.2006

Opinion of the Financial Services Consumer Group

Response to the Report of Expert Group on the Investment Fund Market Efficiency

Background

In July 2006 the Commission – DG Markt – published a report reflecting the outcome of discussions within the Expert Group on Investment Fund (UCITS) Market Efficiency over the period February – June 2006. The report should provide an assessment of the extent to which the existing EU legislative framework curtails the efficiency of the European fund industry. It provides a clear statement of the main expectations and concerns of the industry and sets out recommendations for harnessing the full potential of an integrated single market for investment funds. The Commission services have wished to submit this assessment to wider scrutiny and open debate before developing a basis for a formal position. Stakeholders have been invited to send written comments before September 20th.

FSCG Position

We are grateful for the opportunity to comment on the report of the expert group on Market Efficiency of Investment Funds (UCITS). We find the report very useful but several aspects were not adequately addressed which we will show below. The FSCG don't want to cover all issues but concentrate on those issues that seem most relevant to consumers/investors.

The FSCG welcomes the Commission's initiative to involve industry practitioners to come up with proposals for improving the investment funds regulation. It would however have been wise also to include consumer/investor representatives in a more direct way than just as observers. Greater consumer involvement in the

policy making can be one step towards balancing interests of providers and consumers, thus facilitating the process towards the European single market.

1. Getting products to the market more quickly

a. Authorization and notification

We do not object to the introduction of time limits on authorization for the sale of UCITS in the home Member State or on notification for marketing in other Member States. This measure could increase the choice for consumers/retail investors in national markets, especially in the smaller Member States. It must also be prevented that comparable substitute products such as certificates are regulated compared with UCITS; the UCITS and the Prospectus Directive provide different rules in this regard.

But the time limit would of course require the regulator to come to a good decision, not as the expert group seems to say, just to approve the application. From our point of view the notification can not just be seen as an annoying double-check by the host Competent Authority. In the host state the notification has to guarantee that marketing and distribution of the fund is compatible to the marketing and distribution rules of the host State without of course being prohibitive. Regulators must be allowed enough time to carry out their proper functions taking into account that competing mass market retail products should be regulated in a coherent, proportionate and consumer-oriented way.

Concerning the definition of what an appropriate limit time would be, we recommend input from the CESR regulators. As there is no time limit for authorization but an average of two to four months and for notification of two months[1] the experts group's suggestion for time limits (20 business days for authorization, 3 days for notification) appears too short, especially the 3 days notification limit.

We support time limits but the supported limit must guarantee and ensure that consumer protection is not jeopardized.

b. Simplified prospectus

The simplified prospectus is a difficult document consumers often don't understand, especially as this document in most cases is too long, not written in plain language, not standardized and not transparent.

Therefore we strongly disagree with the expert group's view that for the decision on liability of a provider a defective simplified prospectus should be read together with the full prospectus. This suggestion is undesirable. To argue that the consumer's right to compensation because of a defective simplified prospectus could be neutralized because of an incomprehensible and often not assigned full prospectus is unacceptable. Investors should be protected from misleading, inconsistent or inaccurate simplified prospectuses whatever is in the full

[1] Article 46 UCITS Directive, 85/611/EWG

prospectus. Information solutions per se offer limited protection in complex markets: Many consumers do not read complex financial documents especially at the point of sale where pressure may be exerted to buy a product. Therefore, it is important that the simplified prospectus is consistent, correct, understandable and comparable if it is to be effective. The best way to achieve these objectives ate standards and guidelines to be set down by regulation. Allowing individual firms discretion and flexibility will lead to confusion and will be difficult or even impossible to monitor. Therefore we ask for standardization of the simplified prospectus and not for a flexible format, like the expert group. The consumer must get transparent, brief, standardized, coherent and comparable information given to them on rather few pages.

In many Member States (e.g. in § 127 German Investmentgesetz) consumers can claim compensation if the simplified prospectus is false (without taking into account the full prospectus). We demand that in a pan-European market consumers must be also in a position to rely on the information of the simplified prospectus.

The information must be given in the consumer's national language (see below) and include details as to the underlying financial instruments and its risks, a Total Expense Ratio/TER (first developed by Fitzrovia) - that really deserves the name, contains all yearly cost elements ("all-in-fee") and is calculated in a harmonized manner, an understandable description of the portfolio strategy and references to the detailed information in the full prospectus.

Besides the concrete disclosure of the risk factors of the investment especially a standardized cost ratio covering all cost elements is of utmost importance. In many markets a lack of competition exists, e.g. the Danish Competition Authorities have analyzed the Danish UCITS market and found out that they are approximately 25% too expensive. At the moment some important cost factors in some countries don't have to be included in the TER like costs for transactions within a fund (e.g. in Germany, see § 41 Investmentgesetz). Whereas the disclosure of the TER is common in the USA, Europe lags behind.

In order to develop a commonly accepted European standard of a simplified prospectus we suggest to consulting the involved parties, like the UCITS industry, consumer protection, supervision, marketing experts and sales and distribution experts; the workshops held by the Commission in 2006 provide a better basis for taking this work forward than the expert group's report. The development of a suitable standard should in any case be completed by market testing.

c. Language

We disagree with the expert's group opinion and therefore also with Article 44 of the UCITS Directive that allows not to translate the simplified prospectus into the host states language in the case of cross-border selling. From our point of view the understanding of the simplified prospectus is much more difficult if it is not written in the native tongue. But this understanding is important in the context of the decision for an investment.

We also disagree with the expert group's suggestion that the translation of the simplified prospectus should not be pre-checked by the host Competent Authority. This raises concerns about misleading or wrong translations of the simplified prospectus not pre-checked by the host regulator. The motivation of the pre-check is not to delay the selling of the fund. But it is important to ensure before the selling that the translation of the prospectus is clear and accurate. A clear framework should be designed defining the role oh the host regulator in developing the guidelines for translation requirements as well as the consequences to the provider for misleading translations.

From our point of view consumer protection must be seen as a preventive instrument. Therefore the simplified prospectus should be translated in the language of the host state and the Competent Authorities should have to check the translated simplified prospectus before the fund can be sold.

2. Facilitating UCITS mergers

We agree with the evaluation that the European UCITS industry is characterized by a high degree of fragmentation (the size of EU-UCITS is at an average 1/3 to 1/5 of USA-UCITS). Suboptimal sizes of funds lead to relatively high costs of management and administration. Facilitating UCITS mergers could improve efficiency of many investment funds permitting them to achieve greater economies of scale. For this reason we support mergers provided that consumer and investor rights are respected.

Therefore investors must be given adequate information regarding the merger, for example changes of costs, changes of tax treatment and changes of the portfolio strategy. All the relevant information must be given in good time before the merger so that investors are able to evaluate the consequences for their investment. In this respect the definition investor information prior to the merger should be clearer, e.g. the simplified prospectus of the receiving fund should be not only 'offered to be provided to investor', but should be sent to the investors without any explicit request on their side.

Consumers must also be given the right to exit the merged fund without any charges.

Another very important point concerning fund mergers is to avoid adverse tax consequences for consumers. It must be impossible that cross border mergers cause adverse tax consequences to consumers. So, if there is legislation to facilitate mergers, it should be accompanied by a taxation directive protecting consumers from adverse consequences.

Last but not least, funds that are going to be merged must give evidence towards their Competent Authority that the merger leads to a greater efficiency and cost advantages for the investors.

3. Allowing pooling techniques

As stated by the UCITS industry pooling the administration of different funds that are similar to each other lead to returns of scales. This instrument can already be used nationally. But with respect to cross-border pooling we see problems for

example caused by different tax-treatments or different requirements because of different national law.

For this reason we are asking for pooling only being acceptable if consumer/ investor protection is guaranteed (e.g. prevention of disadvantages of rising costs, of rising tax-payments, of unwanted, changing portfolio strategies).

4. Making the Management Company Passport work

The FSCG supports measures leading to a grater efficiency and access to better performing products. Investors in host states will however need to be able to contact a representative of the management company in their host state to deal with questions and problems that arise.

Furthermore the FSCG sees an urgent need for ethical standards for fund managers to be developed.

Going beyond this, we consider it necessary that all market participants being involved in the buying, selling, management and governance have to disclose any conflicting interests in an effective way.

5. More freedom for the Depositary

The role of depositaries is an important one from the point of view of investor protection and confidence as they have to oversee the activities of fund managers and to prevent improper behavior with the assets of investors.

We are however reserved to the idea of a *depositary passport*, as is the Expert Group, unless investor interests and their reliance on responsibilities of depositaries are not met adequately. Any harmonization should consider this.

From our point of view the distribution of the control to two different Competent Authorities should be thought over, as this must not lead to a lack of efficiency (e.g. by different administrative procedures) and uncertainty of investors. There are wide differences between the Member States regarding the control, function and responsibility of the depository bank. For this reason a depositary passport could lead to custody-arbitrage and therefore threaten consumer protection and confidence.

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About the protection of investors and savings (namely consumers) in U.C.I.T.S.

It is not enough to claim for consumer's protection and transparency in investment contracts. We need to suggest some concrete and clear enforcements to put into effect such principles. I suggest the following ones.

1. **Risk disclosure in Prospectus** Simplicity in Prospectus should be warranted. But also the complete and clear information is necessary. First of all the Prospectus should declare if the investor will risk :
   a) the invested capital; in this case the risk involves also the interest
   b) only interest; in this case the capital repayment is warranted
   The Prospectus should analytically disclose what are the risk factors.

2. **APY disclosure** Some UCITS are sold together with loan contract. In that case, the professional borrows money to the consumer to let the him investing in UCITS. That means the contract consists in both, contract of credit and contract of investment; namely there is a cost (loan APR) that is sure and a yield that is not sure. It is obvious that in this case it is not easy for the consumer to appreciate the convenience of the investment, also considering that there is a risk factors. That is only an example among several to show how much the requirement of disclosure of actual yield is necessary. So that the actual APY (Annual Percentage Yield) disclosure, expressing the balance between the expected yield and all negative costs burdening the consumer, should be enforced. As for Consumer Credit Directive, a formula and criteria for calculating the expected actual APY should be enforced. According to the above point 1, even the risk factors which can affect the yield should be clearly specified, monitored and the consumer should be immediately informed about its variations .

3. **The conflict of interest** There are cases where Bank debtors are present in Bank corporate governance or vice versa. In that cases the investments in UCITS who bear such kind of conflicts of interests should be enforced to be proposed only to the professional investors. That means that the sale of such UCITS to the consumers should be forbidden. This is to avoid cases like Parmalat, Cirio, etc.

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Request for integration of Agenda
1. Disclosure of effective APR in Consumer and Mortgage Credit - **2**. Anatocism - **3**. The Amortisation plan and credit obligation discharge before the fixed term (art. 8 Dir. 87/102/EEC) –**4**. Current account Line of Credit Disclosure - **5**. Consumer protection from Overindebtedness, the Fresh Start and the Consumer Insolvency laws - **6**. Access to justice: class action - **7**. Asset Management, APY disclosure - **8**. Distance Marketing Financial Services, consumer protection from standard professional declaration clauses - **9**. Corporate governance, conflicts of interest.

Dear Sirs,

According to the rules and procedures draft in the letter: MARKT/ G1/IH cs D(2006) 6628, I propose the following items to be included in the agenda of the FSCG.

1. ***Disclosure of effective APR in Consumer and Mortgage Credit***

Directive 87/102/EEC under Art.1, letter (d), defines 'total cost of the credit to the consumer' as «***all*** *the costs of the credit including* ***interest***…». Under letter (e) the 'annual percentage rate of charge' is defined as «the ***total cost*** of the credit to the consumer».

The Formula:

$$\sum_{k=1}^{k=m} \frac{A_k}{(1+i)^{t_k}} = \sum_{k'=1}^{k'=m'} \frac{A'_{k'}}{(1+i)^{t_{k'}}} \qquad [1]$$

set out in Annex II of Directive 90/88/EEC expresses the total cost but not the most important cost, which is the cost of anatocism (taking interest on interest, or receiving compound interest). Compound interest is obtained by transforming interest into Capital or Principal.

The correct Formula which, in accordance with the requirements of Art. 1 letters (d) and (e), expresses *all* the costs of credit is:

$$\sum_{k=1}^{k=m} \frac{A_k}{(1 + it_k)} = \sum_{k'=1}^{k'=m'} \frac{A'_{k'}}{(1 + it_{k'})} \qquad [2]$$

Consequently if we calculate the APR of a credit contract using those two different Formulas, we will get two different results in quantifying the APR (symbol *i* in [1] and [2]). In other words, the customer repaying credit will believe he is paying less interest if the moneylender uses [1] instead of [2].

In order to get an idea of the difference in the amount of the APR in the case of credit when [2] instead of [1] is used, I am going to show some examples. Note that such difference is negligible for credits contracts not exceeding a year.

In France and Italy there are laws against usury. According to those laws, the respective Ministries of the Economy publish every three months the average interest rates applied to different sort of credits and corresponding usury caps. From some such publications I took some rates relating to small credit and to mortgage credit and I calculated the difference due to the application of [1] and [2] to the same given credit.

Hereafter I shall call the *i* of [1] **TAEG** (compound interest APR) and the *i* of [2] **TEG** (simple interest APR).

FRANCE: Direction générale du Trésor et de la politique économique, Taux effectif pratiqué **au premier trimestre 2006** par les établissements de credit.

The average of the APR (Annual Percentage Rate) for credits of € 1.524 is 15,15%.

credit €	*average APR*	*usury cap APR*	*instalments*	*TAEG*	*TEG*	Δ_i	Δ_ϵ
1.524	15,15%		24 x 73,31	15,15%	15,531%	**2,453%**	
1.524	15,15%		24 x 73,10	-	15,150%	-	*5.04*
1.524	15,15%		60 x 35,61	15,15%	17,625%	**14,043%**	
1.524	15,15%		60 x 34,29	-	15,150%	-	*79.20*
1.524	20,21%		24 x 76,36	20,00%	20,614%	**2,453%**	
1.524	20,21%		24 x 76,02	-	20,000%	-	*8.16*
1.524	20,21%		60 x 39,26	20,00%	24,170%	**24,170%**	
1.524	20,21%		60 x 37,11	-	20,000%	-	*129.00*

The average APR for Mortgages of € 100,000 is 4,35% (fixed interest rate).

credit €	*average APR*	*usury cap APR*	*instalments*	*TAEG*	*TEG*	Δ_i	$\Delta_€$
100.000	4,35%		240 x 620,07	4,35%	5,537%	**21,438%**	
100.000	4,35%		240 x 579,91	-	4,350%		*9,638.40*
100.000		5,80%	240 x 695,92	5,79%	7,894%	**26,653%**	
100.000		5,80%	240 x 628,35	-	5,790%	-	*16,216.80*

ITALY: Ministry of the Economy, the effective APR required by banks in the first 3-monthly period of **2006**.

The average APR (Annual Percentage Rate) for credit up to € 5,000, guaranteed against assignment of 1/5 of borrower's salary to the lender, is 20,35%.

credit €	*average APR*	*usury cap APR*	*instalments*	*TAEG*	*TEG*	Δ_i	$\Delta_€$
5.000	20,35%		24 x 251,24	20,35%	20,978%	**2,994%**	
5.000	20,35%		24 x 250,11		20,350%	-	*27,12*
5.000	20,35%		60 x 128,79	20,35%	24,665%	**17,494%**	
5.000	20,35%		60 x 121,55		20,350%	-	*434,40*
5.000		30,525%	24 x 271,69	30,00%	31,718%	**3,840%**	
5.000		30,525%	24 x 269,56		30,525%	-	*51,12*
5.000		30,525%	60 x 152,43	30,00%	39,504%	**22,793%**	
5.000		30,525%	60 x 121,55		30,000%	-	*1.852,80*

The average APR for Mortgages of € 100,000 is 4,97% (fixed interest rate).

credit €	*average APR*	*usury cap APR*	*instalments*	*TAEG*	*TEG*	Δ_i	$\Delta_€$
100.000	4,97%		240 x 652,26	4,97%	6,522%	**23,796%**	
100.000	4,97%		240 x 601,02		4,970%	-	*12.297,60*
100.000		7,455%	240 x 787,78	7,450%	7,894%	**31,733%**	
100.000		7,455%	240 x 681,91	-	7,450%	-	*25.408,80*

The above examples show that the higher the rate of interest is, the greater the amount of interest paid (Δ) using [1] instead of [2] and a similar increase produces a higher number of instalments. *So that it is possible to draw the conclusion that the increase of interest to pay Δ, using the Formula [1] instead of [2] is directly proportional to the APR and to the number of instalments.*

The consequence is that the borrower has a mathematically false idea of the total cost of credit expressed by an annual percentage rate. In fact art. 1, under letters (d) and (e) promises that the Formula set out in Annex II of Directive 90/88/EEC should express the *total cost of credit*. Evidently an elementary mathematical check shows that this promise is far from being maintained by the above mentioned Formula [1] and consequently *faulty awareness in the borrower is induced by such a method of calculation.*

Using compound interest formula [1] instead of simple interest formula [2] has three more consequences. One is produced by *calculating the balance of credit due to the discharge of the consumer's obligations before the due date* (art. 8 of the consolidated 87/102/EEC Directive). The other is due to *the calculation of arrears in the case of late payment of instalments*. Last but not least the worst consequence seems surreptitiously to l*egalize the practice of anatocism in countries like Italy* (and to my knowledge, Belgium and France) where taking compound interests in mortgages and loans is *forbidden* to the lenders. This seems not to be in accordance with art. 153 n. 5 of the EEC Treaty.

2. Anatocism

The effective interest rate is the rate that the borrower really pays on the basis of the effective sum due which is at the borrower's disposal during the financing period (residual capital due). Anatocism is the practice by which the interest is added to the capital to produce higher interest. Consequently, the lender can hide the surplus in interest costs using the compound interest method. There is no juridical, economic or ethical justification for the practice of anatocism. In fact, according to the example shown under §1, the lender can obtain the same amount of interest using the simple interest method. The only consequence is that he must declare the effective interest rate applied. In Italy anatocism is routinely applied by lenders, even though it is forbidden by the law, thanks to a bank trust agreement which is forbidden by articles 81 and 82 of the EEC treaty.

3. The Amortisation plan and credit obligation discharge before the fixed term (art. 8, Dir. 87/102/EEC)

In contracts of loans and mortgages in Italy, following a seemingly collusive practice (article 81 EEC Treaty), lenders routinely impose an amortisation plan in which borrowers first pay the interest and then the principal. This method is called "French style amortisation". Instead, according to formulas [2] and even [1] the natural mathematical determination of a correct amortisation plan determines that the capital is reimbursed at a higher rate at the beginning of the planned period and at a lower rate at the end. French style amortisation forces borrowers to be indissolubly tied to the contract by making credit repayment before the fixed term uneconomical. This methods seems to be practiced by the lenders also in the UE countries other than Italy. This practice seems to be in violation of the 93/13/EEC Directive. Consequently the amortisation plan should be arranged according to formula [2].
The case of amortisation plans suggests a closer analysis of article 8, Dir. 87/102/EEC. According to such a rule in the case of credit obligation discharge before the fixed term, the consumer is entitled to an equitable reduction in the total cost of the credit. This statement is unclear. It would be much better to quantify the ratio of the residual interest owed by the borrower (calculated according to an

amortisation plan using formula [2]), which must be paid to the lender, as an additional fee to quit the credit contract before the fixed term.

4. *The Current Account Line of Credit disclosure*

Lines of credit linked to a current account are one of the most usual forms of credit used by consumers. When signing a form for such a line of credit, consumers are required by lenders to pay interests, to accept interest repayment according to a value date method set by the lender, to pay maximum overcharge commission periodically calculated on the utilized maximum amount of credit and many other fees. The balance of all this series of fees is difficult, and sometimes impossible, to quantify.

Consequently APR disclosure should be legally enforced.

5. *Consumer protection from Overindebtedness, the Fresh Start and Consumer Insolvency laws*

Overindebtedness among consumers and families has been increasing dramatically over the last few years. Although the opinion of the UE Commission about overindebtedness seems to refer to it as a social problem rather than a market item, there is some evidence and analysis leading to the conclusion that the overindebtedness phenomenon is also a question that concerns the market. First of all because lenders and salespeople push through massive advertising campaigns to consumers to take out credit. Second, because the lack of exhaustive disclosure and usury caps influences the increase of overindebtedness. Third, because overindebtedness leads to "Explosive Global Growth of Personal Insolvency[1]" which is also a matter that involves the market.

If we see overindebtedness as a market question rather than a social problem we should also consider borrower protection from overindebtedness and the possibility of a "Fresh Start" as important issues concerning the financial services market. In many European Countries, like Italy, for example, there is no Consumer Bankruptcy law or right to a Fresh Start[2]. In conclusion it would seem necessary to focus attention on Consumer Bankruptcy laws as well as the right to a Fresh Start.

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[1] K. ANDERSON, Osgoode Hall Law Journal, Vol. 42, No. 4, 2004.
http://www.yorku.ca/journal2/archive/articles/42_4_anderson.pdf

[2] JOHANNA NIEMI-KIESILAINEN, Consumer Bankruptcy in Comparison: do we cure a Market Failure or a Social Problem?, Osgoode Hall Law Journal, Vol. 37 NOS. 1 & 2; http://www.yorku.ca/ohlj/archive/articles/37_12_niemi_article.pdf. Consumer Overindebtedness and Consumer Law in the European Union, Contract Reference No. B5-1000/02/000353 - Udo Reifner, Johanna Kiesilainen, Nik Huls, Helga Springeneer Final Report.
http://www.iacl.ca/documents/iff_OverindebtednessandConsumerLaw.pdf

6. ***Access to justice: class action***

Directives and law enforcements have little impact on Professionals' Financial Services market behaviour when the consumer's access to justice is restricted. We need only think of the case of mass contracts. If a Professional makes 100,000 deals containing a legal violation to the value of € 50 per deal we have a situation in which the Professional makes an illegal profit of € 5,000,000 and each consumer would have to sue the Professional to recover only € 50, at great legal risk and expense.

Class action seems to be an appropriate remedy to re-balance the Professional-Consumer relation. Consequently the right to get consumers' class action should be introduced through enforcement of law.

7. ***Asset Management, APY disclosure***

As for Consumer Credit, even Asset Management obligation needs contract disclosure. At least three requirements seem to be necessary. The disclosure of the risk and risk management; the disclosure of obligation discharge before the fixed term and last but not least the disclosure of the yield. The disclosure of the effective APY (Annual Percentage Yield) should be clearly required in the contracts.

8. ***Distance Marketing Financial Services, consumer protection from standard professional declaration clauses***

Bearing in mind what has been written on the previous point, for example it happens that in Italy a declaration that the consumer is a smart expert in Financial Markets and Products is automatically inserted by the Professional among the several pages of which the Financial products contract consists. In this way, a consumer who is far from being an expert is induced to declare that he is indeed an expert, regardless of any evidence to the contrary. Such a declaration releases the Professional from any obligation to perform several duties relating to consumer information and risk management protection.

Consequently any automatic insertions of such declarations should be avoided and in the meantime a clause referring to the Professional's obligation to investigate the consumer's ability to manage the investment risk, in the case of a consumer declaring himself to be an expert, should be introduced.

9. ***Corporate governance, conflicts of interest***

For example in Italy most big companies who are big Bank debtors are present in corporate governance. At the same time, the 12 largest companies offering Asset Managements are owned by Banks. Those circumstances cause market distortions and prejudice consumer rights (Parmalat, Cirio Italian scandals should be considered also as an effect of such distortions). Consequently, such conflicts of interests should be avoided through enforcement of law. In any case the conflict of interest in a largest sense is an item to be introduced and meticulously discussed.

Torre de' Passeri, 12 June 2006 Gianni Colangelo