

MEMO# 11258

September 21, 1999

PROMOTION AND PLACEMENT OF MUTUAL FUNDS IN ITALY VIA INTERNET

[11258] September 21, 1999 TO: INTERNATIONAL COMMITTEE No. 41-99 RE: PROMOTION AND PLACEMENT OF MUTUAL FUNDS IN ITALY VIA INTERNET

On
September 3, 1999, Italy's CONSOB issued Communication No. 99065403 in response to a request for clarification on the promotion and placement of mutual funds via the internet. This Communication further explains CONSOB's position on the regulation of distance sales of financial products and services through the internet, which was discussed in a prior memo. See Memo to International Committee No. 34-99, dated August 6, 1999. Attached is a copy of a memorandum prepared by Italian counsel describing the Communication. First, CONSOB clarified that a società di gestione del risparmio or "SGR" (a management company, which may be authorized to place fund shares) may provide informational prospectuses through the internet so long as investors are able to print copies of the prospectuses from the internet site. A financial intermediary also may provide its bylaws and documentation on general risks of financial investments through the internet. Second, a financial intermediary may obtain information about investors through the internet. The Communication also stated that, because specific procedures for acquiring information from investors are left to the discretion of financial intermediaries, it is permissible for investors to accept solicitations by returning a form downloaded from the internet by mail to the SGR. In addition, once an investor subscribes initially by regular mail, subsequent subscriptions may be forwarded to the SGR by e-mail so long as the confidentiality of the messages is assured. Withdrawals, however, must be by regular mail. CONSOB also stated that confirmations may be sent by e-mail so long as the investor can print a hard copy from the internet and procedures are in place to guarantee confidentiality. Third, CONSOB stated that, for anti-money laundering requirements, it was not enough for a SGR at the time of the first subscription to ask for a copy of a personal document, together with a personal information form, to be sent by mail. The SGR must directly identify the investor or, if direct identification is impossible, the SGR must obtain appropriate attestation issued by another intermediary, which has already identified the investor. Finally, CONSOB stated that the procedures discussed above must be described in the informational prospectuses of mutual funds before the internet can be used to offer and place fund shares. Jennifer S. Choi
Assistant Counsel Attachment