

MEMO# 13343

April 6, 2001

SUPREME COURT OF ITALY HOLDS CONSOB LIABLE FOR MISSTATEMENTS IN PROSPECTUS

[13343] April 6, 2001 TO: INTERNATIONAL COMMITTEE No. 24-01 RE: SUPREME COURT OF ITALY HOLDS CONSOB LIABLE FOR MISSTATEMENTS IN PROSPECTUS Attached for your information is a summary from Italian counsel concerning a case in which shareholders sued CONSOB, the Italian securities regulator, for negligence in reviewing the prospectus of an issuer that the shareholders relied upon in purchasing their shares. The decision of the Supreme Court of Italy reverses the dismissal by the Milan Court of Appeal and the Milan Court and orders the Milan Court to re-examine the shareholders' claims based on the ruling of the Supreme Court. The shareholders alleged, in part, that the prospectus was untruthful and that CONSOB, in violation of the laws, failed to verify the truthfulness of the prospectus. The Supreme Court permitted the shareholders' claims on the grounds that CONSOB could be liable for negligence to the investors because it had a duty to make investors aware of false statements in the prospectus and it had the authority to verify the contents of the prospectus by investigating and requesting additional information from the issuers. This decision of the Supreme Court of Italy may have an effect on CONSOB's review of prospectuses and advertisements, including mutual fund prospectuses and advertisements, as well as on the authorization by the Bank of Italy. Italian counsel believes that the decision may cause CONSOB and the Bank of Italy to give mutual fund disclosure documents and advertising materials heightened scrutiny, which may result in additional delays in obtaining authorization to sell mutual funds in Italy. Jennifer S. Choi Assistant Counsel Attachment Attachment (in .pdf format)