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**Fact-finding with regard to the relationships between
firms, financial markets and the protection of savings**

Testimony of the Governor of the Bank of Italy
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The aim of this testimony is to provide Parliament with data and analyses concerning the uses of financial savings and policies for strengthening the protection of savers.

There have been failures of industrial firms in the past and in other countries. In a market economy based on business initiative and profit there is always a risk which investors must be warned of and which must be consciously evaluated and accepted.

The savings of the private sector, households and firms, are entrusted to the state through the subscription of public-sector securities, to banks and other intermediaries that transfer them to the state and firms, and directly to firms.

The protection of the latter component of savings depends primarily on the transparency and behaviour of firms, on the correct operation of intermediaries and, lastly, on rules and in their enforcement and compliance with them.

The authorities must be put in a position to monitor all the stages of this process in detail.

I shall start by analyzing the qualitative and quantitative development of the uses of savings in the last ten years.

1. Sources and uses of savings

The savings that are accumulated in the household sector are transferred, via the capital market and banks, to the public sector to fund its deficit, to firms to finance their investment and to households for the purchase of consumer durables and housing.

In the early stages of development by far the greater part of household savings are deposited with banks and used by them to grant loans to firms, buy government securities and finance local authorities.

One feature of economically developed countries is the growth in the share of savings transferred directly from households to firms via the equity and bond markets.

Italy's increasingly open economy has recorded a considerable expansion in the inflows of savings from abroad to meet the financing needs of the public sector and firms. Purchases of foreign financial assets by Italian residents are also substantial.

The use of savings by the various sectors of the Italian economy can be seen in the following table.

TABLE 1

Fund-raising (use of savings) by the main economic sectors
(€millions)

Sectors	1995	2002
1. Central government and other public bodies	82,031	46,250
2. Firms (*)	50,212	124,102
3. Households	17,354	28,991
4. Foreign sector	41,373	36,387
<i>Other financial liabilities</i>	<i>36,567</i>	<i>36,134</i>
Total fund-raising	227,537	271,864

(*) Non-financial corporations and finance companies.

The figures in the table show that the new financing provided to all the sectors in the form of bank loans, bonds and shares, and other financial liabilities amounted to €28 billion in 1995 and €72 billion in 2002.

It can also be seen from the table that in the seven years from 1995 to 2002 the share of financial resources used by central government and other public bodies fell by nearly half. By contrast, the share going to firms more than doubled, rising from €50 billion to €124 billion; loans to households also increased considerably.

The next table shows the composition of the financing provided to central government and other public bodies by type of provider (i.e. households, banks, firms and the foreign sector). It can be seen that the reduction in the borrowing requirement between 1995 and 2002 contributed to the sharp fall in the volume of public-sector securities purchased directly by households and to the reduction in banks' funding of the public sector. Non-residents' demand for public-sector securities was substantial in both the years in question.

TABLE 2

Fund-raising by central government and other public bodies
(€millions)

	Lending sector			
	Households	Banks	Firms and other financial corporations	Foreign sector and n.e.c.
Total fund-raising				
	1995			
82,031	43,763	-8,591	9,385	37,474
	2002			
46,250	19,101	-26,101	17,291	35,959

Table 3 shows the composition of the financing provided to firms and especially the increase in the volume of funds raised directly by firms on the bond market, a development that has brought Italy's financial structure closer into line with that of other advanced countries. The possibility for companies in the productive sector to obtain funds directly from the public fosters the expansion of investment with a balanced composition of the sources of corporate financing.

TABLE 3

Fund-raising by Italian firms

(€millions)

		Lending sector			
		Households	Banks	Firms and other financial corporations	Foreign sector and n.e.c.
		1995			
Total fund-raising:	50,212				
Other than shares:	28,829	-503	22,022	3,333	3,977
<i>of which bonds:</i>	<i>-1,769</i>	<i>-560</i>	<i>-1,326</i>	<i>340</i>	<i>-223</i>
Shares:	21,383				
		2002			
Total fund-raising:	124,102				
Other than shares:	87,699	8,861	36,620	15,177	27,041
<i>of which bonds:</i>	<i>35,426</i>	<i>8,937</i>	<i>-1,966</i>	<i>6,562</i>	<i>21,893</i>
Shares:	36,403				

In 2002 the resources households transferred directly to firms by buying securities other than shares amounted to €8,861 million; in 1995 they were virtually inexistent. The increase over the seven years was entirely attributable to the bond component.

Of the €124 billion of total funds raised by firms in 2002 no less than €35 billion were the proceeds of bond issues, of which about two thirds were taken up by foreign investors. In the middle of the 1990s the volume of corporate bond issues was negligible.

The financing of firms thus shifted progressively in the direction of a direct relationship with savers.

2. *Households' financial wealth*

The volume of savings that households and firms have accumulated in the course of time, in other words financial wealth, has continued to expand considerably over the years.

In Italy, as in the other industrial countries, the composition of households' wealth has shifted progressively towards corporate shares and bonds and investment funds, to the detriment of bank deposits.

At the end of 1995 Italian households owned financial assets totaling €1,712 billion. These included €446 billion of public-sector securities, €182 billion of corporate shares and bonds, €68 billion of investment fund units, and €558 billion of banks deposits and other bank funding instruments.

By the end of 2002 households' financial assets had risen to €2,494 billion, 46 per cent more than seven years earlier. Within this aggregate, direct holdings of public-sector securities had fallen to €18 billion, while investment fund units had risen to €334 billion.

The savings entrusted by households to banks in the form of deposits and other funding instruments rose from €558 billion to €761 billion, or by 35 per cent.

The amount of corporate shares and bonds held directly by households is estimated at €294 billion; that of bonds alone increased fivefold over the seven years, from €6 billion in 1995 to €30 billion in 2002.

Italian households' portfolios also contain bonds of non-resident issuers – foreign firms and banks and sovereign issuers – amounting to €2 billion.

Although the proportion of households' financial assets managed by institutional investors – investment funds, insurance companies and pension funds – has been growing it continues to be smaller in Italy than in the other main countries. There is still a widespread tendency among savers to take investment decisions on their own that require the evaluation of a set of financial assets that differ very significantly in maturity, yield and issuer risk.

3. The Cirio and Parmalat cases

Cirio, a firm with many affiliates abroad and a complex group structure, grew rapidly through a series of acquisitions, which it financed with a corresponding increase in debt.

The data now available indicate that the financial reports, which like those of all listed companies were subject to independent auditing, concealed losses. More specifically, some of the claims kept on the books subsequently proved to be unrecoverable.

Cirio's bond issues carried no rating and accounted for a substantial part of the group's total debt.

Italian banks' exposure amounts to some €360 million, outstanding bonds to €1,125 million.

At the request of Consob, the Bank of Italy conducted inspections of four banks to check on compliance with the rules on securities placement and trading.

Close attention was paid to trading before placement, in the so-called grey market.

The findings of the inspections were sent to Consob for the continuation of the investigation.

The Bank of Italy is cooperating closely with the Public Prosecutor's offices currently conducting preliminary investigations of suspected crimes, among other things by making available documents from its own records.

Parmalat, in business since the 1960s, expanded strongly over the years, ultimately becoming the fourth-largest food products group in Europe. The group achieved its growth by moving gradually into new product lines and making a large series of acquisitions in Italy and, above all, abroad.

According to the published financial reports, the group's consolidated sales in 2002 amounted to €7.6 billion, about a quarter of which were generated in Italy; almost two thirds of total sales were in non-European markets. The group had 37,000 employees, of whom

about 4,000 were in Italy, where they accounted for 1 per cent of the workforce in the food-processing industry.

On 31 December 2002 the group was composed of 213 companies in 50 countries; 30 of these companies were based in Italy. The shares of Parmalat Finanziaria, which controls the industrial firm, have been listed on the stock exchange since the beginning of the 1990s. Its financial reports are formally audited. The Parmalat group is flanked by other companies, mainly in tourism, controlled by the same shareholders.

The reconstruction of events involving the company, still under way in the competent fora, suggests that the group accompanied its strategy of expansion abroad with a large-scale internationalization of its financial operations. This policy was not limited to fund-raising on foreign markets; it also involved the attribution of funds, subsequently revealed to be non-existent, to subsidiaries, often located in off-shore centres.

Acquisitions and investments were financed by recourse to debt, whose total amount is still being ascertained.

Through various group companies Parmalat obtained very substantial financing on the international capital market. Starting in 1997, the group made 32 bond issues for a total of around €7 billion. Information acquired by the Bank of Italy indicates that more than a quarter of this amount is in the hands of Italian residents, mostly households.

According to the information now available, several leading international banks granted substantial loans and underwrote more than 80 per cent of the group's bond issues. Even in the second half of 2003, top foreign banks continued to purchase Parmalat bonds, for a total in excess of €1 billion.

At the beginning of 2003 Parmalat's shares were brought into the index of the 30 largest companies listed on the Italian stock exchange. In August, nine out of fourteen international financial analysts advised investors to buy the company's securities, and another three recommended holding existing investments. In November, seven out of fourteen analysts gave a buy and two a hold recommendation. Studies by two international banks were released giving positive judgements on the group's prospects and the relative value of its shares. In the early days of December 2003, the rating still reflected a positive opinion of the company's ability to redeem its bonds.

The very serious irregularities in the Parmalat accounts came to light in the final weeks of 2003 and the beginning of this year. They involve false accounting, concealment of liabilities and inflation of assets. The judicial authorities are presently investigating these aspects and other grave offences.

The statistical information on credit includes that gathered by the Central Credit Register, a database set up in 1962 by the Bank of Italy in collaboration with the banking system to provide banks with information to help contain the risks of cumulative lending to a single customer.

The Register only records loans granted by Italian banks and other Italian supervised intermediaries. It does not permit a reconstruction of borrowing by industrial groups that make recourse to foreign lenders or to the financial market. In the case of Parmalat the liabilities in the Register amount to about a quarter of the total debt ascertained to date.

Over the past three years the outstanding loans by Italian banks and branches of foreign banks in Italy to companies owned by the Tanzi family ranged between €3.1 and €3.8 billion. Last November the amount was about €3.4 billion, €800 million of which granted by Italian branches of foreign banks. Banks established in Italy had €250 million of securities of companies belonging to the Parmalat group in their portfolios. Investment funds had €66 million of Parmalat bonds.

The loans granted by Italian banks are highly fragmented. No less than 120 intermediaries have exposures with the group. The three largest banking groups account for around 30 per cent of the total, while 45 groups have exposures of more than €10 million each.

The loans are commensurate with the capital base of the single banks. According to periodical checks by the Bank of Italy, the limits on risk concentration established at European level are respected in full. The Parmalat group regularly serviced its debt with the Italian banks until November 2003.

Assuming, at the worst, that all these loans turn out to be unrecoverable, the banks' bad debt ratio would rise from 4.6 per cent to 4.9 per cent. Assuming, again at the worst, that

all credits vis-à-vis the group are written off, the losses would amount to less than 20 per cent of net profits for a single year.

Neither overall stability nor that of the single intermediaries is at risk.

The collapse of the Parmalat group has had serious consequences for its bondholders. The company's insolvency caused their prices to plummet; close to par until November, they have fallen to around 20 per cent of their nominal value.

The backlash of the crisis has also been aggravated for savers by the limited development of intermediaries operating on a long-term basis and able to spread holdings of shares and bonds among various issuers. Purchasing securities for themselves has made savers excessively vulnerable to the fate of individual firms such as Cirio and Parmalat. For a sample of Italian banks responsible for three quarters of all securities on deposit or under management, the number of households with bonds issued by the two groups is estimated at 30,000 and 85,000 respectively.

The Parmalat affair is the outcome of the repeated perpetration of criminal acts in the management of the company. The circumstances surrounding the case once again show that failure to observe the law and the lack of a firm ethical base for the conduct of economic agents can be a serious impediment to the functioning of the economic and financial system.

In view of all that has come to light so far, there was a failure both of internal controls by the company on the actions of its directors and of external verification of the accounts. The lender banks themselves, whose analyses are primarily based on published financial reports, were led into serious errors of judgement concerning the company's soundness, its prospects and the entrepreneurial merit of its corporate officers.

The growth of the bond market and recent experience make it necessary to tighten legislation for the protection of savers.

I shall come back to the problems of safeguarding the savings that households entrust directly to the corporate sector.

4. The protection of savings entrusted to banks

For the savings entrusted to banks by households and firms, amounting to around €1 trillion at the end of 2003, the law establishes a protective system intended to ensure their repayment.

The operations of the banking system are subject to stringent supervisory requirements and controls.

From the entry into force of the 1936 Banking Law to today, no Italian saver has ever lost a lira or a euro on a deposit held with a bank. Public interventions to guarantee savings have been notably smaller than those carried out in other industrial countries.

The protection of this component of savings depends first of all on the ability of banks to put the funds they raise to good use in lending to firms, non-residents, households and the public sector.

Corporate crises impinge on banks' balance sheets and have repercussions on the value of their shares. The present crises are nonetheless very far from imperiling the soundness of the banks.

The fundamental guarantee of the savings entrusted to banks is the stability of the banking system.

4.1 Banking supervision in the legislation on the financial system

The Bank of Italy has had responsibility for supervising banks' stability since 1936; it has done so in full autonomy since 1947; it had some supervisory tasks as early as 1926. Most recently, its powers were sanctioned, *inter alia* with respect to non-bank financial intermediaries, by the Consolidated Law on Banking (Legislative Decree 385 of 1 September 1993). Under the Consolidated Law on Finance (Legislative Decree 58 of 24 February 1998) the Bank performs the prudential supervision of investment firms and asset management companies.

The law lays down that the aim of supervisory action is to ensure the sound and prudent management of the entities subject to supervision and the overall stability, efficiency and competitiveness of the financial system.

Given the extensive ramification of banking groups in the different sectors of credit and financial intermediation, prudential supervision must be exercised jointly on banks and other intermediaries.

Through its Annual Report the Bank of Italy fulfils the obligation to make public the principles and criteria of supervisory activity. The supervisory measures taken and the reasons for them are published in a special Bulletin.

Under Article 7 of the Consolidated Law on Banking the Bank of Italy is bound by professional secrecy in view of its far-reaching powers to gather information on individual intermediaries and their dealings with firms and households. Provision is made for this obligation not to be enforced vis-à-vis the judiciary in criminal proceedings, the supervisory authorities of the other sectors of the financial system or the Minister for the Economy in the performance of his functions as Chairman of the Interministerial Committee for Credit and Savings (the Credit Committee).

By express legislative provision, the latter waiver is strictly related to the functions of the Credit Committee, which is mandated to establish rules and adopt decisions of a general nature on matters indicated by law, acting on proposals from the Bank of Italy.

In binding the supervisory authority to professional secrecy, Directive 2000/12/EC, which governs the taking up and pursuit of banking, establishes that no confidential information may be divulged to other authorities, except in summary or collective form so that individual institutions cannot be identified.

Legislation makes the entrepreneurial nature of the activity of credit institutions the foundation of the banking sector. With Law 74/1985 Parliament indicated this as the binding principle to adhere to in transposing the Community's First Banking Directive.

Supervision fully respects intermediaries' autonomy in determining company policies and making individual decisions, in the first place those regarding the granting of credit.

Supervisory action cannot interfere in bank directors' individual lending decisions; this would create a commingling of responsibility between the supervisory authority and the supervised institutions.

Intermediaries' financial situations are constantly monitored, particularly for the capital adequacy of each bank with respect to its overall risks. A central role is played by the examination of applications for new bank licence and the analysis of the ownership structure of banking groups through the screening of acquisitions of major holdings in banks and concentrations. It is up to the shareholders to evaluate the directors' performance and to replenish the capital in the case of significant losses.

Capital adequacy is analyzed not only with respect to credit risk, but also in relation to operational, legal and reputational risks.

There is a close relationship between the intensity of these risks and the forms in which they tend to emerge, on the one hand, and the degree of transparency of the traditional services of lending and deposit-taking, on the other. In the last three years 2,400 inspections were conducted at bank branches to check compliance with the regulations; around 150 banks were required to conform more strictly with the rules and 18 sanction procedures were opened. Two years ago, in January 2002, we submitted a draft resolution aimed at increasing transparency to the Credit Committee, which approved it a year later, in March 2003. The new rules entered into force on 1 October 2003.

The analysis of banks' situations makes use of the statistical reports produced by intermediaries and the information gathered in the course of meetings with banks' corporate officers. On-site inspections of intermediaries are carried out periodically or on an extraordinary basis.

Inspections are designed first of all to check compliance with the supervisory regulations and ascertain that the corporate governance mechanisms and internal control systems are able to ensure informed and knowledgeable risk management. Loan approval and disbursement procedures are examined to verify that full use is made of all the available information on firms, first of all their financial reports and other corporate records.

The analysis of individual banks' credit risk is intended to check the quality of the loan portfolio as a whole and its concentration. The average probability of default by borrowers is evaluated first of all by comparing the ratio of problem loans – bad debts, substandard loans and overdrawn credit lines – in the portfolio of each bank with that registered for the entire system.

Loan concentration by individual borrower or sector of economic activity is examined continuously using statistical indicators. The rules on large exposures, established at Community level, require that no borrower receive credit exceeding a quarter of a bank's capital base.

When the degree of concentration of a bank's overall portfolio is found to be relatively high, the characteristics of the main corporate borrowers are considered.

The information generally available on corporate groups relate to the financial statements approved by the competent bodies, the ratings assigned to some of their companies and analysts' opinions; the Central Credit Register supplies information on loans classified as bad debts.

When doubts arise about the potential repercussions of exposures to sectors or groups on the portfolios of individual banks, the Bank of Italy asks the banks in question to study the problem carefully, examines and compares the conclusions they reach, and, if necessary, orders the adoption of prudential measures regarding capital adequacy, procedures and/or organization.

The law gives the Bank of Italy no powers concerning the management or accounts of industrial and commercial firms. The Bank of Italy has access only to the disclosures and financial reports of such companies; it has no means of ascertaining their truthfulness; it may not request information of any kind from these firms.

Italian banks' exposure to the companies headed by the Tanzi family never reached levels that constituted a risk for the stability of any intermediary. At 31 December 2002 it amounted to €3 billion. By way of comparison, in the same year the Italian banking system's exposure to the three largest industrial groups averaged €17 billion. The loans granted by the

ten Italian banking groups most exposed to Parmalat amounted on average to 2.3 per cent of their supervisory capital.

According to the consolidated financial statements published in April 2003, Parmalat's net financial debt in relation to group equity and sales was in line with that of a large proportion of Italian firms. Its gross debt was shown to be high, as were its liquid assets. No bank reported the position among substandard loans or bad debts; the Parmatour position was included among loans being restructured.

In February and March 2003 some analysts and commentators raised doubts, which were reflected in an increase in the yield spread of Parmalat bonds with respect to riskless securities. Nonetheless, on 28 February 2003 Standard & Poor's confirmed its positive opinion with an investment grade rating (BBB-) and stated that the company's prospects could improve. The rating agency took a positive view of the company's abundant liquidity, though noting that it could have been used to advantage to repay debt.

The banks showed they were aware of the situation of uncertainty; the Bank of Italy checked that each complied with the lending limits. The tensions subsided in April following the communications by Parmalat to the market, particularly on the limited cost of its policy of high liquidity; the reason the company gave for this at the time was the possibility of further acquisitions, in accordance with the strategy it had been pursuing for years. On 29 September Parmalat made a final bond issue, which was managed by an important international bank and received an investment grade rating. There was no further information on the state of the company until the crisis precipitated in December.

4.2 Banking competition

Law 287/1990 charges the Bank of Italy with the task of preventing the formation of dominant positions, abuses and agreements restrictive of competition in the banking markets. The legislative approach chosen is inspired by that adopted in the United States; it is based first and foremost on the extensive knowledge gained about intermediaries and markets in performing supervision.

In the quest for overall efficiency of the banking system, the synergy between the stability of intermediaries and the competitiveness of markets is essential.

Customers are given the possibility to choose the products and conditions they believe best meet their needs from among a wide array. The spreads between bank lending and deposit rates have narrowed.

For some time now the Bank of Italy has encouraged the entry of new competitors in the most concentrated markets, promoted the dissemination of information on banking products, and encouraged the use of innovative channels for the distribution of banking services.

The Bank of Italy performs the function of competition authority for the banking industry in close and fruitful cooperation with the Antitrust Authority, whose opinions it takes into account. Relations between the two authorities are governed by a protocol signed in 1996; the agreement defines the bank funding and lending markets over which the Bank of Italy exercises direct responsibility and establishes the information to be transmitted to the Antitrust Authority.

Since the promulgation of Law 287/1990, the Bank of Italy has conducted 49 investigations, a large number by international standards; another six concerning agreements are still pending.

A total of 700 concentrations between banks have been examined with a view to preventing the creation of dominant positions. For 23 transactions it was necessary to open investigations, which in 15 cases concluded with the Bank requiring the closure of branches or prohibiting the opening of new ones. In 22 cases the opinion of the Antitrust Authority concurred with that of the Bank of Italy. The sole exception dates back to 1993.

4.3 Situation of the banking system

In recent years the Italian banking system has carried out a restructuring comparable to that of the 1930s.

Ten years ago banks in which the state or public banking foundations held equity interests of at least 50 per cent accounted for more than two thirds of total banking assets; today the share is one tenth.

The five largest banking groups accounted for 35 per cent of total assets; their share now stands at 52 per cent. Foreign banks and insurance companies hold substantial equity interests in leading groups.

Banking productivity has increased considerably; the competitiveness gap compared with the banking systems of the other main countries has narrowed.

Banks have made very large investments in technology and expanded the range of services they supply. The cost of short-term credit has fallen below 5 per cent, the lowest level in the last fifty years.

Even in years marked by low growth in income and turbulence in the financial markets, the banking system has supported economic activity and the investments of firms and households. Its renewed solidity has enabled it to face the financial difficulties of some of the country's largest industrial groups and, in full autonomy, to assist their demanding restructuring plans, with benefits for Italian industry and for employment.

Bad debts have fallen to 4.6 per cent of total loans.

The financial position of firms has benefited from the reduction in gearing and the exceptionally low levels of interest rates.

In recent years Italian banks have sold assets through securitization transactions. Techniques of this kind are widely used by intermediaries in all the leading countries; in Italy, alongside the banks, the public sector has made considerable use of them to dispose of property and other assets.

Less than a quarter of the total amount of Italian banks' securitizations in the last three years involved bad debts. The banks retained the riskiest portion of the securitized claims, for which they are required to set aside adequate reserves.

After falling below 2 per cent in the mid-1990s, banks' return on equity returned to levels close to those prevailing in the other main countries, reaching 13 per cent in 2000.

In 2001 and 2002 profits were affected by the fall in income from asset management services following the downturn of the financial markets and by the crises of important countries in Latin America and of large multinational corporations such as Enron and WorldCom.

Banks' capital bases correspond to a solvency ratio on a consolidated basis of 11.2 per cent, which is higher than in the preceding years; internationally, the minimum requirement is 8 per cent.

4.4 The International Monetary Fund's evaluation of banking supervision in Italy

In 2003 the International Monetary Fund conducted a thorough assessment of supervisory rules and practices in Italy. In the Fund's forthcoming report Italian banking supervision is defined as being of high quality; the terms of the judgment are extremely gratifying both in themselves and by comparison with those regarding other important countries, some of which with regulatory arrangements centred on a single authority for the protection of savings.

The report offered an appreciative opinion of the full cooperation existing between the Bank of Italy and the supervisory authorities for the other sectors of the financial system, and of the transparency of the acts of the Bank of Italy; the supervisory rules were considered to be in line with the best practices indicated by international organizations. The report also underscored the independence between supervisory evaluations and the antitrust function, and the cooperation between authorities in this field as well.

The Fund found there was a need to refine the loan classification criteria, which in our country are established taking into account the high variability of the terms of payment in business practice; in this regard, the Bank of Italy had already made a commitment to the Basel Committee to bring the definitions into line with the international standards.

The statistical information and methods used for the analysis of banks' financial statements and the evaluation of potential factors of fragility in the system were considered highly satisfactory; the thoroughness and effectiveness of action in respect of individual intermediaries were recognized, the integrity and professionalism of the Bank's personnel appreciated.

The International Monetary Fund recommended greater scope for discretionary judgment by the Bank of Italy in evaluating the connections between banks and other entities and the imposition of more stringent limits on connected lending.

The report will shortly be published by the Fund.

5. The Bank of Italy's functions regarding securities issuance

Article 129 of the Consolidated Law on Banking requires that the Bank of Italy be notified in advance of issues of domestic securities and offerings in Italy of foreign securities. Within twenty days from receipt of the notice the Bank may prohibit or postpone such operations.

The controls performed by the Bank of Italy exclude any economic evaluation of the advantageousness of the securities issued or the solvency of the issuer.

Under Article 129 of the Banking Law and the Credit Committee's resolution of 12 January 1994, the Bank of Italy may require the deferral of issues "when their amount, together with that of issues already notified and to be effected within the same period of time, is incompatible with the size and state of the primary or secondary market." In other words, an issue may be postponed when the amounts are too large for the market to take up.

Issues with features that do not comply with the rules can be prohibited, as can those of securities with characteristics that are difficult to understand or whose yield is difficult to calculate.

Similar forms of control do not exist in the other main countries.

The Bank of Italy prohibited two securities issues in 2002 and three in 2003. In those same years 50 and 55 proposals, respectively, were withdrawn as a result of the observations formulated by the Bank. These issues involved financial instruments whose excessive complexity would have compromised their comprehensibility to investors, with repercussions on their subsequent negotiability as well.

In the cases of Cirio and Parmalat the features of the bonds offered were among those most widespread in the financial market, including a fixed rate, or a rate indexed to common parameters. There was no element warranting the prohibition of the issue under Article 129.

The law does not allow obstacles to be placed in the way of offerings in Italy of foreign securities, even if these are issued by the foreign subsidiaries of Italian groups. In 1997 the European Commission initiated a proceeding against Italy, charging that Article 129 violated the European Treaty provisions on the free movement of capital.

The Bank of Italy helped in the preparation of the Italian Government's response, drafting a wide-ranging description of the purposes of the law and the guidelines that the Bank follows in examining prior notifications. Based on this documentation, the Commission itself dropped the case.

6. The protection of savings entrusted directly to firms

In the course of the nineties legislative action was designed to favour companies' direct recourse to the share and bond markets.

The 1993 Consolidated Law on Banking, like the new company law, allows companies to issue debt instruments in amounts greater than their equity. The legislation on securities business, later incorporated into the 1998 Consolidated Law on Finance, has fostered transparency in financial products issued by firms, proper conduct on the part of the intermediaries that help to place them on the market and the completeness of information.

Italian legislation on companies and financial markets is in line with European law.

While the protection of savings with banks is achieved by supervision to guarantee the sound and prudent management of those institutions, the protection of savings entrusted to firms relies on internal controls on their operations and oversight to ensure the correct presentation of their financial situation.

The controls performed by the internal board of auditors are followed by those of outside auditors of the accounts and then the controls of the public authorities. In addition, the financial markets rely on credit rating agencies.

6.1 Internal company controls

The controls performed by the company's own bodies, with their access to detailed and timely information on company policies and business results, are the first, essential line

of defence against the occurrence and repetition of fraudulent conduct that jeopardizes the stability of the firm. Malfunctions – or, worse, acts of omission or complicity – create the conditions for fraud on the part of a corporation’s top officers. The assessments of analysts and the decisions of investors are distorted.

The importance of internal audits is recognized by Legislative Decree 231 of 8 June 2001. A company’s failure to institute adequate internal control structures can be grounds for charging the company itself with the crimes committed by its directors.

6.2 Outside auditing

Auditing firms are responsible for verifying the regular keeping of accounts, the correct recording of economic events, and the conformity of the financial statements with the accounting data and with the rules for the valuation and entry of corporate events.

Although they are external to the firm, auditors have access to the information necessary to checking the correctness of the financial statements in form and in substance. Their task is to conduct a thorough evaluation of the adequacy of the information made available to the public in presenting the company’s economic and financial situation, its results and prospects.

These elements are essential to the efficient allocation of resources within the economy and, ultimately, to the protection of the savers who entrust financial assets to firms.

Auditing firms are required to report any objectionable facts or acts that come to their attention in the course of the audit to Consob. They are also required to notify the Commission immediately of an adverse opinion or disclaimer of opinion on a firm’s accounts.

Examination of the grave corporate crises that have broken out lately in the US market and European markets highlights a series of factors that carry serious implications for the correctness and the efficacy of auditing firms.

6.3 Controls by public authorities

The responsibility for protecting securities investors is assigned to Consob.

Consob's sphere of action covers the broad range of institutions that together form the securities market, first of all the issuers, then market operating companies and auditors. It has supervisory powers over them, including the power to conduct inspections and to levy fines. In the case of serious violations of the rules, it imposes sanctions and reports the matter to the judicial authorities.

Without prejudice to their respective powers, by express legislative intent (Article 7 of the Consolidated Law on Banking and Article 5 of the Consolidated Law on Finance) Consob and the Bank of Italy operate in coordinated fashion with a view both to more effective control on the market and to lower costs for market participants. There is continuous, fruitful cooperation between the two institutions both at top management level and between operational divisions, in the assessment of regulatory matters and the exchange of information on inspections ordered and measures taken. The Bank of Italy's inspections for compliance with the rules on investment services are conducted at the request and on the behalf of Consob.

Consob may have access to the information held by the Bank of Italy, including the data of the Central Credit Register, which records companies' debt positions with the entire Italian banking system.

The distinction between the two authorities' spheres of activity is clear. It should be maintained, to prevent undesirable overlapping.

6.4 Placement and trading of corporate securities by banks

In the past decade Italian banks progressively increased the portion of their income derived from financial services, above all services to households.

The growth of this business was rapid, in some instances riding the wave of enthusiasm and euphoria that swept stock markets around the world. Just as fast was the rise in the number of financial salesmen and advisers providing financial services to the public.

The new context probably required a higher level of professional competence, in order to respond to the needs of savers who had little or no experience with financial investment.

On a number of occasions I urged the banks to pay attention to the quality of services, to offer products that were easily comprehensible and suitable to the investment needs of customers.

The banks' pledge to satisfy savers for their losses in those cases in which internal checks raise doubt as to the adequacy of the assistance provided to customers at the time of the investment is a welcome development.

7. Proposals and conclusions

The Parmalat case has features in common with the crises at major American and European corporations. In those cases too there emerged serious shortcomings in internal controls and external auditing for the truthfulness of the accounts and the correctness of the information disclosed to the financial markets.

The US experience provides a helpful term of reference. Following a wide-ranging and thorough debate, new legislation strengthened the controls that internal corporate bodies and outside auditors must perform on companies' operations and on the presentation of their financial situations to the market.

The prison sentences and fines for both fraudulent financial reporting and misrepresentations in the reports of auditing firms were stiffened.

The controls exercised by the Securities and Exchange Commission were strengthened. A new Public Company Accounting Oversight Board was set up under the SEC to supervise the activities of auditing firms.

Absolutely no question was raised concerning the activities of the Federal Reserve, the central bank, in the spheres of banking stability and competition in the credit markets, nor concerning the activities of the other authorities with responsibilities in those matters.

Given the large volume of financial resources handled by the capital market and the increasing amount of household savings channeled to it, consideration should be given to endowing Consob with powers and resources permitting prompt verification of the quality and reliability of accounts, through inspections and systemic analysis.

Compliance with the rules governing consolidated accounts is crucial for groups with large numbers of affiliates abroad.

With a view to enhancing the transparency of the activities of corporations that have establishments in offshore centres, their transactions could be made conditional on compliance with specific disclosure requirements concerning the nature, purpose and effects of those establishments.

As far as the banking sector is concerned, effective control structures for foreign affiliates of groups have been in place for some time now, under international agreements for cooperation between national supervisory authorities.

Both companies' internal and external controls must be reinforced. The independence of auditing firms from the companies audited must be guaranteed. Auditors must be prohibited from simultaneously performing, even indirectly, consulting functions. Strict standards for rotation in auditing engagements are essential. The independence of auditing companies must also be assured in the case of companies and consulting firms connected with them in any way.

The law must be directed to ensuring the rapid detection of corporate crises.

Consideration should be given to increasing the penalties for fraud and for serious irregularities and infringements of the rules in corporate reports.

To strengthen the protection of savers, a positive step would be to introduce a requirement that securities that are issued without a prospectus or that are difficult to value must be held by the intermediary placing them for some minimum period.

Once bank privatization got under way, Italy's relative lack of institutional investors resulted in the entry of industrial groups and individual businessmen in banks' ownership structures.

The application of the present laws and regulations has effectively safeguarded the principle of separation of banking and industry.

Today the increasing presence of entrepreneurs among banks' shareholders suggests the need for stricter rules on the definition of "connected industrial persons" and on the incompatibility between the position of director and borrower.

* * *

At the end of last year Italy's public debt was equal to 105 per cent of GDP; in absolute terms it amounted to €1,360 billion. The ratio of public debt to GDP in Europe was 64 per cent.

The defence of the value of a large part of Italy's national wealth depends on the performance of the public finances in the coming years.

The size of the debt and its excessively slow decline are weighing on the growth of the economy, hindering the reduction of the tax burden and acting as a brake on saving and investment. The primary surplus of the public sector, i.e. the budget balance net of interest payments, needs to return to around 5.5 per cent of GDP, the level agreed at the time of Italy's adoption of the single currency.

The financial wealth entrusted to the banking system amounts to approximately €1 trillion. Even though it does not enjoy the same guarantees as the public debt, Italians have never lost anything on this part of their savings.

The evolution of the financial sector is increasingly in the direction of direct contact between savers and firms by way of the market. Consob was established in 1974 to oversee this part of households' and firms' savings and financial wealth.

The promulgation of the Consolidated Law on Banking in 1993 and the Consolidated Law on Finance in 1998 brought the Italian legal system into line with those of the other economically advanced countries. The protection of the savings entrusted directly to firms rests on two pillars: the correct and efficient operation of the financial markets and transparent financial reporting by those firms that turn to the market to finance their investments.

The financial scandals that have occurred in the last few years in the United States and Europe, including Italy, have revealed the fragility of this second pillar of the financial markets. The financial reports of the firms involved in the crises proved to be completely distorted, fabricated. Savers and investors have suffered serious losses.

It is necessary to consider the possibility of immediate action in Italy – along the lines of that taken in the United States, whose securities markets regulatory authority has much greater powers than its European counterparts – to strengthen Consob and increase the resources at its disposal.

Financial support must be available to permit the continuity of the business operations of the groups involved and their re-establishment on the basis of valid reorganization and development plans.

The security of savings entrusted to the public sector rests ultimately on the ability to levy taxes and an economic policy oriented towards growth. That of savings entrusted to the banks is based on the stability of the intermediaries and the action of the banking supervision authority.

The security of savings entrusted directly to firms depends on the correct behaviour of directors and the proper functioning of the prescribed internal, external and public controls.

It is necessary to reaffirm the importance of the role played by the banks and other intermediaries that help savers to allocate their resources.

A commitment on the part of the country's institutions and market participants is necessary to safeguard confidence within Italy and among international investors.

The Bank of Italy continues to guarantee the security of savings through the solidity of the banking system.

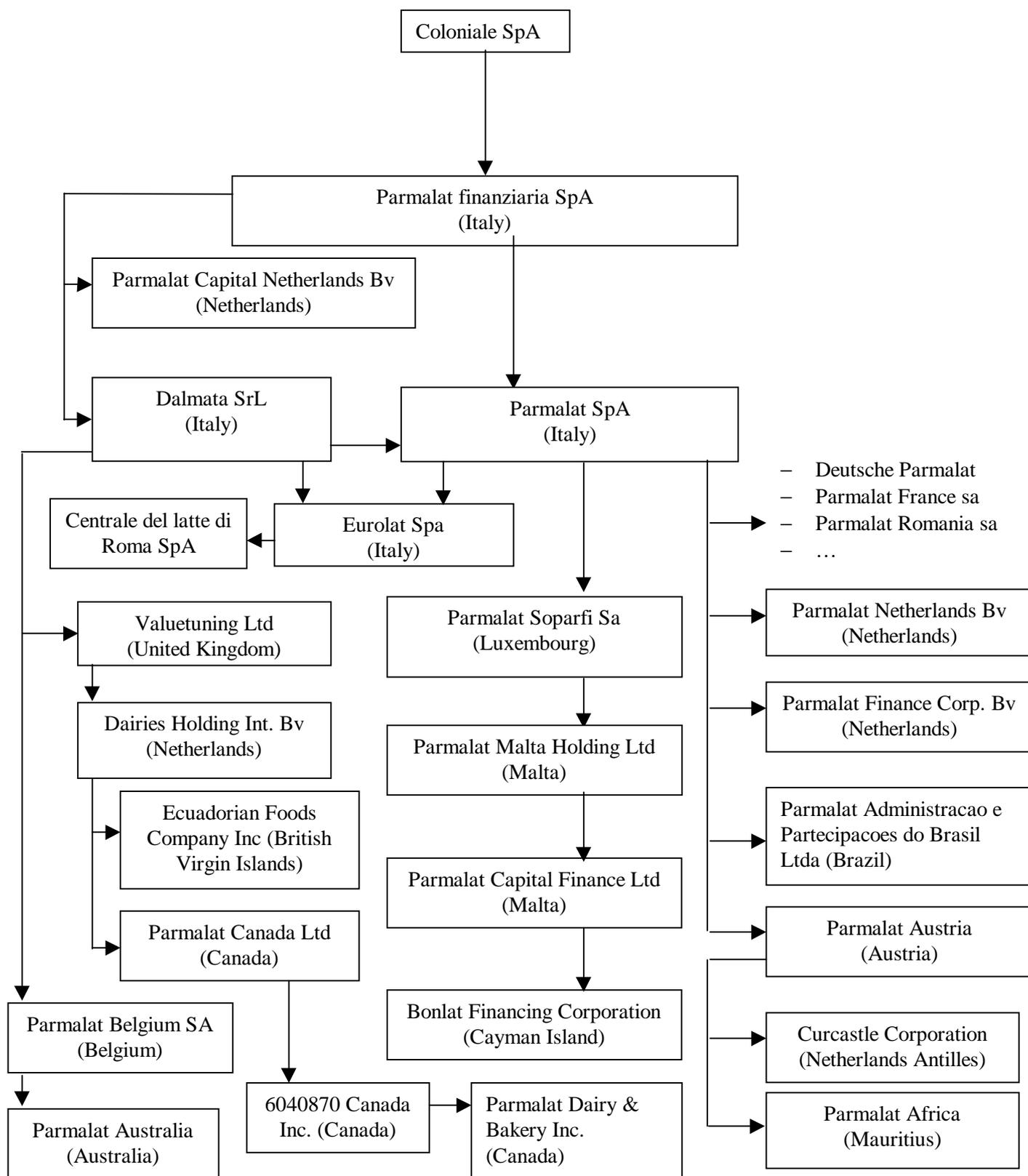
In the vision of the framers of the Constitution the defence of savings is not divorced from recognition of the role of the institutions and their autonomy.

TABLES AND FIGURES

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PARMALAT: Simplified picture of the group

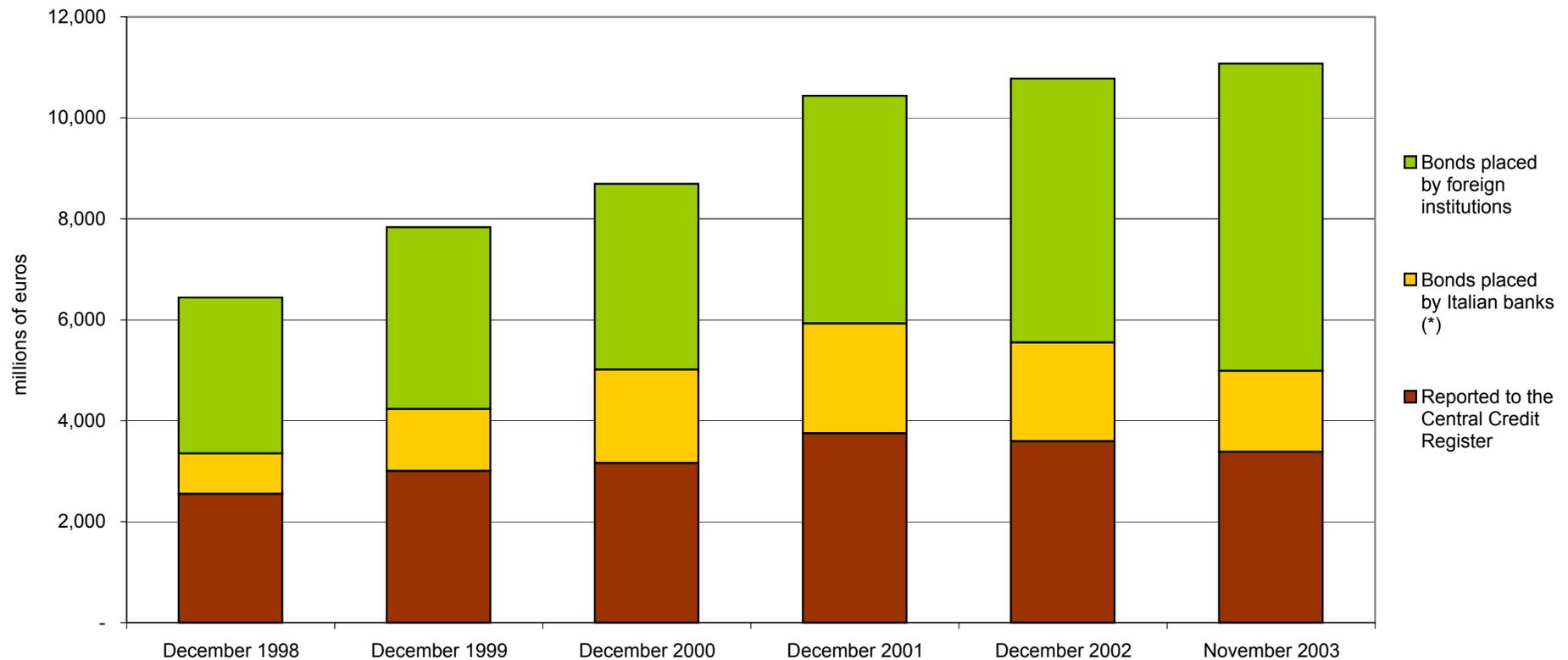
(Source: Parmalat 2002 Annual Report)



PARMALAT Group - exposure to banks and outstanding bonds - EUR millions

Annex 2

Date	Reported to the Central Credit Register			of which:			Exposure to banks + Bonds (**)
	Loans	Guarantees	Total	Outstanding bonds	Bonds placed by Italian banks (*)	Bonds placed by foreign institutions	
December 1998	2,397	152	2,549	3,890	801	3,089	6,439
December 1999	2,799	205	3,004	4,830	1,229	3,601	7,834
December 2000	3,029	133	3,162	5,530	1,854	3,676	8,692
December 2001	3,641	110	3,751	6,686	2,177	4,510	10,437
December 2002	3,534	57	3,591	7,189	1,960	5,229	10,780
November 2003	3,346	36	3,382	7,693	1,603	6,089	11,075



(*) Based on the nationality of the bookrunner. In the event of more than one bookrunner, the issue was divided equally between them.

(**) Excludes the exposures of foreign banks not covered by the Central Credit Register and privately placed bonds. At the end of 2003 the latter amounted to more than €1,400 million.

PARMALAT Group: outstanding issues

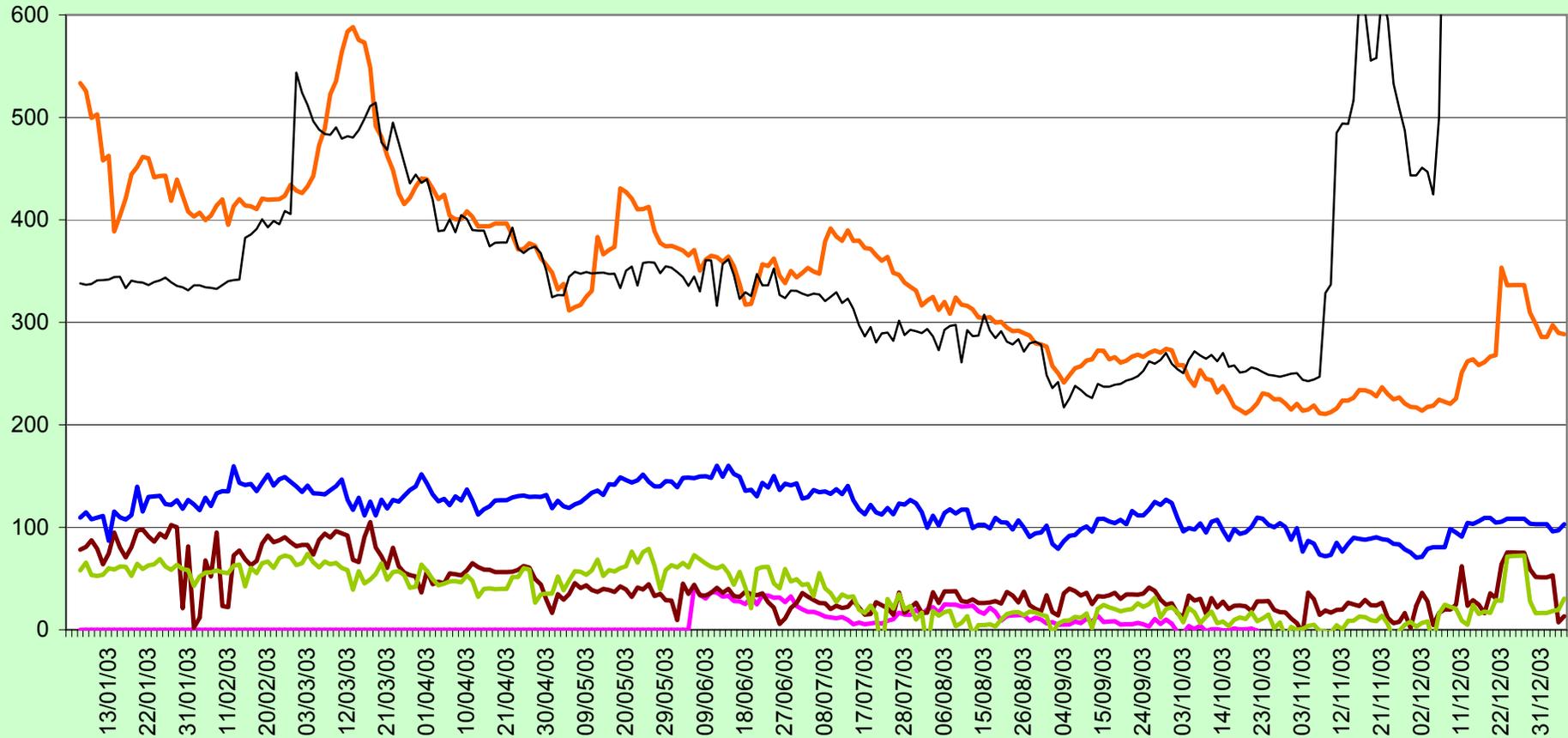
ISIN code (1)	No.	Issuer (1)	Country of establishment	Type of security (1)	Entitlement date (1)	Maturity date (1)	Rating at issue (1)	Amount of issues (EUR millions) (1)	Lead manager of the underwriting syndicate (1)	
US073913AB18	1	Parmalat Finanziaria SpA (2)	Italy	Bonds	19/11/96	19/11/26		59.00		
IT0000960044	2	Parmalat Finanziaria SpA	Italy	Bonds	02/01/97	02/01/07		103.29	UBS	*
US70175KD206, XS0072522690	3	Parmalat Brazil	Brazil	Bonds	06/02/97	02/01/05		127.24	Bank of Boston Corp	
XS0073339433	4	Parmalat Brazil	Brazil	Bonds	18/02/97	18/02/05		59.39		*
XS0074477364	5	Parmalat Brazil	Brazil	Bonds	24/03/97	24/03/05		59.39		*
IT0001157202	6	Parmalat Finanziaria SpA	Italy	Bonds	01/10/97	01/10/07		103.29	UBS	*
US70175L2043, KYG693262084	7	Parmalat Capital Finance Ltd	Cayman Islands	Preference shares	02/12/97	Perpetual		77.47	Merrill Lynch International	*
US70175L3033, KYG693263074	8	Parmalat Capital Finance Ltd	Cayman Islands	Preference shares	02/12/97	Perpetual		84.82	Merrill Lynch International	*
US70175L4023, KYG693264064	9	Parmalat Capital Finance Ltd	Cayman Islands	Preference shares	02/12/97	Perpetual		140.63	Merrill Lynch International	
GB0054047484	10	Parmalat Finanziaria SpA	Italy	Bonds	16/02/98	16/02/10		51.65	UBS	*
XS0083921881	11	Parmalat Finance Corp BV	Netherlands	Bonds	18/02/98	18/02/28	BBB-	516.46	Chase Manhattan International Ltd	*
XS0084903847	12	Parmalat Capital Netherlands BV	Netherlands	Convertible bonds	19/03/98	31/12/05		281.20	Paribas (London)	*
XS0085752748	13	Parmalat Finance Corp BV	Netherlands	Bonds	16/04/98	16/04/05	BBB-	500.00	JP Morgan Securities Ltd, Paribas (London)	*
US70175L2043	14	Parmalat Capital Finance Ltd	Cayman Islands	Preference shares	02/06/98	Perpetual		51.65	Merrill Lynch International	*
	15	Parmalat Capital Finance Ltd	Cayman Islands	Preference shares	02/06/98	Perpetual	BBB-	125.00	Merrill Lynch International	*
XS0089553365	16	Parmalat Capital Finance Ltd	Cayman Islands	Bonds	13/08/98	13/08/08	BBB-	424.12	Barclays Capital	*
XS0095639620	17	Parmalat Finance Corp BV	Netherlands	Bonds	30/03/99	30/03/09	BBB-	300.00	Merrill Lynch International	*
XS0098549164	18	Parmalat Finance Corp BV	Netherlands	Bonds	23/06/99	23/06/04	BBB-	100.00	Bear Stearns International Ltd, Chase Manhattan International Ltd, UniCredito Italyno SpA	*
XS0098549677	19	Parmalat Finance Corp BV	Netherlands	Bonds	23/06/99	23/06/09	BBB-	100.00	Merrill Lynch International	*
XS0100135770	20	Parmalat Finance Corp BV	Netherlands	Bonds	03/08/99	03/08/09		25.00	Unicredito Italyno	*
XS0095639620	21	Parmalat Finance Corp BV	Netherlands	Bonds	01/09/99	30/03/09	BBB-	90.00	Merrill Lynch International	

ANALYSTS' RECOMMENDATIONS FOR PARMALAT SpA

Date		BUY	HOLD	SELL
26 July 2002	no.	10	7	1
	%	55.6%	38.9%	5.6%
14 August 2003	no.	9	3	2
	%	64.3%	21.4%	14.3%
21 November 2003	no.	7	2	5
	%	50.0%	14.3%	35.7%

Source: Bloomberg.

Italian corporate bond yield differentials with respect to the benchmark BTP in 2003



- FIAT FIN.& TRADE 2001 6 3/4% 25/05/11 - YIELD TO MATURITY
- PARMALAT FINANZ. 2001 6.8% 25/07/08 DEFAULT - YIELD TO MATURITY
- COMIT 1999 5.1% 17/11/09 - YIELD TO MATURITY
- E.N.E.L 2003 4 1/4% 12/06/13 - YIELD TO MATURITY
- MONTE DEI PASCHI 1998 5.35% 01/02/08 S - YIELD TO MATURITY
- MEDIOBANCA 1998 3.15% 01/04/05 - YIELD TO MATURITY

Source: Based on Datastream data.

ISSUES OF THE CIRIO GROUP REPORTED UNDER ARTICLE 129 OF THE CONSOLIDATED LAW ON BANKING

ISIN code	Issuer	Amount issued (EUR mns)	Date of notification	Notifying institution	
XS0111994702	CIRIO FINANCE LUXEMBOURG S.A. - Guarantee Cirio SpA [c]	150	20/04/00	JP MORGAN SECURITIES - London	
XS0119755428	CIRIO FINANCE LUXEMBOURG S.A. - Guarantee Cirio SpA [c]	150	11/10/00	JP MORGAN SECURITIES - London	
XS0121553019	CIRIO S.P.A. [c]	150	27/11/00 - 29/11/00	EUROMOBILIARE INVESTMENTE BANK - Milan	
XS0121553019	CIRIO S.P.A. [c]	25	10/01/01	EUROMOBILIARE INVESTMENT BANK - Milan	[a]
XS0124290296	CIRIO HOLDING LUXEMBOURG S.A. - Guarantee Cirio Holding SpA [d]	200	08/01/01 - 02/02/01	CABOTO HOLDING SIM - Milan	
XS0128689105	DEL MONTE FINANCE S.A. - LUXEMBOURG - Guarantee Del Monte Holding S.A. and Cirio Alimentare SpA [e]	200	27/03/01 - 23/04/2001	UNICREDIT B. MOBILIARE - Milan	
XS0124290296	CIRIO HOLDING LUXEMBOURG S.A. - Guarantee Cirio Holding SpA [d]	75	13/06/01	ABAXBANK - Milan	[a]
XS0144352803	CIRIO DEL MONTE HOLDING N.V. - Netherlands - Guarantee Cirio Finanz. SpA [c]	50	1/02/02 - 12/03/02	UNICREDIT B. MOBILIARE - Milan	} [b]
XS0143928157	CIRIO DEL MONTE HOLDING N.V. - Netherlands - Guarantee Cirio Finanz. SpA [c]	125	1/02/02 - 12/03/02 16/05/02	UNICREDIT B. MOBILIARE - Milan ABAXBANK - Milan	

[a] Reopening of a previously reported issue (see ISIN code).

[b] The transaction, initially notified as a single issue amounting to €150 million, was subsequently divided into two separate issues: a variable rate issue amounting to €50 million and a 7.75% fixed rate issue amounting to €125 million.

[c] Cirio Finanziaria S.p.A. is the new name of the listed company Cirio S.p.A.

[d] Cirio Holding S.p.A. is the holding company within the Cragnotti group that controls Cirio Finanziaria S.p.A.

[e] Cirio alimentare S.p.A. is a former division of the Cirio group into which the food processing activities were spun off in 1999. The company is now called Cirio Del Monte Italia S.p.A.

SECURITIZATIONS BY ITALIAN BANKS

(EUR millions)

	Total	
	Bad debts	Performing loans
1996	258	0
1997	521	0
1998	300	543
1999	7,878	1,909
2000	8,390	6,751
2001	7,644	12,013
2002	2,426	12,461
2003 (*)	0	11,308

() Provisional data.*

Bond issues by Italian non-financial companies
on the Luxembourg market (1998 – June 2003)

Parent company at time of issue	Parent company at June 2003	EUR millions (1)	Share of total
Ing C Olivetti & C SpA/Pirelli/Seat PG	Pirelli e Telecom	44,978	57.2%
Fiat SpA	Fiat	12,600	16.0%
Parmalat SpA	Parmalat	6,192	7.9%
Italenergia SpA	Italenergia	1,895	2.4%
Cofide/L'Espresso	Cofide – Comp. Fin. De Benedetti	1,655	2.1%
Fondiaria SpA	Fondiaria S.p.A.	1,247	1.6%
Cirio/Del Monte	Cirio S.p.A.	1,197	1.5%
Autogrill/EdizioneHolding/Benetton	Benetton Group S.p.A.	1,081	1.4%
Impregilo SpA	Impregilo S.p.A.	1,050	1.3%
Fin Ba SpA	Fin Ba SpA (Barilla)	875	1.1%
Lucchini SpA	Lucchini S.p.A.	600	0.8%
Tiscali SpA	Tiscali S.p.A.	400	0.5%
Italmobiliare SpA	Italmobiliare S.p.A.	350	0.4%
Luxottica Group SpA	Luxottica Group S.p.A.	350	0.4%
Telepiu SpA	Telepiu S.p.A.	350	0.4%
Safilo SpA	Safilo S.p.A.	300	0.4%
Bonaparte SpA	Bonaparte S.p.A.	225	0.3%
Cartiere Burgo	Cartiere Burgo	200	0.3%
IT Holding SpA	IT Holding S.p.A.	200	0.3%
Astaldi SpA	Astaldi	150	0.2%
De Longhi SpA	De Longhi	150	0.2%
Finmek SpA	Finmek	150	0.2%
Merloni Elettrodomestici SpA	Merloni	150	0.2%
Reno De Medici SpA	Reno De Medici	150	0.2%
Fрати Group SpA	Gruppo Frati	130	0.2%
Cremonini SpA	Gruppo Cremonini	129	0.2%
Prada Holding NV	Prada Holding NV	129	0.2%
Fantuzzi Reggiane SpA	Fantuzzi	125	0.2%
Autostrada Torino-Milano	ASTM	120	0.2%
Elettra SpA	Elettra S.p.A.	105	0.1%
Inter Auto Parts Italia SpA	Inter Auto Parts Italia S.p.A.	105	0.1%
Amplifon SpA	Amplifon S.p.A.	100	0.1%
Aprilia SpA	Aprilia S.p.A.	100	0.1%
Bulgari SpA	Bulgari S.p.A.	100	0.1%
Carraro SpA	Carraro S.p.A.	100	0.1%
Chiesi Farmaceutici SpA	Chiesi Farmaceutici S.p.A.	100	0.1%
Ducati Motor Holding SpA	Ducati Motor Holding S.p.A.	100	0.1%
Giacomelli Sport Group SpA	Giacomelli Sport Group SpA	100	0.1%
Gianni Versace SpA	Gianni Versace S.p.A.	100	0.1%
Giochi Preziosi Group	Giochi Preziosi Group	100	0.1%
Grandi Navi Veloci SpA	Grandi Navi Veloci – Grimaldi	100	0.1%
I Viaggi Del Ventaglio SpA	I Viaggi Del Ventaglio SpA	100	0.1%
Stefanel SpA	Stefanel S.p.A.	100	0.1%
Merloni Termosanitari SpA	Merloni	77	0.1%
Arena Holding SpA	Arena Holding S.p.A.	35	0.0%
Total		78,651	100.0

Source: Dealogic.

(1) Amounts at issue.

Main Italian public-sector issuers of Eurobonds (1995 – June 2003)

Issuer	Parent company/Originator*	Number of issues	Market of listing	EUR millions (1)	Share of total
Societa di Cartolarizzazione dei Crediti INPS - SCCI S.p.A.	Republic of Italy*	6	Luxembourg	9,360	18.1%
Societa di Cartolarizzazione degli Immobili Pubblici Srl	Republic of Italy*	7	Luxembourg	8,937	17.2%
Region of Umbria	Region of Umbria	6	Luxembourg	3,749	7.2%
CPG Societa di Cartolarizzazione 2003	Cassa Depositi e Prestiti *	12	Luxembourg	3,326	6.4%
Societa per la Cartolarizzazione dei Crediti e dei Proventi Pirelli	Republic of Italy*	3	Luxembourg	3,000	5.8%
ENI S.p.A.	ENI SpA	2	Milan/ Luxembourg	2,000	3.9%
Region of Sicily	Region of Sicily	4	London/ Luxembourg	1,881	3.6%
Region of Marche	Region of Marche	4	Luxembourg	1,512	2.9%
Region of Lazio	Region of Lazio	7	Luxembourg	1,354	2.6%
INAIL - Societa di Cartolarizzazione SpA	Republic of Italy*	1	Luxembourg	1,350	2.6%
Romulus Finance Srl	Aeroporti di Roma Spa*	5	Luxembourg	1,264	2.4%
Poste Italiane S.p.A.	Poste Italiane SpA	3	Luxembourg	1,250	2.4%
Region of Lombardy	Region of Lombardy	1	Luxembourg	1,014	2.0%
ENI Coordination Center SA	ENI Spa	12	Unlisted/ Luxembourg	993	1.9%
Banco di Napoli S.p.A.	Banco di Napoli SpA	3	Luxembourg	900	1.7%
Rossini BV	Region of Sicily*	1	Luxembourg	848	1.6%
Cartesio Srl Series 2003 1	Region of Lazio*	4	Luxembourg	836	1.6%
INA - Istituto Nazionale delle Assicurazioni S.p.A.	INA – Istituto Nazionale delle Assicurazioni SpA	1	Luxembourg	750	1.4%
Alitalia - Linee Aeree Italiane SpA	Alitalia – Linee Aeree Italiane SpA	1	Milan	716	1.4%
Region of Abruzzo	Region of Abruzzo	4	Luxembourg	715	1.4%
Crediti Sanitari Regione Sicilia - Societa per la Cartolarizzazione Srl	Region of Sicily*	1	Luxembourg	655	1.3%
Region of Puglia	Region of Puglia	1	Luxembourg	600	1.2%
Aegis Srl	Republic of Italy (SACE)*	1	Luxembourg	599	1.2%
Optimum Finance BV	Republic of Italy (SACE)*	4	Luxembourg	551	1.1%
Region Autonome of Vallee D'Aoste	Region Autonome of Vallee D'Aoste	2	Luxembourg	543	1.0%
Cartesio Srl Series 2003 2	Republic of Italy*	2	Luxembourg	500	1.0%
Region of Tuscany	Region of Tuscany	1	Luxembourg	465	0.9%
Autonomous Region of Sardinia	Autonomous Region of Sardinia	1	Luxembourg	390	0.8%
Region of Friuli-Venezia Giulia	Region of Friuli-Venezia Giulia	2	Luxembourg	348	0.7%
City of Venice	City of Venice	2	Luxembourg	271	0.5%
Cabco Finance BV	Region of Tuscany*	1	London	232	0.4%
Istituto per lo Sviluppo Economico dell'Italia Meridionale	Banco di Napoli Spa	5	Unlisted/ Luxembourg	202	0.4%
Comune di Milano	Comune di Milano	1	Luxembourg	170	0.3%
City of Rome	City of Rome	1	Luxembourg	133	0.3%
ATAC S.p.A.	ATAC SpA	1	Luxembourg	110	0.2%
City of Florence	City of Florence	3	Luxembourg	88	0.2%
Region of Liguria	Region of Liguria	2	Luxembourg	88	0.2%
ARV International Ltd	Inail – Societa di Cartolarizzazione Spa*	2	Luxembourg	50	0.1%
Banco di Napoli SpA (London)	Banco di Napoli SpA	1	Luxembourg	38	0.1%
Province of Naples	Province of Naples	1	London	34	0.1%
Total		122		51,822	100.0%

Source: Dealogic.

(1) Amounts at issue.

GROSS ISSUES OF EUROBONDS BY PRIVATE-SECTOR COMPANIES (1)

(number of issues and EUR millions)

	1999	2000	2001	2002	2003	2002 Jan.-Nov.	2003 Jan.-Nov.	2003											
								Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Italy																			
Number of issues	104	193	265	204	177	186	160	11	20	23	26	13	19	10	1	14	10	13	17
Value of issues	41,294	48,650	73,519	51,672	47,182	43,169	41,516	4,811	5,797	4,006	6,959	1,877	2,896	2,131	100	3,385	6,144	3,409	5,666
<i>banks</i>	13,663	26,498	25,044	12,857	16,169	12,657	12,215	81	700	2,026	800	1,277	1,062	920	100	2,239	1,880	1,130	3,953
<i>other financial companies</i>	3,138	9,083	23,640	25,110	19,378	16,806	18,525	1,330	5,097	1,980	6,159	-	1,534	470	-	277	-	1,679	853
<i>non-financial companies</i>	24,494	13,069	24,835	13,705	11,635	13,705	10,775	3,400	-	-	-	600	300	741	-	869	4,264	600	860
France																			
Number of issues	175	222	216	238	329	223	304	32	22	14	44	24	37	29	14	26	30	32	25
Value of issues	46,527	49,697	56,644	63,413	77,317	58,376	75,307	7,501	6,473	1,471	11,307	8,302	10,509	8,210	904	5,816	7,647	7,166	2,010
<i>banks</i>	7,206	13,608	14,388	22,069	24,761	19,710	23,112	5,176	1,893	844	1,140	2,015	3,547	2,336	717	1,614	2,385	1,445	1,648
<i>other financial companies</i>	10,590	10,993	9,557	11,894	12,490	11,169	12,315	535	1,280	509	1,615	799	695	2,085	50	450	2,485	1,813	175
<i>non-financial companies</i>	28,731	25,095	32,699	29,451	40,067	27,497	39,879	1,790	3,300	119	8,552	5,488	6,266	3,789	137	3,752	2,778	3,909	188
Germany																			
Number of issues	615	658	488	454	527	412	495	62	38	30	40	53	53	49	28	47	45	50	32
Value of issues	113,044	141,213	132,824	114,025	116,315	108,199	113,280	16,352	11,460	2,912	8,461	22,740	9,715	9,538	3,349	7,363	13,453	7,937	3,036
<i>banks</i>	79,567	83,831	70,284	47,450	56,944	46,309	56,469	9,347	6,614	1,475	2,459	7,821	4,759	2,633	2,377	4,974	9,348	4,661	475
<i>other financial companies</i>	14,418	12,098	8,021	14,672	10,122	12,077	8,524	-	-	100	3,438	500	1,132	1,570	-	178	433	1,173	1,599
<i>non-financial companies</i>	19,059	45,283	54,519	51,903	49,249	49,813	48,287	7,005	4,845	1,337	2,565	14,419	3,823	5,335	972	2,211	3,673	2,102	962
Euro area																			
Number of issues	1,412	1,750	1,738	1,775	2,112	1,609	1,957	175	152	134	207	207	211	182	97	192	200	200	155
Value of issues	309,180	390,047	423,907	369,499	466,415	340,173	437,853	45,140	41,317	27,053	44,681	47,890	46,930	35,994	7,979	45,400	52,646	42,822	28,562
<i>banks</i>	164,373	203,242	189,054	160,309	220,393	153,813	209,424	30,431	18,320	14,226	17,096	18,730	22,023	14,470	5,733	21,358	28,616	18,421	10,969
<i>other financial companies</i>	48,549	62,159	93,102	97,639	118,308	79,919	104,090	2,415	8,951	11,048	15,868	6,742	11,755	8,576	1,137	12,837	10,450	14,311	14,219
<i>non-financial companies</i>	96,257	124,646	141,752	111,551	127,713	106,441	124,339	12,295	14,045	1,779	11,717	22,418	13,152	12,948	1,109	11,205	13,579	10,091	3,374
United Kingdom																			
Number of issues	464	661	637	660	1,182	613	1,100	81	67	102	79	88	108	98	84	160	100	133	82
Value of issues	117,021	163,604	151,216	142,265	188,786	134,732	182,125	15,216	16,459	19,955	11,123	16,865	16,239	14,136	3,882	28,479	17,027	22,745	6,661
<i>banks</i>	44,768	57,055	47,239	57,091	69,831	52,541	66,434	7,554	2,654	8,408	5,107	7,109	5,549	6,784	2,862	5,665	10,920	3,824	3,397
<i>other financial companies</i>	19,324	36,446	42,971	42,036	69,749	41,053	68,562	6,917	8,081	9,175	2,972	6,690	5,606	2,661	394	13,750	2,372	9,946	1,187
<i>non-financial companies</i>	52,929	70,103	61,006	43,138	49,205	41,138	47,129	745	5,724	2,371	3,045	3,067	5,084	4,691	626	9,065	3,735	8,975	2,076
United States																			
Number of issues	844	593	669	431	524	411	506	48	69	38	50	64	43	33	24	29	67	41	18
Value of issues	232,695	257,447	368,913	253,469	212,745	242,963	207,554	29,383	23,411	13,661	19,758	23,677	20,992	10,865	8,121	18,032	22,885	16,769	5,191
<i>banks</i>	40,076	64,843	82,429	61,353	70,176	59,830	69,213	9,068	9,556	7,692	4,729	6,327	3,526	6,809	1,966	3,615	10,084	5,842	964
<i>other financial companies</i>	72,564	55,665	65,773	40,168	34,964	37,138	33,464	2,960	3,584	1,730	4,184	4,988	2,431	2,043	2,551	2,945	4,730	1,317	1,501
<i>non-financial companies</i>	120,056	136,939	220,711	151,948	107,605	145,995	104,878	17,355	10,272	4,239	10,846	12,362	15,036	2,012	3,604	11,472	8,071	9,610	2,727

Source: Dealogic.

(1) Par value of medium and long-term bonds issued by private-sector borrowers belonging to a group resident in the country or area indicated; includes private placements and issues placed simultaneously on the Euromarket and the US domestic market. Companies are allocated to the sector of the company that controls them. For Italy, excludes the securities issued by Alitalia, AEM, ATAC, ENI and ENEL.