

STUDIO LEGALE GHIA

ROMA – MILANO – UDINE

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A brief outline on Parmalat case in accordance with the new Italian reorganization rules by Lucio Ghia

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A) PREAMBLE

- During the last decade, the Italian financial market has showed a deep graduated transformation, losing its typical characteristics of a central banking system (known as “Sistema bancocentrico”) and shaping clearly into a system applied mostly to the MARKET. This kind of system, although allows the companies to accomplish a good financial means raising, it is easily subjected to unstableness;
- The default is caused by two phenomenon: i) DEEP DISCRETION today utilized by the companies, in making their decisions related to the increase of the indebtedness; ii) transfers of the company’s RISK on families and investors not subordinated to a control of stability;
- The presence of INSTITUTIONAL INVESTORS and a strong increase of SAVING industry extremely reduce these phenomenon of instability;
- ITALY, is exposed to this kind of events because of the lack of an adequate spreading of institutional investors and a deep culture of managed saving;
- One of the most evident changes made by the Italian industrial companies concern their BALANCE SHEETS. At the end of the 90’s, in fact, their financial debts structure has been deeply modified through a strong resort to BONDS ISSUE. The impetuous recourse of the Italian market to corporate bonds was due through different placements made outside the national territory, in particular, on the EUROMARKET. This event forced the Italian companies to face serious problems related to the regulation of fiduciary duties and correctness of the intermediaries. The problem becomes worse if we think that the Italian system is now based on an universal bank, in other words a system in which the bank plays a multiform role, financing the companies, placing the bonds, buying and selling the bonds as family saving managers, making researches and studies in order to suggest the purchase or the sale of the bonds;
- Notwithstanding the important financial changes occurred with Basilea 2, the Parmalat Case, with a bankruptcy liabilities indebtedness amounting to 13,3 billion of euros and thousands of creditors (7.000), was the most burdensome bankruptcy of the history even though,

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inexplicably, it did not had any effect on the credit market to the companies, as declared in the 74th Annual Report of the B.R.I. (international rules bank).

B) HISTORICAL BACKGROUND:

- Parmalat Finanziaria SpA is a MULTINATIONAL ENTERPRISE, characterized by a complex geographical structure present in five continents. Through 250 subsidiaries, Parmalat group conducts its business in 30 different countries directly employing 36.000 workers with an external production on 200.000 food industry workers, 140 factories all over the world;
- The entire group of Parmalat, in particular Parmalat Finanziaria S.p.A. always showed positive balance-sheets and annual financial reports, as certified by the outside auditors, Grant Thornton Spa (today Italaudit in liq.n) until 1999 and Deloitte&Touche S.p.A. from 1999 on, highlighting a strength and productive economical-financial situation;
- The value of the examined bonds as certificate by the outside auditors, received on November 2000, a BBB- rate as authenticated by Standard&Poor's, which corresponds to a default percentage nearly 0,43% in one year and 1,36% in two years;
- On January 2003 Parmalat title entered in the Mib30 (high capitalization index of the EXCHANGE QUOTED companies in accordance with the Italian Exchange). Its target price was, in fact, over the market value. This meant that Parmalat was considered a very good investment;
- Parmalat group, was not only an exchange quoted company, but it was also subject to credit and risk financing, placing bonds, which ended in default, creating in a few months the so called "*bond people*" consisting in hundreds of thousand people who chose kinds of remunerative but not aggressive investment, now relying on managerial capacities of the group;
- The first temporary CRISIS faced by Parmalat was at the end of February 2003, when the group announced the release of a bond issue, for an amount of approximately 300-500

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million of euros, of a 7 years period and with an annual profit of 7,75%, to place for institutional investors. In such occasion, the Consob (the equivalent of Italian SEC) applied section 114 of the TUF (financial compilation) – legislative decree n. 58/1998 known as Law Draghi - in accordance to which, the Vigilance Authority has the power to ask to the controlled companies to give to the market all the information that might influence the price of the bonds. On February 27th, Parmalat, as requested by the Consob, diffused four press release but decided to withdraw the announced bond issue;

- After the approbation of the balance sheet 2002, the Consob asked to the company several clarifications in particularly related to the economic structure of the group. It was in fact necessary to put into light the ACCOUNTANCY STANDARD of the bond issues which were not separately reported respect to the complex of the financial debts . The balance sheets highlighted a high level of available liquidity (more than 3 billion of euros) in contrast with the high level of indebtedness (approximately 7 billion of euros) declared. The company justified this high level of liquidity based on the politics of expansion and financial strategy assumed by the group. The Consob could not syndicate over the financial, industrial and commercial decisions made by the board of directors of the company;
- From this moment on, the investigations made by the Consob became more intensive and fitting thanks to the application of section 114 and 115 of the TUF (law decree n. 58/1998 known as a financial compilation) which gave to the Consob the power to have all the information necessary, in order to clarify, in particular, two aspects related to the financial activities not fixed and to the bond issues with expire date for the end of 2004;
- Through these investigations, the fraudulent behaviour of Parmalat's directors, internal auditors and outside auditing came into light. Several irregularities were underlined such as i) the role played by the BONLAT Financing Corporation, a Parmalat subsidiary located at the Cayman islands; ii) the existence of an investment fund "Epicurum" located in the same islands, not quoted in any regulated market, in which Bonlat declared to have invested more than 500 million of euros;

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- On December 8th, 2003, Parmalat Finanziaria S.p.A. fail to redeem 150.000.000,00 of Parmalat Finance Corp. B.V. bonds (one hundred fifty million of euros) identified with n. 8/6/200-8712/2003, 6% coupon. This perturbing “default” was one of the first public indications of the serious insolvency condition that characterized the real economical situation of the Group;
- The following day (December 9th), the rating company, Standard & Poor’s, strongly doubting on the liquidity and reliability of the Group to pay back the amount of bond aforementioned, decreased Parmalat debt to a “junk bond” level;
- During the following 24 hours, Standard&Poor’s decided to further cut off Parmalat bonds from a B+ / B level to a CC (concerning long-term issues / C level concerning short term);
- On December 12th 2003 Parmalat Finanziaria SpA communicated through a public notice that performed to refund the bond of 150.000.000,00, and asked the help of the expert Mr. Enrico Bondi, as to other several Italian banks. As a result, the title that until then was suspended and down of 50%, in particular its price went up from 0,7% to 0,9%;
- On December 15th, Calisto Tanzi resigns by his charge and leaves the company in the hands of Mr. Enrico Bondi;
- On December 18th, Bank of America declared, through a simple fax, that the document which attested a liquidity account of 3,95 billion of dollars headed to Bonlat was false. As a result of the declaration of falsity made by Bank of America on such account, Standard&Poor’s decreased once more Parmalat bonds at a level D, which represented a real state of insolvency;
- From this default on, the heavy financial distress of Parmalat Spa and of the entire group came out and a professional expert of corporate financial crisis, such as Mr. Enrico Bondi, was designated on December 10th 2003 as adviser for the balancing of the Group and subsequently, on December 15th, as President and Managing Director of Parmalat S.p.A;

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- As a result to the designation of Mr. Enrico Bondi as Parmalat C.E.O., dangerous account irregularities, until then hidden through credit transfers, corporate purchases, participation agreement, promissory notes, trademark transfers and sharing associations, came into light;
- On January 2004, the PriceWaterhouseCoopers auditing diffused its accounting draft where it is stated that at the end of September 2003 Parmalat suffered:
 - a net indebtedness of 14,3 billion of euros. The company, had declared, instead, in the financial report an indebtedness of 1,818 billion of euros;
 - a gross profit margin of 121 million of euros (for Parmalat Finanziaria Spa). This data, even though has been corrected for a 20% testifies a good potentiality of the management.

C) JUDICIAL BACKGROUND

Parmalat default has emphasized the problem of controls. All the external control devices have failed. Outside auditors have incredibly failed so as the investment bank (national and international) who continued to place bond issues when the company was already bankrupt. The Bank of Italy so as the Consob did not had any power to entirely discover the fraud. This collective failure includes different kinds of responsibility: those who undermined system foundations falsifying accounts have the highest liability followed by those who had to control the accounting system and accounts as all the other who have worked on the accounts supposed to be correctly revised. All this liabilities were directed toward different criminal proceeding in various cities of Italy.

The bankruptcy proceeding

- The declaration of bankruptcy of Parmalat Spa has been made by the Court of Parma on December 27th 2003 and on December 30th the insolvency of Parmalat Finance Corporation B.V.;
- On February 4th 2004 the Court of Parma has urgently declared the insolvency of other seven Parmalat subsidiaries (5 companies from Netherlands, 2 from Luxembourg), as requested by

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the extraordinary commissioner, in order to avoid the risk of filing foreign procedures without any coordination with the Italian main procedure and the results of foreign creditor intent expectations.

- the bankruptcy proceeding filed at the Court of Parma gave the possibilities to all creditors to file a proof of claim, until April 20th 2004, in order to be admitted into Parmalat bankruptcy liabilities and into its subsidiaries for the concerned amount of money;
- On May 13th 2004, 7 thousands of claims were filed, mostly against Parmalat Spa, Parmalat FC BV, Parmatour, Hit SpA and Hit International assets. The Judge Zanichelli, in order to face this hard work of examination, decided to suspend all the operations concerning the verification of such actions in order to wait for the propose of agreement as requested by the extraordinary commissioner;
- On July 23rd 2004, the reorganization plan as presented by the extraordinary commissioner, published on July 15th 2004, was approved by the Minister for the Industry;
- On July 26th 2005, the above mentioned plan has been filed at the Court of Parma;
- Consequently the creditors and anyone else interested to the procedure, after the examination of the list of creditors, included in the aforementioned plan, had the possibilities to file a submission supported by documentation and pleading until September 18th 2004 as fixed by the Minister, in order to ask to the judge the integration or the modification of the plan;
- The Judge Coscioni, after the examination of these new submissions has issued a final decision in order to add or reject the excluded creditors from Parmalat estate;
- Today the plan is ready to be approved;
- Those petitioners who have been excluded from the list of creditors have filed an ordinary proceeding in accordance with section 98 of the Italian bankruptcy law at the Court of Parma, competent to know about all the claims related to Parmalat bankruptcy procedure;

The criminal proceeding in Milan

- On October 5th 2004, criminal charges have been filed at the Court of Milan against the members of the board of directors, of the internal auditing and against outside auditors of the

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entire group of Parmalat;

- The public prosecutors (P.M. dott. Greco, Fusco, Nocerino) have asked to the Judge Tacconi the commit for trial per 29 natural persons among directors, managers, internal auditors of the entire group and 3 companies (Deloitte & Touche SpA, Grant Thornton, ***). The crime formulated against these people is unscrupulous stock-jobbing, false auditing, false accounting;
- At the hearing of April 5th 2005, seven of the 32 defendants have asked to the judge a bargaining/negotiation. The judged will give his final decision by the end of May;
- A separate and direct criminal proceeding has been filed against the two outside auditors of Grant Thornton Spa, Mr. Lorenzo Penca and Maurizio Bianchi;
- The investigation made by the public prosecutors Greco, Fusto and Nocerino pointed out the liability of several banks toward which a separate criminal proceeding will shortly start at the Court of Milan.

The criminal proceeding in Parma

- At the criminal court of Parma, the proceeding will start in a short time. The public prosecutors, dott. Antonella Ioffredi and Silvia Cavallari are questioning the involved persons. Even though the defendants will include also those people who are right now involved in the Milan proceeding, it will not be considered a duplicate because the crimes formulated against these persons are different and related to false economic statements of the company, fraudulent banking, obstruction to the Consob control.

D) NATIONAL LAW BACKGROUND:

- e) Law Prodi (L.30th January 1979 n. 26);
- f) Law Prodi bis (L 8th July 1999 n. 270);
- g) Law decree Marzano (Law decree of December 23rd 2003 n. 347 implemented and amended by Law of February 18th 2004 n. 39);

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- h) Law decree of May 3rd 2004 no. 119, implemented and amended by Law of July 5th 2004 no. 166 and by law decree of November 29th no. 281;
- i) Law Marzano bis (Law 28th January 2005 n.6).

a) Law prodi:

Urgent decisions for big companies in crisis extraordinary administration

Law-Decree 30 January 1979, no. 26 in Official Gazette 6 February no.36

Law-Decree converted into Law of 3 April.1979 no.95 in Official Gazette 4 April 1979

Law-Decree abrogated by sec. 109, legislative decree. 8 July 1999, no.270

Sec.1 - Companies subordinated to the extraordinary administration and applicable law are Joint stock companies, limited partnership companies, limited liability companies.

These companies are subordinated to such procedure, with exclusion of bankruptcy, when they have a debtor exposure towards companies and banks for medium-long temp business, **5 TIMES** higher than the deposited capital and **20 BILLIONS** of liras, coming for at least 15% from aided financing.

The procedure is settled through a decree of the Ministry of Industry, jointly with the Ministry of Treasure, at the time the insolvency condition of the company has been judicially verified in accordance with sec. 5 e 195 RD March 16th 1942, no.267. The procedure goes on through the activity of one / three commissioners under the control of the Ministry of Industry, and it is regulated by sec.197 of RD March 16th 1942 no.267.

b) Law Prodi Bis

New regulation of the extraordinary proceeding of big companies in crisis.

Legislative decree 8 July 1999, no. 270 in Official Gazette August 9th no.185.

Sec. 2 : companies subordinated to the extraordinary proceeding are subordinated to the following conditions:

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- A number of subordinated employees, included those who have been admitted to the money integration retribution, not less than **200** from at least one year;
- An amount of debts not inferior to **TWO THIRDS** of the total of the assets and profits coming from the sale and the business of the last year.

The law as above indicated alternatively provides: (sec.27): a) the transfer of the insolvent company assets; b) the economic and financial re-organization of the company in crisis to define within maximum two years. If none of these two aims seems to be reasonably reachable, than the company will be declared bankrupt.

c) Decree Law n. 347/2004 – Law no. 39/04 known as l. Marzano

Decree law no. 347/2003 implemented and amended by law no.39/2004, as amended by Law decree no. 119/04 implemented and amended by Law no. 166/04.

It is necessary to underline that this law has to be included in the tradition of laws that have disciplined the governmental intervention for the case of company's default. In the same perspective we should remember as I have above indicated, the Law No. 26/1979 named "PRODI" and the Law No. 270/1999 named "PRODI BIS".

Conditions: The Law decree no. 39/2004 is applicable to the insolvent companies whose employees are more than **ONE THOUSAND** - 1 year before since the insolvency has been declared - and debts amount nor less than **1 BILLION** of euros.

Exceptions to law Prodi-bis which aim to an ACCELERATION of the proceeding and are concentrated especially in the first phase:

- the decision related to the mean to choose (the reorganization) is immediate, deprived of any analysis phase, and it is headed by the company and the Minister (and not by the Court);
- the Minister (and not the Court) chooses the extraordinary commissioner. In Parmalat case, the Minister designated Enrico Bondi as e.c.;

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- the commissioner may immediately order disclaimers, even before the approval of the program, but it is anyway necessary the Minister's authorisation;
- the commissioner may propose avoidance actions which may be proposed only during the liquidation phase; (see sect. 49 of Marzano law decree).

Aims:

I) the reduction of procedural **TIME** occurring for the proceeding.

It is possible to get over this difficulty by:

- 1) selling the non strategic assets through private companies which will make a profit on the quantity of assets sold, without the necessity of bureaucratic and judicial steps and control;
- 2) selling, on behalf of the extraordinary commissioner, judicial **ACTIONS FOR CREDITS** to be recovered and for avoidance actions to be filed;
- 3) verifying the credits to be admitted to the bankruptcy estate in just one mandatory time as provided at section 4-ter of the law decree no. 39/2004;
- 4) extending, in a very simple way, to other insolvent subsidiaries belonging to the same group, the procedure for the extraordinary administration. This extension is obtained on simple request of the commissioner, even though the subsidiary does not have either the above mentioned one thousand employees or debts for 1 billion of euros.

The above-mentioned Modifications also include:

- the realization of a simple composition with creditors, in the terms that the Commissioner could anticipate in the reorganization plan.
- the acceleration and simplification of some check control of the bankruptcy estate.

II) REORGANIZATION jointly industrial and financial;

- **Law Prodi-bis:** the extraordinary commissioner ha full power on the industrial side, however, he does not have any power in order to incise on the indebtedness. In order to restrict the liabilities he will have to obtain the consent of each creditor to whom he can offer capital quotes, with the authorization of the shareholder's Assembly.

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- **Law Marzano:** this law leaves the prospective of the liquidation of all the assets, in order to accomplish, through a reorganization of the bankruptcy liabilities, the reorganization of the company under the industrial profile. Also this regulation, provides as the only way to restrict the liabilities, the elaboration of a COMPOSITION (sec.78 legislative decree no. 270/99) which, through the authorization of the Minister, assents to alter the conditions of the debt.

In accordance with the same rules of law Prodi-bis, Parmalat will have to finish the economical and financial reorganization within two years otherwise, the liquidation of its assets will take place.

For the first time, the Italian Legislative, with this measure, divides the creditors in different classes, in accordance with homogeneous economic interests as defined by the Commissioner. It also gives the possibility to create independent classes for bond-holders who are in possession of bonds granted or guaranteed by the company in extraordinary administration.

e) Decree Law Marzano Bis

Approved by the Board of Ministers on November 26th 2004;

Published in the Official Gazette n.22 of 28th January 2005;

Law of 28th January 2005 n.6 Volare Airlines S.p.A., Volare Group S.p.A., Air Europe SpA.

Decree enacted in order to save the company **Volare Group S.p.A., Volare Airlines S.p.A. and Air Europe S.p.A.** which faced a sudden crack on November 29th 2004.

This law modifies some criteria of the Marzano law, related to the company's structure and the amount of indebtedness, in particular, the law states that the company which may accede into the extraordinary administration must have more than **500 EMPLOYERS** (Marzano law provided instead 1000 employers) from at least one year and an indebtedness exposure of **300 BILLIONS OF EUROS** (Marzano law provided 1 billion of euros).

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CRITICS:

Parmalat case has received much criticism by many law experts (Italian and not). The charges made to the Italian law can be summarized in the following 3 points:

POINT 1: The CREDITORS do not have a proactive role for participating at the extraordinary management of the company. Their claims are individually represented by a Creditors Committee designated by the Minister among a group of professional men and experts on insolvency procedures (such as professors, lawyers, entrepreneurs). Sometimes, this committee works in an efficient way, informing and representing the creditors reasons, sometimes its work is not so efficient. In case this last event occurs, the law provides the possibility for the creditors to complaint to the Minister.

POINT 2: The legislative modification on the Extraordinary Management Procedure (Decree law no. 39/2004 enacted expressly for Parmalat case (known as decree law Marzano), providing urgent measure on the reorganization of large-scale enterprises in state of insolvency, has been implemented and amended by Law of February 18th 2004, no. 39, as amended by law decree of May 3rd 2004, no. 119, implemented and amended by law of July 5th 2004 no. 166 and by law decree of November 29th 2004 no. 281, amended by Law of January 28th no. 6 (known as Marzano bis). This law provides that the extraordinary COMMISSIONER is entitled of full powers, thus dispossessing the creditors Committee of the authority normally recognized.

The intervention of the extraordinary commissioner appointed by the Ministry for the Industry is headed, in fact, for the use of all the financial and economic instruments suitable for the re-start of the productivity (sect. 3 of law decree n. 39/2004). The commissioner presents its own REORGANIZATION PLAN and works under the control and supervision of:

- 1) the Ministry for the Industry
- 2) and of the creditors Committee.

On request of the commissioner, the committee issues “unbinding” advises on different matters. In case of extraordinary activities, the request of advice is binding, though the advice given by the committee of creditors is not. With respect to this primary purpose, (i.e. the reorganization of

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the company which could absorb all the resources at disposal), the creditors' interests, as I already said before, are postponed. The right of the creditors to be informed about the effective activity held by the Commissioner is recognized although limited by the necessity of the reorganization.

POINT 3: The company represents a SOCIAL and ECONOMIC value, and it is appreciated for its capacity to create employment, social solidity and even to contribute to the national wealth. It is necessary to reprove to Law Marzano the fact that the examination on the company's value and on its business up going is assigned to a group of experts designated by the Minister and got out of the creditors analysis and will.

The right of the creditors is recognized as fundamental although a bit degraded compared to the right-duty of the State to intervene for reorganize the enterprise even if this one is insolvent.

The public intervention will not and must not alter the rules related to competition, (as provided in the Rome Treatment of 1957). The European Community is very focused on avoiding "STATE AIDS", mainly because they alter the free competition between companies. For example : In the procedure of companies' reorganization, European Community does not allow avoidance actions for that reason.

POINT 4: The law Marzano, as Law Prodi, essentially aims to save the value of the companies through reorganization. It should be considered that the Governmental action in private companies has been provided in the general principles of the Italian Constitution (as reported in section 41). The most important value is the availability of the production as social good, Immediately after these two values as above indicated, comes the creditors' interests.

POINT 5: COMPOSITION WITH CREDITORS

Law decree n. 39/2004 provides the possibility for the commissioner to propose, inside the reorganization plan, a compilation with creditors (as provided in the section 4bis of the law). In

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respect of the approval of such compilation, the simple majority obtained among different classes of creditors will be considered as “adequate” (see sect. 4bis no.8 of Law Marzano).

On the contrary, in accordance with section 128 of the Italian Bankruptcy Law which regulated ordinary insolvency procedures, the composition must be approved through a higher majority (the simple majority with regard to the number of creditors; the two thirds of majority with regard to the total amount of the credits).

At this point it is clear that Law decree no. 39/2004, requesting a simple majority for the approbation of the plan, favours the proceeding itself, because it makes the reorganization of the company FASTER through an EASIER DISCHARGE of the debts in order to reach a new fresh start of the company itself.

E) INTERNATIONAL NEW RULES:

➤ European rules:

i) an important role is played by the standard that allows a FREE CIRCULATION of operators and financial services on the territory of the State members based on the “control of the native State” in other words, these products may circulate on the entire territory and will each be regulated by the law of the State from which the product comes from;

ii) another relevant role is assumed by the European DIRECTIVE of 2003/6/CE on the “Markets abuses” (ratified in Italy through Law n. 96 of April 12th 2003) that emphasised the important task of the Vigilance Authority (independent administrative authority of Vigilance) through the attribution of incisive power of investigation such as the possibility to ask information and make inspections toward anyone; to access on the telephone traffic; to ask for precaution decisions as an automatic stay of the assets or the stop of any violation of the rules;

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iii) the directive above mentioned modifies also the PUNISHMENT aspects and proposes dissuading administrative sanctions such as the English “reputation punishment” (disqualification);

iv) on the bond issue, the directive provides the diffusion of an INFORMATIVE PROSPECTUS in case of a public offer or Exchange negotiations for all kind of financial means (therefore, this obligation is applied also toward the banks). As a result, the products offered to qualified investors cannot be subsequently proposed to the public without first an informative prospectus.

➤ **I.O.S.C.O. Regulation:**

- i) standards on the financial analysts and rating companies;
- ii) multilateral arrangement for the switch of information reserved to the Vigilance Authority (among which the Consob agreed);
- iii) SARBANES OXLEY ACT, adopted in U.S. on July 30th 2002 in the wake of the recent corporate accounting scandals such as Enron crisis, or Worldcom. This regulation is applied to all the companies obliged to present periodical reports in accordance with sec. 12 and 15 of the Securities and Exchange Act of 1934, and toward foreign companies (not American) but registered at the SEC of U.S. However, this rule is not applied to those companies which are not quoted.

The Act is to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities law, and for other purposes. Such regulation has introduced: a) new DUTIES over the directors, the financial responsible of the company and the outside auditors; b) new criminal and pecuniary PUNISHMENTS; c) a strong strengthening of the SEC under the human resources and the financial means. The Act requires stronger a internal control.

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➤ Italy:

i) Accounting standards

- *accounting principles* in other words rules for the elaboration of the balance sheet
 - a) standards of accounting survey of financial operations;
 - b) standards of elaboration of the SP/CE;
 - c) standards of estimate;
- *auditing principles* or specific technical rules of ethics to which auditors must base their activity of examination in order to assure that the balance sheet has been elaborated by the directors in accordance with correct accounting principles.
 - a) *standards on the course of the auditing* (analysis on the internal control proceeding; protection of the company patrimony; reliability of the elements elaborated by the financial internal system;
 - b) *standards on the elaboration of the Report*
 - c) *professional and ethic standards of the auditor* (competence, professional up date, professional diligence, legal and disciplinary liability, independence, professional secrecy, publicity, possibility to correctly cooperate with other auditors, auditor fees);
- ii) **Consob Recommendation** n.1751 of March 1st 1994 states that these accounting standards represent the base for a correct auditing of exchange quoted companies;
- iii) **Consob Recommendation** n.1079 of April 8th 1982 – application of the standards concerning the National Committee of the commercial professional men and economic accountants;

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iv) International auditing standard compatible with the Italian law

- ISAs – *International standards on auditing*;
- IAPs – International auditing practice statements. The codification of such principles is made by IAPC – International auditing practice committee created into the IFAC – International federation of accountants;

v) T.U.I.F. –legislative decree n.58/1998: financial compilation on the saving protection;

vi) Constitution of the Italian Republic.

Although all these recent modifications, the European regulation (included the Italian one) as the American legislation, in order to guarantee i) a transparency of the financial operations; ii) a full diffusion of the agreements on the prices regulation; iii) avoid a manipulation of the market; iv) full and clear information about the risk of the investment, should regulate in a specific and harmonic way the phenomenon related to the bond issue and the problems concerning the publicity of the full amount of bonds (of the entire group).

It is necessary today to support a regulation on the international financial issue of bonds which effectively is capable to prevent and avoid any eventual possibility of international fraud given that now the bonds are sold in every part of the globe contemporary through a world-wide sale.

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