

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE SECURITIES AND FUTURES COMMISSION

OF HONG KONG

AND

THE COMMISSIONE NAZIONALE PER LE SOCIETA' E LA BORSA

OF ITALY

MEMORANDUM OF UNDERSTANDING

1. Purpose of the Memorandum of Understanding

1.1. The purpose of this Memorandum of Understanding ("Memorandum") is to establish a system for mutual assistance between the administrative Authorities designated hereinafter, in order to facilitate the performance of the functions they are entrusted with any law or regulation, as that term is defined herein, including those which:

- a) create and protect the rights of investors to obtain timely and accurate information regarding the issuers of securities;
- b) prohibit and provide sanctions against the abusive use of confidential information and other manipulative market practices;
- c) ensure compliance by all market participants with the laws and regulations governing market procedures and organization; and
- d) ensure compliance by all securities, derivative and investment professionals with the laws and regulations governing their professions and their operations on the securities and derivatives markets, including law and regulations concerning the transmission and execution of orders or the management of individual or collective investment portfolio of securities and derivative products.

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2. Definitions

For the purposes of this Understanding:

2.1. Authority means

- a) the Securities and Futures Commission; or
- b) the Commissione Nazionale per le Società e la Borsa;

2.2. Requested Authority: means an Authority to whom a request is made under this Memorandum;

2.3. Requesting Authority: means an Authority making a request under this Memorandum;

2.4. Person: means a natural person or legal entity, trustee or partnership;

2.5. Security: means stock, bond, debenture, note or any other right, contract or document that falls within the jurisdiction of the Authorities;

2.6. Derivative product: means futures contracts on securities, commodities, interest rate, currencies, indices; options to acquire or dispose of any securities, commodities, options on indices, on currency, on interest rate, on futures contract; forward interest-rate agreements, interest rate and currency swaps and any other financial product that falls within the jurisdiction of the Authorities;

2.7. Issuer: means a person who issues or proposes to issue any security;

2.8. Securities market: means an exchange or other market, including an over the counter market, for equity securities, debt securities, bonds, or any other securities that is recognized, regulated or supervised by the Authorities;

2.9. Derivatives market: means an exchange or other market, including an over the counter market, for derivative products that is recognized, regulated or supervised by the Authorities;

2.10. Investor: means a person who directly or indirectly has, holds or places an order to obtain a beneficial interest in securities;

2.11. Professionals carrying out operations on the securities and derivatives markets: means any person who engages in the business of purchasing, selling, transferring, clearing or settling securities or derivative products; collecting, executing or transmitting orders given by investors concerning the purchase or sale

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of securities and derivative products; engaging for his own account, or for the account of investors, in the management of individual or collective securities and derivative products portfolios; or advising others in these matters; and,

2.12 Laws or Regulations: means the provision of the laws, regulations and other regulatory requirements applicable in Hong Kong and in Italy.

3. Scope of the Memorandum

3.1 The Authorities intend to ensure that the fullest mutual assistance is provided within the terms of this Memorandum to the extent permitted by their domestic law and pursuant to their powers in order to facilitate the exchange of information relating to the facts in connection with investigations to determine whether any person has violated the laws and regulations of the jurisdiction of the requesting Authority.

This Memorandum does not modify or supersede any laws or regulations in force in, or applying in Hong Kong or in Italy.

Assistance under this Memorandum may include:

- a) providing information in the files of the requested Authority;
- b) taking statements from persons; and
- c) obtaining documents from persons.

4. General Principles

4.1. This Memorandum does not create binding obligations under international law and shall not be construed as conferring the right to ask for, challenge the execution of a request for assistance upon any person or authority other than those designated herein.

4.2. Assistance under this Memorandum may be denied where:

- a) in the case of requests to the Consob, the execution of the request would prejudice the sovereignty, security, fundamental economic interests, public order or would be contrary to the interest of the investing public; in the case of requests to the SFC, the execution of the request would be contrary to the interest of the

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investing public or the public interest;

b) the request is not in accordance with the provisions set forth in this Memorandum;

c) the information requested concerns facts that originated before the date of the effect of this Memorandum;

d) a criminal proceeding has already been initiated in the jurisdiction of the requested Authority based upon the same fact and against the same persons, or the same persons have already been finally sanctioned on the same charges by the competent Authorities in the jurisdiction of the requested Authority unless the requesting Authority can demonstrate that the relief or sanctions sought in any such proceeding do not duplicate any relief or sanctions already obtained.

5. Requests for assistance

5.1. Requests for assistance must be made in writing and addressed to the requested Authority's contact officer listed in Appendix A.

5.2. The request for assistance shall specify the following:

- a) the information sought by the requesting Authority;
- b) a general description of both the matter that is the subject of the request and the purpose for which the information is sought;
- c) the persons or entities suspected by the requesting Authority of possessing the information sought, or the places where such information may be obtained, if the requesting Authority can provide such details;
- d) the laws or regulations pertaining to the matter that is the subject of the request; and
- e) the desired time period for the reply and, where appropriate, the urgency thereof.

5.3. In the event of urgency, requests for assistance and replies to such requests may be transmitted by summary or emergency procedures provided that they are confirmed in the manner prescribed in paragraphs 5.1 and 5.2.



6. Execution of Requests

6.1. Subject to paragraph 1, 2, 3, 4, and 5 the requested Authority will provide to the requesting Authority the information that it holds or it may obtain by such means as may be determined by the requested Authority, in accordance with the applicable domestic rules.

7. Permissible Use of Information

7.1. The requesting Authority may use the information furnished solely:

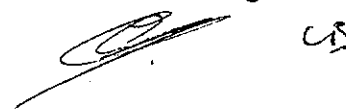
- a) for the purposes stated in the request, including ensuring compliance with enforcement of the law or regulation specified in the request and related provisions; and
- b) for purposes within the general framework of the use stated in the request including conducting a civil or administrative enforcement proceeding, or market surveillance, assisting in a criminal prosecution, or conducting any investigation related thereto for any general charge applicable to the violation of the law or regulation specified in the request.

7.2. To use the information furnished for any purpose other than those stated in paragraph 7.1, the requesting Authority must first inform the requested Authority of its intention and provide it the opportunity to oppose the use. If the requested Authority opposes the use, the information may be used only under conditions imposed by the requested Authority.

8. Confidentiality of Requests and Information provided

8.1. Each Authority shall keep confidential, to the extent permitted by law, requests made within the framework of this Memorandum, the contents of such requests, and any other matters arising during the operation of this Memorandum, including consultations between the Authorities.

8.2 The requesting Authority will keep confidential, to the extent permitted by law, any information received pursuant to this Memorandum, except in the case

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where the information provided must be disclosed in the course of its use pursuant to paragraph 7 above, and will not pass the said information to anybody else without prior consent of the requested Authority.

8.3. The Authorities may, by mutual arrangement, make an exception to the principles set forth in paragraphs 8.1 and 8.2 above, to the extent permitted by the law applicable to each Authority.

9. Disagreements and Consultations

9.1. In any case of disagreement over the meaning of any term used in this Memorandum, the Authorities shall define the terms herein by mutual arrangement.

9.2. The Authorities will keep the operation of this Memorandum under continuous review and will consult with a view to improving its operation and resolving any matters that may arise. In particular, the Authorities will consult upon request in the event of:

- a) a refusal by one Authority to comply with a request for information on the grounds set forth in paragraph 4.2. or a request to use information on the grounds set forth in paragraph 7.2; or
- b) a change in market or business conditions or in the laws or regulations or any other difficulty which makes it necessary to amend or extend this Memorandum in order to achieve its purposes.

9.3 The Authorities will consult each other about and may revise the terms of this Memorandum in the event of a relevant change in their Constitution or fundamental law.

10. Effective date

10.1 This Memorandum will be effective from the date of its signing by the Authorities.

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11. Cost Sharing

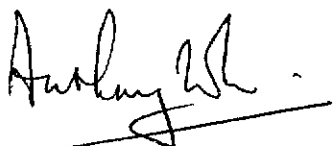
11.1 If it appears to the requested Authority that it will incur in substantial costs in responding to a request for assistance under this Memorandum, the requested Authority and the requesting Authority will establish a cost sharing arrangement before continuing to respond to such a request for assistance.

12. Termination

12.1 This Memorandum shall remain in force unless terminated by either Authority upon 30 days written notice to the other Authority.

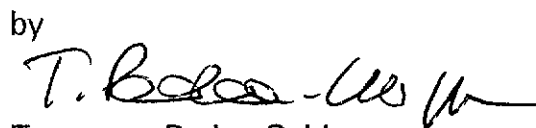
Signed in Cape Town, this 30th day of May, 1997.

Securities and Futures
Commission

by 

Anthony Neoh
Chairman

Commissione Nazionale per
le Società e la Borsa

by 

Tommaso Padoa-Schioppa
Chairman