



RE:COMMON

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Challenging
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April 5th, 2016

Re: **URGENT request to intervene on issuance of CAV SpA project bond at London Stock Exchange**

Dear Sir/Madam,

we are writing you to urgently draw your attention to the issuance of a project bond by the company CAV SpA of Italy - through emitting banks BNP Paribas, Intesa San Paolo, Royal Bank of Scotland, Societe General, Unicredit - taking place in these days at London Stock Exchange as well as Milan Stock Exchange¹. As reported, the closure of the bond issuance for institutional investors is expected on April 12th 2016.²

On February 16th the rating agency Moody assigned a provisional A3 rating³ to the EUR 830 million senior bonds to be issued by the company Concessioni Autostradali Venete – CAV SpA. As stated by Moody's Vice President, the involvement of the European Investment Bank (EIB) "*significantly reduces the bondholders' exposure to traffic risk and potential operational underperformance*".

We are writing you with urgency because we believe that all actual risks affecting the bond might have not been taken into account in the offering prospect of the bond produced by emitting banks, thus generating an inadequate communication to the market. In particular, we have evidence to believe that investors risk re-financing CAV debt which might have been generated, among others, by overpriced invoices amounting to million Euros, including for works that never took place, as documented by public prosecutors in Venice in the last years⁴.

Counter Balance together with its member Re:Common and the local NGO Opzione Zero have been closely monitoring the case of CAV, a company controlled by the Veneto Region and by ANAS whose 100% shareholder is the Italian government. CAV is managing the 32 km motorway near Venice known as Passante di Mestre – a project which was selected by the European Investment Bank and the European Commission to benefit from financing under the EU "Project Bond Initiative".

1 <http://mattinopadova.gelocal.it/regione/2016/03/23/news/passante-project-bond-da-830-milioni-1.13180417>

2 http://www.ilsole24ore.com/art/notizie/2016-03-30/armani-anas-il-12-aprile-primo-project-bond-italiano-124805.shtml?uuid=ACJmS1wC&refresh_ce=1

3 https://www.moody.com/research/Moodys-assigns-PA3-rating-to-CAVs-senior-secured-bonds-stable--PR_343768

4 Tribunale di Venezia, Sezione dei Giudici per le indagini preliminari. Procedimenti Penali N. 12236/13 R.G.N.R. --- 9476/13 RG GIP e N. 12646/13 R.G.N.R. ---9595/13 RG GIP . Ordinanza Misure Cautelari GIP DOTT Alberto Scaramuzza.

What drew our attention about the case was that CAV was at the same time under scrutiny by the Italian authorities as part of the largest anti-corruption investigation in the country. In March 2011 the project was already subject to a critical report by the Italian Court of Auditors which highlighted the risk of infiltration of organised crime via sub-contracting companies carrying out the construction, as well as the lack of public supervision and control leading to an unjustified increase in costs. Indeed, the project, which was initially budgeted at EUR 750 million, faced serious cost overruns. By 2010 costs had already amounted to EUR 1.3 billion, an increase of 80 percent.

In May 2014 the project hit the news with the arrest of 30 people including numerous serious politicians – among them the former governor of the Veneto region, Giancarlo Galan (shareholder of CAV), the former minister Altiero Matteoli, the general Spaziante from the Italian fiscal police (Guardia di Finanza) and the mayor of Venice, Giorgio Orsoni. To our knowledge investigations on the case are on-going and several company managers and politicians under investigation opted for a plea-bargain.

It should be noted that the European Parliament criticised the involvement of the EIB in the project and called in April 2015⁵ “*on the EIB not to finance the ‘Passante di Mestre’ project through the Project Bond Initiative or any other financial instrument, and to ensure that it implements its zero tolerance to fraud policy when considering the use of project bonds*”.

We urge you to acquire all relevant information from banks emitting CAV project bond and in particular to check how they have taken into account and thoroughly communicated to investors the potential risk of money laundering associated with this operation – given that through debt re-financing CAV could pay outstanding contracts to companies charged with corruption allegations and tax evasion, thus helping monetising proceeds of crimes.

We remain available for any clarification and request you to act to postpone the closure of the operation (beyond April 12th) as long as your office has not fully clarified the matter raised by us.

Looking forward to your reply to our request of action.

Best regards



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