



July 10, 2003

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Mr. Fabrice Demarigny
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Committee of European Securities Regulators
11-13 Avenue de Friedland
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Dear Sirs:

The American Financial Services Association ("AFSA"), a trade association of domestic and international market funded providers of financial services to consumers, welcomes the opportunity to comment on the European Union's planned Prospectus Directive ("Directive"), and we appreciate your willingness to understand and consider its impact on U.S. issuers. AFSA submitted comments to the Commission on 28 March, 2003. However, we would like to make some additional points with respect to the accounting issues raised by the Directive.

AFSA supports the European Commission's and The Committee of European Securities Regulators objective of creating an integrated European capital market and enacting rules designed to strengthen and improve the European markets. Our concern is that the Directive, as currently drafted, may produce results that are contrary to that objective for the reasons discussed below.

Dual Reporting

As currently drafted, we believe that the Directive could require a company's accounting and reporting to comply with International Accounting Standards ("IAS"). This would require U.S. issuers to maintain dual systems of accounts because they are required under U.S. laws and regulations to report under U.S. generally accepted accounting principles ("GAAP"). In addition to maintaining dual accounts, U.S. issuers would also need to audit these accounts under separate sets of auditing standards. This would require a significant addition of resources, systems, and processes. In fact, the total expenditure for these items is estimated to be so high that most issuers may elect not to participate in the European markets at all. This would be problematic for EU investors as they look to diversify their portfolios.

Acceptance of US GAAP

U.S. GAAP reporting has long been accepted in EU countries. In addition, no other country in the world requires U.S. securities issuers to issue financial statements in accordance with the host country's generally accepted accounting principles. Requiring U.S. issuers to do so in the EU would be a dramatic change that would, in essence, effectively preclude access to EU markets for most U.S. issuers.

FASB's International Activities

U.S. GAAP is administered under the auspices of the Financial Accounting Standards Board ("FASB"). The FASB has explicitly stated that it will cooperate with the International Accounting Standards Board ("IASB") to increase international comparability and transparency of financial reporting. Like the IASB, the FASB believes that a single set of accounting standards for financial reporting that would apply worldwide is the ideal goal. The FASB is currently working with the IASB on various joint projects, including convergence of IAS and U.S. GAAP. As a result of these initiatives, the FASB expects to move closer toward international convergence in the next few years. However, because the differences are currently voluminous, and the issues extremely complex, the FASB anticipates that many differences between U.S. GAAP and IAS will persist beyond 2005, the initial goal for convergence. Because the FASB is working with the IASB toward convergence, we strongly recommend that the EU continue to accept U.S. GAAP reporting and auditing standards until convergence is achieved.

Conclusion

We believe that the efforts of the FASB and the IASB towards convergence will be a continuing and evolving process and will achieve the Commission's objective of improving financial reporting and strengthening the EU markets. In contrast, mandating immediate adoption of IAS will cause significant disruption to funding efforts by U.S. issuers in the EU. Adopting dual reporting and auditing regimes is not a realistic or achievable alternative and most issuers will have no alternative other than to cease issuing in the EU markets. This will prevent EU investors from access to longstanding

investment opportunities and limit their ability to broaden their investments. In view of this, we recommend that the EU continue to accept U.S. GAAP financial statements until convergence is achieved. In particular, we urge the Commission and CESR to ensure that the Level 2 implementing measure, pending convergence, reflect the current situation and accept U.S. GAAP standards as being equivalent for the purposes of this directive.

We appreciate your attention to this important matter and if you would like to receive additional or clarifying information please do not hesitate to contact Monique Gaw, Vice President, AFSA, at 1-202-466-8616.

Sincerely,

A handwritten signature in black ink, appearing to read "Monique S. Gaw". The signature is fluid and cursive, with a large initial "M" and a stylized "G" at the end.

Monique S. Gaw

Monique S. Gaw
Vice President
International and Federal Government Relations
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