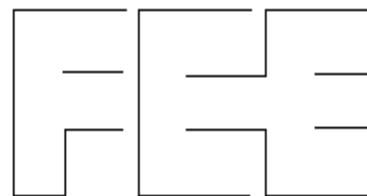


Date
23 March 2005

Le Président

Fédération
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Mr. Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators
11-13 Avenue de Friedland
F – 75008 Paris

Via website: www.cesr-eu.org

Dear Mr. Demarigny,

Re: CESR's Advice on Possible Implementing Measures of the Transparency Directive – Part II (CESR/O4 – 512C)

1. FEE (Federation of European Accountants, Fédération des Experts Comptables Européens) welcomes the opportunity to provide our views on the consultation paper concerning CESR's advice on possible implementing measures of the Transparency Directive. Our comments in particular focus on Chapter 2 "Half-Yearly Financial Reports", being the area of our expertise. In addition we have addressed certain parts of Chapter 3 "Equivalence of Third Countries Information Requirements".
2. FEE supports global principles based standards both in the financial reporting area and in the auditing area. We have pronounced our position explicitly in our publication of June 2004 FEE Position "Call for Global Standards: IFRS" and in our position on the proposals for the Eighth Directive of November 2004. Only global standards meet the wider objectives of financial stability, efficiency and transparency and provide the benefits of increasing confidence in financial markets, reducing the cost of capital and facilitating global investments. We appreciate that the draft advice where possible adopts or is based on International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA).

Chapter 2 Half-Yearly Financial Reports

Section 1: Minimum content of half-yearly financial statements not prepared in accordance with IAS/IFRS

Q 50: Do you agree with this proposal? If not please state your reasons

3. We welcome CESR's draft advice that the minimum content of half-yearly (non-consolidated) financial statements should be defined by reference to the layout and disclosure principles of IAS 34 "Interim financial information", in order to improve transparency and comparability between companies both within Europe and outside Europe. We agree with the principles set out in paragraph 499.

Section 2: Major related parties transactions

Q 51 Do you agree with this proposal or do you believe that other definitions could be followed?

4. We fully share the proposed CESR advice that companies should apply the same definition in the annual and half-yearly reports, as provided in IAS 24, "Related Party Disclosures" and that companies which are not required to prepare consolidated accounts should also use this definition.

Q 52 Do you agree with the proposed definition? If not, please state your reasons

5. We agree with the proposed definitions of "major related parties transactions". We in particular welcome the clarifications in paragraph 512 that the concept of materiality is the same in the annual and half-yearly reports in that the concept of "major" transactions does not introduce a different definition of material transactions.

Section 3: Auditor's Review of Half-Yearly Report

Q 53 Do you agree with the approach proposed by CESR?

Q 54 Do you consider that there is a need for the adoption at national level of a single standard to which audit reviews are conducted? Please give your reasons

6. The review of half-yearly financial reports enhances the quality of the financial statements and possibly the annual audit since discussion of important issues takes place at an earlier stage. It helps to avoid the risk of restatements after half-yearly financial reports are issued, on the basis of the audit of the annual financial statements.
7. We are strongly of the opinion that separate European or national standards or requirements on a review are neither necessary nor appropriate and would undermine the goal of globalisation of capital markets. CESR Standards No. 1 and 2 on Enforcement clearly recognise that CESR is not an accounting standard setter and should not be involved in standard setting. We firmly believe that the same should apply to audit standard setting. We appreciate CESR's recognition in paragraph 522 that "it has not been (nor can it be) mandated to establish which standards an auditor should comply with for conducting a review of half-yearly reports".
8. As already indicated in our letter of 30 July 2004 reacting to the call for evidence, we are strongly of the opinion that in the spirit of the proposed Eighth Directive and in view of globalisation of capital markets, the auditors' review needs to be defined in terms of international auditing standards. The relevant standard is ISRE 2400, "Engagements to Review Financial Statements". ISRE 2400 clearly defines the scope and the nature of a review. In addition, IAASB is working on an international standard on auditing "Review of Interim Financial Information Performed by the Auditor of the Entity" on which an exposure draft was issued in June 2003. CESR should encourage the International Auditing and Assurance Standards Board (IAASB) to give priority to the development of this standard. Although we appreciate CESR's observation that it is not up to CESR to determine whether or not ISRE 2400 is adequate for the purpose of investor protection, we are of the opinion that CESR could push stronger for global standards to be applied also in the auditing domain in parallel to the call for IFRS, notably IAS 34 and IAS 24. If the European Commission considers it useful to address this issue in order to establish requirements consistent with the adoption of ISAs proposed in the draft Eighth Directive, it should address the issue at European rather than at national level.
9. We note the conclusion of the survey which CESR has conducted in that "for the most part a (limited) review is conducted on a voluntary basis, the form of conclusions is a negative assurance and the level of assurance is moderate, which is less than a full scope audit." We also note that a large majority of Member States use ISRE 2400 "Engagements to Review Financial Statements" or an adaptation of it at national level.

10. Regarding the requirement of Article 5 (4) of the Transparency Directive, that in future attestation reports will have to be published, we would like to emphasize that mandatory publication throughout the EU of the review report requires amendment of existing liability regime for auditors, suitably reflecting the limitations of a review assignment. A transitional period should be introduced in order to allow the Member States to establish an appropriate liability system.

Chapter 3 Equivalence of Third Countries information Requirements

Section 1: Equivalence as regards issuers

11. On 15 December 2004 we reacted on the CESR Concept Paper on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information expressing our support for global standards and supporting the definition of equivalence proposed by CESR focusing on the ability of investors to arrive at similar decisions under IFRS and Third Country GAAP. We agree for the consistency of financial and other transparency requirements, equivalence should be assessed in the same manner in the context of GAAP and non-GAAP requirements.

Q 55 Do you agree with the proposed approach? If not, please give your reasons

Q 56 Do you consider that there is another way to develop level 2 implementing measures related to Article 19 (1) of the Transparency Directive? Please explain your answer

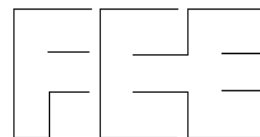
12. We appreciate the intention of CESR to develop a principles-based or conceptual approach to equivalence, but wish to raise your attention to our remarks on GAAP equivalence that equally apply to non-GAAP equivalence: If there are fundamental differences between specific Third Country accounting requirements and IFRS, there might be no or only minor differences between financial statements based on these different sets of standards, because under the specific circumstances of the economic position and transactions of the reporting enterprise the different requirements do not apply. On the other hand assumed minor differences between the reporting standards might result in material differences in the financial statements prepared under the specific circumstances. Therefore the equivalence of the financial statements in respect of each individual case may be important.

A general assessment of the equivalence of national GAAP and IFRS may not achieve the objective that the financial statements should lead to similar economic decisions in similar situations. Accordingly, equivalence as a matter of principle is only ensured by an explanation of significant differences between the financial statements based on Third Country GAAP and IFRS financial statements on a company per company basis. Such explanations might be given - as identified by CESR - through additional disclosures, reconciliations or additional financial statements depending on the situation of the particular company concerned.

A process of convergence to a sufficient degree such as between US GAAP and IFRS under the Norwalk agreement needs to be distinguished clearly from equivalence. Equivalence is a separate concept.

Q 58 Do you agree with this proposal? Please give reasons for your answer

13. Paragraph 539 could be understood in such a way that the requirement to include the listed items in the annual management report (“...has to include ...”) follows from the Prospectus Regulation mentioned in the footnote. However, in our understanding this Regulation requires only that the items have to be addressed in the prospectus, but not necessarily in the annual management report. We would appreciate if the text of paragraph 539 could be clarified in this respect.



We would be pleased to discuss in more detail any of the issues raised in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin'. The signature is fluid and cursive, with the first name 'David' being more prominent than the last name 'Devlin'.

David Devlin
President