



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
EUROPÄISCHE SPARKASSENVEREINIGUNG

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Brussels, 15 September 2005

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European Savings Banks Group (ESBG)

Response to CESR's Consultation on the Historical Financial Information which
must be included in a Prospectus

(Ref: CESR/05-428)

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Profile European Savings Banks Group

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of €4,345 billion (1 January 2004). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. For decades ESBG members reinvest responsibly in their region and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



The European Savings Banks Group (ESBG) welcomes this opportunity to comment on the historical financial information which must be included in a prospectus.

II. SCOPE OF THE ADDITIONAL REQUIREMENTS

1. Preliminary remark

27. Q: Do you agree with this approach? Please give your reasons.

We agree with this approach. The new requirements to include all the historical financial information in a prospectus are reasonable, as they can enable investors to make an informed assessment of the financial conditions and prospects of the issuers.

2. Types of securities

32. Q: Do you consider that the scope of the requirements for issuers that have a complex financial history should apply in relation to public offer or admission to trading on a regulated market of any equity security to which the Shares Registration Document applies or should it be restricted only to a prospectus published in relation to a public offer or admission to trading on a regulated market of shares? Please give your reasons.

We consider that the requirements should apply in relation to public offer or admission to trading on a regulated market of any equity security to which the Shares Registration Document applies. Investors should be informed when an issuer of a security has a complex financial history, as this could influence the future value of securities.

3. Possibility of an exemption for small and medium-sized enterprises

35. Q: Do you consider that, in relation to additional requirements for issuers with a complex financial history, there is a need to distinguish between different types of issuers? Please give your reasons.

There is no reason to distinguish between different types of issuers. A complex financial history is not directly linked with the size of a company. Moreover, we consider that such a distinction may compromise investors' protection, as there may be cases in which investors will not receive all the necessary information.

IV. ADDITIONAL REQUIREMENTS FOR ISSUERS WITH A COMPLEX FINANCIAL HISTORY

40. Q: Do you believe that the cases described below should be considered as a comprehensive list? If not, please provide examples of any other cases you would consider convenient to address and of the additional requirements you would consider appropriate to require in those examples.

We consider that the described cases should be considered as a comprehensive list.



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CASE 1: The issuer is a newly incorporated holding company inserted over established businesses.

45. Q. Do you agree with the proposed approach? Please give your reasons.

The ESBG agrees with the proposed approach, as the information about the significant businesses or subsidiaries during the required period can provide investors with a good overview of the historical financial situation.

a. Accounting standards

51. Q. Which of the three options proposed do you prefer? Please give your reasons.

We consider that the best option for investors is the one which enables them to compare information. On the other hand, if issuers must conform in some way the information of the significant subsidiaries to its accounting standards, this may imply great costs and efforts. Therefore we consider that the best option is option 2, provided that the method to conform the information is not difficult to achieve.

52. Q. If option 2 or option 3 is preferred, how would you request the issuer to conform the information given to the issuers' accounting standards?

- a. Restatement*
- b. Reconciliation*
- c. Narrative description of the differences?*

Please give your reasons and provide input on the costs that each of the options would imply for issuers.

We consider that option “c” is the most suitable, as it is the easiest method to conform the information.

b. Minimum content of the financial information

*57. Q. Which of the three options proposed do you prefer? Please give your reasons.
If you support option 1, please provide input on the costs this option would mean, specially if a cash flow statement or a statement showing changes in equity would have to be produced only for the purposes of the prospectus.*

We consider that the best option is option 2. This option includes enough information and it does not require the inclusion of information that may not be prepared, which is likely to occur under option 1.

c. Auditing standards

61. Q. Do you agree with this approach? Please give your reasons.

We consider that a full audit or a report of the financial information of the significant business or subsidiaries is a great tool to give certainty to the information provided. However we consider that this may imply additional costs. Therefore the decision to have a full scope audit



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should depend on the decision taken in relation to the minimum content of the financial information.

63. Q: Do you agree that there should be auditor's involvement concerning this additional information given in case of reconciliation or narrative description? Please give your reasons.

There should be auditor's involvement concerning the reconciliation or narrative description, as this information will be useful for investors.

64. Q: What kind of assurance should the auditor provide in relation to the restatement, reconciliation or narrative description:

- a) a full scope audit*
- b) a review scope*
- c) a report, as in item 7 a) of the pro forma annex, stating that in their opinion the financial information has been properly compiled on the basis stated?*

A review scope or a report in case of narrative description is sufficient.

CASE 2: The issuer seeking admission to trading or making an offer consists of companies that were under common control or ownership but which never formed a legal group. This case would include where a division of an existing business has been separated to form a different entity, which then makes a public offer or seeks admission to trading on a regulated market (so called carve out)

68. Q. Do you agree with this approach? Please give your reasons and provide input on the costs that each year of drawing up of historical financial information would imply for issuers.

ESBG members agree with CESR's approach.

70. Q. Which of the above options proposed do you prefer? Please give your reasons and provide input on the costs that each of the options would imply for issuers.

Option "b" is the most suitable. We consider that a review is sufficient, instead of a full scope audit.

CASE 3: The issuer has made a significant acquisition or disposal during the three year historical record or subsequent to the last audited consolidated financial information on the issuer.

77. Q. Which of the alternatives proposed do you prefer? Please give your reasons.

We prefer option 1 and consider that no more information is needed in relation with significant acquisitions or disposals.

78. Q. Would you propose any other option to deal with these situations? Please give your reasons and provide input on the costs that each of the options would imply for issuers



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No.

81. Q. Do you agree with this approach? Please give your reasons.

We support the proposed approach. The investors should have the right to gain knowledge about the transactions that are to be executed but which are not included in the historical financial information.

CASE 4: The issuer has changed its accounting reference date during the three year period.

83. Q. Do you agree with this approach? Please give your reasons.

Yes. We consider that changes in accounting reference dates should not serve to exclude the obligation to present the information of the three preceding calendar years.