

CESR CONSULTATION
TRANSITION TO IFRS AND PROSPECTUS REQUIREMENTS
November 2003

I. INTRODUCTION

ABN AMRO welcomes CESR's consultation initiative and future guidance to European listed companies on transitional issues in relation to IFRS. We also wish to provide our comments on CESR's consultation paper on historical financial information requirements for prospectus (03-210b), including IAS equivalence since we believe these subjects are interrelated. We wish to encourage the different CESR working groups involved in the two consultation processes to work together on financial information matters, so that CESR can deliver one consistent message.

II. TRANSITIONAL ISSUES

1. Usefulness of CESR's recommendations and preparation of transition (questions 1 and 2)

We believe it is useful that CESR provides recommendations on transitional issues which European listed companies can use as guidance for making their own choices. As stated above, those recommendations should not go beyond what is already required under IFRS and clearly not encourage an earlier introduction of IFRS.

We obviously agree that European companies should be encouraged to prepare the transition from local GAAP to IFRS as early as possible. We actually believe that most companies are already doing that with own implementation targets.

2. Communication about the transition process (questions 3 and 4)

We think that it is useful to encourage companies to communicate about the transition process for example in a narrative form, but any recommendation from CESR should limit itself to encourage that companies communicate about the process. Companies should be free to decide, which type of information and details, if any, they wish to disclose to the market on where they stand in the transition process and any impact on their financial statements, for example, companies may in any case be forced to disclose information on impact on equity and net profit due to exchanges' regulations.

We think that when information is disclosed it would be more appropriate that this is done in the annual report as such (for example in a dedicated section) rather than in the notes to the financial statements.

We agree with CESR that the four milestones are the 2003 annuals, 2004 annuals, 2005 interim and 2005 annuals.

3. Communication on quantified information during transition (questions 5 and 6)

We agree that if the information is available and reliable, it could be disclosed in 2004 but there should be no obligation to do so. We favour to provide only narrative information and no quantitative information since we believe that the necessary conditions to allow for the disclosure of quantitative information are not in place:

- IFRS standards are assessed and the endorsement process has been finalised in time;
- the transition process has been completed;
- the quantitative information is sufficiently reliable.

4. Comparatives (questions 7 to 12)

Following strictly the rules, interim financial information in 2005 can still be presented under local GAAP. However, we believe that the market demands that such interims are already presented in accordance with IFRS and we would thus agree to present interims in 2005 following IFRS.

In relation to comparative information for interim periods and annual information, we agree with the proposed indicative formats (paragraphs 26 and 29) that will require restatement of 2004 first quarter and 2004 annuals to IFRS (so that there are comparable to the respective 2005 periods in IFRS) and with providing comparatives for 2004 and 2003 under local GAAP (both for interims and annuals). However, since IAS 32 and 39 are not yet endorsed, and would probably not be endorsed until mid-2004, a careful assessment needs to be made as to the availability of 2004 information, particularly for banks and insurance companies.

We agree that if information is to be presented under 3 successive periods, a restatement to IFRS of the first earlier period should not be required, comparatives, as proposed under the indicative format should suffice.

III. HISTORICAL FINANCIAL INFORMATION

CESR consultation paper (03-210b) in the field of prospectus presents four options for disclosure of historical financial information in a prospectus, with a clear preference for option 2 that will require two years of comparable information. CESR's consultation paper provides clear examples for issuance for example in 2010, thus avoiding entering into transitional questions. We think this is the right approach since CESR is also consulting on such transitional issues. However, once the consultation is finished, CESR should present clear guidance on this issue.

In our view, we can support option 2 but there should be no obligation to restate 2003 figures to IAS. In order to have access to the securities market at all times it should be possible to use local GAAP figures, if IAS comparatives are not available. For example, if we want to issue in 2005 it should not be required to give IAS comparatives for 2003, as we have explained above.

IV. IFRS EQUIVALENCE

Under the proposed standards for historical information, CESR is proposing that non-EU issuers can use local GAAP if this is deemed "equivalent" to IFRS. Unfortunately, neither CESR nor the Commission seem to provide any guidance on the meaning of "equivalence". As a consequence, many non-EU issuers are raising doubts about the continuation of their issuance practices in European capital markets since they want to have certainty that they will not have to restate their accounts to IFRS.

Since the Commission may refuse to provide any guidance for the time being due to high-level political negotiations in the framework of the EU-US Financial Markets Dialogue, we encourage at least CESR not to be afraid to provide guidance on this respect, even if not "strictly mandated" to do so.

One of the main problems in this debate, to our view, has been the use of the word "equivalence" in relation to financial statements. This word is used by the Prospectus Directive in relation to disclosure requirements in general of 3rd country issuers, but not particularly in relation to financial statements. Therefore, CESR could, if it wished, drop any reference to "equivalence" in order not to prejudge any negotiating power of the Commission in the EU-US Dialogue.

In this respect, we support the specific language proposed by IPMA in their response to CESR of 30th October, which will identify US GAAP as an acceptable standard to use in prospectus information for non-EU issuers, and which refers to "comparable" information for other GAAPs.

Since it our understanding that US GAAP is already accepted all the EU countries, we do not see any legal or political reason to discontinue this market practice. On the contrary, the lack of clarity and legal certainty on this topic can only greatly damage liquidity of European markets.