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TM-2060-05

October 31, 2003

Mr. Fabrice Demarigny
Secretary General,
The Committee of European Securities Regulators

Dear Mr. Demarigny:

Re: CESR's Advice on Level 2 Implementing
Measures for the Prospective Directive – Consultation Paper

The Province of Alberta (the "Province") and its agent, Alberta Capital Finance Authority ("ACFA"), have a Euro Medium Term Note Program and have offered several debt issues in Europe. Therefore we are writing in response to the Committee of European Securities Regulators ("CESR") Consultation Paper dated July 2003 (the "CP") relating to CESR's Advice on Level 2 Implementing Measures for the Prospectus Directive (the "PD").

Our responses to the specific questions you have raised in the CP (set out in II below) are limited to those paragraphs that are intended to apply to states and their regional and local authorities. We have assumed that we are correct in concluding that the other paragraphs of the paper do not apply to states or their regional and local authorities nor to agents of the Province or entities guaranteed by the Province and therefore have not addressed them.

As an issuer of debt securities that have been offered to the public in Europe, we applaud the efforts that are being made by CESR to ensure that the Prospectus Directive's key objectives, to "encourage and build an efficient, cost-effective and competitive pan-European capital market on the one hand, and to provide the necessary levels of investor protection on the other", are achieved. In giving you our replies to the questions raised, we are particularly mindful of those objectives.

I. General Comments

1. Status of the Province and ACFA as a "Non-EU state"

Canada is a federal state in which legislative authority is constitutionally divided among one national and thirteen local jurisdictions (ten provinces and three territories). The constitutional division of powers in Canada is complex, but as a general rule the federal parliament has jurisdiction over matters of national and international importance while the provincial legislatures have jurisdiction over matters of local importance. For example, the federal parliament has authority over trade and commerce, criminal law, and intellectual property, while the provinces have authority over the property law and, generally speaking, over the law of contract. Under the Canadian constitution, provinces are not emanations of, or subordinate to, the federal government. For purposes of the Prospectus Directives, Canada and each of its provinces must be viewed as "Non-EU States".

With respect specifically to ACFA, it is currently treated as a State issuer by the United Kingdom Listing Authority. By legislation, ACFA is an agent of the Province and its powers may only be exercised as an agent of the Province. Under Canadian law, this means that ACFA directly binds the Province (as principal) when it issues debt securities, accordingly, it has the same status as the Province. ACFA's incorporating legislation also contains a statutory guarantee by the Province of ACFA's debt but such guarantee is legally superfluous and does not derogate from the Province's obligation as principal for payment of the debt. Payments of principal and interest on such debt securities constitute a charge on and are payable out of the General Revenue Fund of Alberta. The General Revenue Fund is the aggregate of all moneys on deposit to the credit of the Province. Therefore, the relevant disclosure in respect of all debt securities issued by ACFA as an agent of the Province should really relate to the Province and ACFA's authority to issue debt securities as an agent of the Province.

ACFA, as issuer, is just an emanation of the State created to carry out a specific public purpose. The State's credit is the real credit (ACFA has the same ratings as the Province) and hence the required disclosure should focus on the Province. The issuer should just have to describe its agency status when it issues debt. Any other disclosure (such as, for example, selected financial information prepared under Canadian generally accepted accounting principles) regarding the issuer should be left to the general disclosure obligation in Article 5 of the PD.

We strongly urge CESR to consider treating those entities that are agents of a Non-EU state and in law can bind the state, such as ACFA, the same as the state for disclosure purposes.

2. International Accounting Standards

Financial information of the Government of Alberta is prepared based on stated accounting policies, which are generally in accordance with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The financial information of Crown agencies such as ACFA is prepared in accordance with Canadian generally accepted accounting principles used by private-sector companies and ACFA's results are consolidated with that of the Province on a line-by-line basis.

We strongly urge the CESR to consider clarifying that the accounting standards described above may continue to be used in the preparation of financial information under the PD and that reconciliation to International Accounting Standards should not be required for the Province or its agent, ACFA.

3. Annual Information – General

Our detailed comments on the questions in the PD are set out in Part II below.

Unlike some Canadian Provinces, Alberta does not file a form 18k with the U.S. Securities and Exchange Commission and, aside from our Euro Medium Term Note Program, currently does not have any continuous disclosure documents in other jurisdictions that could be relied on. Having said that, it is not practical or appropriate to require Alberta and ACFA to prepare specific disclosure documents each time debt securities are offered in Europe.

We recommend allowing the Province to file, with the competent authority of a member state, annual information along the lines of Annex D (subject to our comments below) and other material updates including the Province's most recent annual public accounts, annual budget and quarterly budget updates and ACFA's most recent audited financial statements contained in its most recent annual report. We propose these documents would all be incorporated by reference into an annual Offering Memorandum for the Province's Euro Medium Term Note Programme.

Note that any Supplementary Prospectus requirement with an approval period could delay launch of a retail deal and thereby cause the issuer to miss opportunistic pricing in a volatile market. As such, it would render **the EU markets uncompetitive vis-à-vis other markets** where even retail deals can be launched immediately under a shelf prospectus without any further approval of a Supplementary Prospectus.

II. Annex D Specific Comments Pertaining to Question 32

Persons Responsible

This requirement could be both onerous and meaningless in the case of a member state. We recommend only that contact information of a senior official be provided. The senior official would be one who has direct responsibility for production of the disclosure document and would be required to sign the required declaration.

Risk Factors

We do not object to a requirement to disclose risk factors but in the case of the Province and ACFA, the only risk factor that is likely to arise is currency risk.

Information about the Issuer

In the case of ACFA, as long as it files a joint Offering Circular with Alberta, it would have no issue with the requirement for information about the issuer state. Otherwise, this information would not apply. We assume that joint filings will be allowed and if this not the case, this should be clarified. Detailed information about the Province and ACFA would be contained in the annual report and subsequent updates filed by the Province.

Public Finance and Trade

The Province has no comments on these requirements. In the case of ACFA, again, as long as it may file a joint document with the Province, ACFA has no comments.

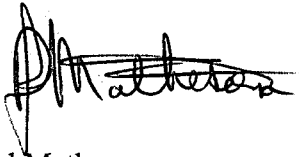
Significant Change

We suggest that this requirement for updated disclosure in a prospectus should cover only changes not previously disclosed in filings which we propose be incorporated by reference into the Province's EU prospectus.

Statement by Experts and Declarations of Interest

It is not clear what experts are being referred to. The obvious experts are the auditor and the law firms that provide opinions as to a matter, such as taxation. If these are the experts in question, then we have no objection to the requirement. However, if it is intended that every economic report or survey we may refer to in our information document must be expertised, we believe such a requirement could not be complied with. Some clarification is required.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rod Matheson', written over a horizontal line.

Rod Matheson
Executive Director

SJB/mjh

cc: Mr. Wayne Clifford
Assistant Deputy Minister, International
and Intergovernmental Relations

Commissioner Frederik Bolkstein
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