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Mr. Fabrice Demarigny
Secretary General
CESR
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VIA EMAIL

Berlin, 18. Dezember 2002
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European Capital Market Policy

- Market Abuse Directive
- CESR's advice on possible Level 2 implementing measures
- Comments of the Association of German Mortgage Banks on market making

Dear Mr. Demarigny,

the Association of German Mortgage Banks welcomes the opportunity to comment on CESR's consultation paper of October, 2002 on its advice on possible level 2 implementing measures for the proposed Prospectus Directive.

The Association of German Mortgage Banks (VDH) represents 19 German mortgage banks and one ship mortgage bank and is part of the Zentraler Kreditausschuß (ZKA), the joint committee of the central associations of the German banking industry, which will also be submit a response to the above mentioned consultation paper.

We therefore fully support the views expressed by the ZKA in its comments but would like to touch upon a specific point, that is of particular importance for the Pfandbrief market: The base prospectus currently envisaged under Article 5 (4) for frequent issuers of Pfandbriefe. The Pfandbrief is the largest single segment of the European bond market with an outstanding volume of well over 1.1 trillion euros. Mortgage banks are the biggest group of issuers in this market with a market share of around 60%.

According to current European legislation Pfandbriefe do not have to publish any kind of prospectus. Investor protection is ensured by the regulations defined in the Mortgage Bank Act and as a result the Pfandbrief can be classified as a homogenous and extremely safe product documented by the ratings awarded by the large agencies.

We welcome the fact that the "new" Prospectus directive provides for frequent issuers of Pfandbriefe the possibility to prepare base prospectuses that are supplemented by the final terms of an offering. However, there are several points where the new rules have to be further explained on level 2:

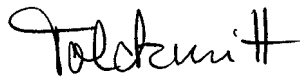
It needs most of all to be clarified, that the base prospectus shall be defined as a prospectus published *once for each issuer* and *updated* on a yearly basis with all relevant information concerning the issuer and the securities to be offered to the public or admitted to trading. In this sense, the base prospectus would be similar to the registration document.

The frequency of the obligation to publish the base prospectus (once for each issuer) is fundamental for the market practice of frequent issuers who have to react as soon as possible to market conditions by issuing on an ad-hoc basis. It is critical that this flexibility of the issuers is maintained. It can be ensured if only the final terms and not a whole prospectus has to be published each time the securities are issued by the frequent issuer.

As we already explained the securities concerned are very homogenous. Therefore investor protection rules are not hampered in the proposed procedure.

Please do not hesitate to contact us with any further questions or requests for information.

Sincerely,



Jens Tolckmitt



Annette Zimmer