



October 28, 2003

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Mr. Peter William Skinner MEP
European Parliament
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Dear Sirs:

Re: CESR's Advice on Level 2 Implementing Measures for the
Prospectus Directive -Consultation Paper (July 2003)

The Province of British Columbia has frequently offered its debt issues for sale in Europe. Therefore we wish to provide you with our responses to the questions

you have raised in the above noted Consultation Paper in respect of those paragraphs that are intended to apply to states and their regional and local authorities, being paragraphs 23-42. 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 and therefore have not addressed them. In particular, it is our understanding that there will not be a requirement for a state or its regional or local authorities to prepare or file financial statements prepared in accordance with internationally accepted accounting standards or audited in accordance with international standards of auditing. If any of our assumptions or understandings are incorrect, please advise us.

Before addressing your questions we believe a brief description of Canada would be useful. 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. In exercising their powers, the provinces have the status of sovereign governments. For purposes of the Prospectus Directives, we have therefore assumed that Canada and each of its provinces will be considered a "state".

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. Therefore, in giving you our replies to the questions raised, we are particularly mindful of those objectives.

At present, the Province has 23 Note issues outstanding under its Euro Debt Issuance Programme, amounting to the equivalent of Cdn. \$7.8 billion aggregate principal amount outstanding. In addition the Province has offered a number of standalone debt issues in Europe, including several global bond issues. Payments of principal and interest on such debt securities constitute a charge on and are payable out of the Consolidated Revenue Fund of the Province. The Consolidated Revenue Fund is the aggregate of all moneys on deposit to the credit of the Province.

In connection with the Province's issues of securities offered in reliance (in whole or in part) on its shelf registration in the United States (including its global bond issues offered in Canada, the United States and Europe), the Province prepares and files with the Securities and Exchange Commission (SEC) in the United States an annual report (on Form 18-K). This document which is updated by the Province's quarterly reports, budget documents and other material information throughout the year is incorporated by reference into each prospectus for a US registered issue.

We suggest that the filings made by the Province in the United States provide investors with sufficient information about the Province for investors to make an informed decision whether or not to purchase debt securities of the Province. Such filings could also be made with an appropriate authority in a Member State in respect of offerings in Europe of debt securities of the Province. It is not practical or necessary to require a state like the Province to prepare and file a disclosure document along the lines outlined in Annex D each time debt securities of the Province are offered in Europe.

We believe that, for the most part, our filings with the SEC cover the points raised in Annex D to the Consultation Paper. However, there are some specific concerns we wish to raise in relations to paragraphs 23-42 of the Consultation Paper.

Question 30

Do you agree with the approach described in paragraphs 23-29? If not, please give your reasons.

We agree with the concept of applying the same requirements in respect of debt securities of Non-EU States or their regional or local authorities as are applied in respect of the debt securities of Member States.

A state is not a business enterprise. It does not rely on its ability to produce revenues from the capital it has invested in its business. Investors purchasing debt securities issued by a state, whether a Member State or not, are concerned generally about the economic and political stability of the state in question and possibly the strength of its currency. Generally, investors will want to know if the securities they purchase will give rise to a claim against the consolidated revenue fund of that state and thus carry the full faith and credit of the state or if the securities represent a claim against a subdivision of the state or local authority alone.

Question 32

Do you agree with this list as more fully described in Annex D?

Our filings with the SEC in the United States, in general include the information described in Annex D. However, we have some questions and concerns regarding the specific wording of some portions of Annex D.

Persons responsible

It is not practical for the numerous individuals who compile the information regarding the Province that is included in a prospectus filed by it to take personal responsibility for that information. In our filings with the SEC, a single senior public official of the Province, usually the Deputy Minister of Finance, takes responsibility for the information regardless of what other officials of the Province may also have been involved in its preparation.

Risk Factors

While we do not object to a requirement to disclose relevant risk factors, in the context of an issue of debt securities of the Province the only risk factor that is likely to arise would be currency risk.

Information About The Issuer and Public Finance and Trade

Items 3.1 through 3.2 and 3.5 are largely static and can easily be summarized in a prospectus. As to items 3.3, 3.4 and 4, these matters constantly change but are generally covered in some detail in official documents regularly published by the Province in any event (such as the Province's budget documents, financial statements, and quarterly reports), which documents are filed with the SEC and incorporated by reference into the Province's US prospectus. They could also conveniently be incorporated into the Province's EU prospectus if permitted.

Significant Change

We suggest that this requirement for updated disclosure in a prospectus should cover only significant changes not previously disclosed in the official public documents which we propose be incorporated by reference into our EU prospectus as described in the previous paragraph.

Statement by Experts and Declarations of any Interest

It is not clear to whom you are referring as an expert. In describing the British Columbia economy for disclosure purposes in other markets, it is common for us to refer to statistics and other information sourced from various official government documents, including those produced by the government of Canada and its agencies. It would not be practical to comply with this Item in relation to such information. We would appreciate confirmation that information in official government documents would not trigger the requirements of this Item.

Documents on Display

We suggest that, in addition to an annual report akin to an US Form 18-K (and any amendments to it), the core documents that create or govern a particular issue of debt securities be required to be on display; i.e. the legislative authority for borrowing by the issuer in effect at the time of the issue, the form of debt security or the pricing supplement relating to the debt security if it is issued under a programme for debt issuance, the fiscal agency agreement governing the rights of holders of those debt securities and any underwriting, subscription or similar agreement relating to the initial sale and distribution of those debt securities. The on going disclosure of information regarding a state issuer should be governed by the Transparency Directive and the Market Abuse Directive. We believe strongly that the Prospective Directive needs to be implemented so as to establish disclosure at the time of an issue of the securities to which it relates and that a particular prospectus should only be required to be supplemented during the period that the distribution of the specific securities to which it relates is being completed, or in the case of a programme for debt issuances, during the period between the date of the filing the prospectus and the date on which it is required to be updated. Once a distribution has been completed, such prospectus is no longer relevant as investors will then rely on the information required to be filed annually or pursuant to the Transparency Directive or the Market Abuse Directive. Otherwise the three directives will overlap and create confusion for both issuers and investors.

Question 33

Is there any other information which you consider relevant for States and their regional or local authorities and should be included in the Annex?

No.

Do you deem that Investments and development plans should be included in the Annex for Member States and regional and local authorities? If so, please give your reasons.

We can envisage circumstances where the disclosure of the business and development plans of a local authority, e.g. a municipality, could be appropriate given the expenditures involved and the size of its revenue or taxation base. We do not believe that a requirement for such disclosure by the Province would be appropriate or useful to investors.

Question 42

Do you consider that potential conflicts of interests could be disclosed? If so, do you consider that the wording used will be sufficient to capture such conflicts?

As mentioned above, it is not clear to whom you are referring to as an expert in this context. In any event we have difficulty identifying circumstances that would give rise to a conflict of interest for any expert used by the Province. Also we do not believe conflicts regarding the audit of our financial statements are possible as the Province's auditor is the Auditor General, an officer appointed by the Legislative Assembly and who is independent of the government of the Province and accountable to the Provincial Legislature.

We are also reviewing the Transparency Directive and related consultation paper and the Market Abuse Directive and related consultation papers. We are concerned that at present it is not clear how these directives inter-relate. We urge you to implement them together in a manner that is seamless and will facilitate your overall objectives as stated above.

Yours sincerely,



David Morhart
Assistant Deputy Minister