



**BY E-MAIL**

October 29, 2003

Mr. Fabrice Demarigny,  
Secretary General,  
The Committee of European Securities  
Regulators  
11-13 Avenue de Friedland  
75006 Paris  
France

Dear Mr. Demarigny:

**Re: CESR's Advice on Level 2 Implementing Measures for the  
Prospectus Directive - Consultation Paper (Ref: CESR/03-210b)**

As an issuer of debt securities that have been offered to the public in Europe we agree with 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 met. We wish to take this opportunity to provide you with comments on the above noted Consultation Paper. These comments concern the provision of annual information about a non-EU sovereign and the applicability of International Accounting Standards.

Annual Information

At present, Canada has a Euro Medium Term Note Programme and a number of Global bonds listed on the Luxembourg Stock Exchange. In addition, a number of federal government corporations wholly owned by Canada and that are agents of Canada, such as Business Development Bank of Canada, Canada Mortgage and Housing Corporation, Export Development Canada and Farm Credit Canada issue debt securities in Europe in their own names but as agents of Canada. The debt securities of these agent Crown corporations are direct, unsecured, unconditional obligations of Canada. Canada also fully guarantees debt securities issued by the Canadian Wheat Board. These guarantees are direct, unconditional obligations of Canada. Additionally, some agent Crown corporations also guarantee debt issued by sole-purpose entities.

In these situations, it is not clear if the Prospectus Directive would require that Canada prepare and file information about itself along the lines outlined in Annex D of the Consultation Paper each time Canada or one of its Crown corporations issues debt in the EU market or annually re-lists a medium-term note program on an exchange in Europe. Since Canada's Crown corporations borrow regularly in Europe such information on Canada

would possibly be filed a number of times each year. This would be very burdensome and impractical for Canada to implement on an ongoing basis.

We recognize that Article 10 of the Prospectus Directive allows for the provision of annual information on an issuer. We believe that the above-mentioned information could be made available through an annual filing system, similar to that which exists in the U.S. public market. In this case, Canada would file an annual report containing information along the lines outlined in Annex D with the competent authority of a home member state. The information would be updated throughout the year if circumstances require and supplemented by the filing of Canada's Budget and Fall Economic Update. Canada's Crown corporations would also file annual reports, incorporating Canada's filings by reference. During the year, whenever Canada or one of its Crown corporations offered debt securities in the EU these annual filings would then be incorporated by reference into their prospectuses. We believe that such a system would be both workable and meet the Prospectus Directive's objectives.

#### International Accounting Standards

In the consultation paper CESR recommends that a non-EU sovereign's historical financial information be prepared according to local GAAP equivalent to IAS regulation. The consultation paper does not provide any guidance on what this means. We understand that CESR is working with the European Commission to address this issue.

The financial information on Canada 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 Canada's Crown corporations and the Canadian Wheat Board are prepared in accordance with the Canadian GAAP used by private sector companies. We believe that Canada and its Crown corporations should continue to use these accounting standards in the preparation of financial information under the Prospectus Directive and that reconciliation to International Accounting Standards should not be required for Canada or its Crown corporations. We would appreciate it if you would clarify that our current accounting standards are acceptable.

Yours sincerely,



Rob Stewart  
Director  
Financial Markets Division