



CANADIAN BANKERS ASSOCIATION

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Commissionner Frederik Bolkestein
European Commission
Rue de la Loi
B-1049 Brussels
Belgium

Alexander Schaub
Director General, International Market
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David Wright
Director, Internal Market Directorate General
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Rue de la Loi
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Mr. Fabrice Demarigny
Secretary General
CESR (Committee of European Securities Regulators)
11-13 avenue de Friedland
75006 Paris
France

Dear Sirs,

Re: The Directive of the European Parliament and of the Council on transparency obligations of Issuers whose securities are admitted to trading on a regulated market in the European Union and the Directive of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC

The Canadian Bankers Association (the "CBA") is the professional industry association representing domestic and foreign-owned chartered banks in Canada.

We are writing to you to convey the concerns of our member banks regarding the proposed EU Prospectus Directive (the "PD") and its draft implementing measures (the "Level 2 Measures") as well as the first draft of the Transparency Obligations Directive released on March 26, 2003 (the "TOD").

Canada's banks have been frequent issuers of debt securities in the European Union ("EU") and several of them have secondary listings for their common equity on the London Stock Exchange. At the present time, there is outstanding in the EU more than Cdn.\$35 billion of principal amount of debt securities issued by the Canadian banks in various currencies.

We do not propose to set out detailed commentary on the PD, the Level 2 Measures and the TOD. The International Primary Market Association ("IPMA") has already provided comprehensive comments on the PD and the Level 2 Measures, which we fully endorse. We do, however, wish to highlight some of the more fundamental concerns of our members regarding the PD, the Level 2 Measures and the TOD.

(a) *IAS Financial Reporting*

The most fundamental concern relates to the requirement in each of the PD, the Level 2 Measures and the TOD that financial information be prepared in accordance with international accounting standards and international audit standards (collectively, "IAS").

This would add significantly to the cost of accessing the euro capital markets and could make continued participation in the Euro markets uneconomic for our members.

Canada has very rigorous continuous disclosure requirements. In addition to providing annual audited financial reporting (including Management Discussion and Analysis) and preparing an Annual Information Form containing prospectus level disclosure, unaudited quarterly financial reports containing full comparative financial statements with notes and Management Discussion and Analysis of the results are also required to be prepared by Canadian banks under domestic laws. Moreover, the Canadian banks are subject to the strict prudential and regulatory control of the Office of the Superintendent of Financial Institutions of Canada (OSFI). Accordingly, in this context, an exemption from IAS should, we suggest, not raise any investor protection concerns.

We suggest that the financial statements and continuous financial reporting of the Canadian banks prepared under domestic law be formally recognized in the PD or the Level 2 Measures and in the TOD or its implementing measures as equivalent to the financial disclosure provided to investors under IAS as is proposed in the PD and the TOD.

We understand that the TOD contains a specific exemption from its periodic financial reporting requirements (i.e., half-yearly financial statements prepared in accordance with IAS and a management report) for issuers only issuing debt securities with denominations of at least Euro 50,000 which are listed in the EU. While this exemption, if applicable, would provide some relief to the Canadian banks, we feel that the Canadian banks should generally be exempt from IAS reporting (whether they have listed wholesale debt, retail debt or equity) provided they file the financial reports prepared in accordance with Canadian laws as briefly described above.

(b) *EU Bank Disclosure Building Block for Debt Securities*

In light of the level of prudential and regulatory control exercised by OSFI, we feel that the special disclosure model for EU Banks set out in Annex 2 to IPMA's comments on CESR's Level 2 Measures dated February 6, 2003 should apply to the Canadian banks issuing debt securities (subject, of course, to IPMA's and our comments thereon) without the need for any case by case equivalency test.

(c) *Standardized Disclosure*

We wish to generally point out that disclosure items which are immaterial in the context of debt issues (a series of which are pointed out by IPMA in its comments) should be either deleted or greater discretion given to the regulator to exempt issuers from immaterial or inapplicable disclosure as is currently provided in Article 27 of the existing listing Directive. We concur with IPMA's comments that standardized disclosure (particularly in the case of wholesale debt) should be avoided and more reliance placed on the general disclosure requirement which focuses on materiality.

(d) *Incorporation By Reference*

The PD and Level 2 Measures should provide that the Canadian banks be permitted to incorporate by reference the continuous disclosure documents filed in accordance with Canadian securities law provided that such disclosure documents are made publicly available in the EU and filed with, though not subject to the approval of, the relevant EU competent authority.

(e) *Display of Material Contracts*

We suggest that, as is currently the case for Eurobonds, only those contracts directly related to the relevant debt issue be made publicly available. Any other material contract, if any, should only be briefly summarized in the prospectus itself pursuant to the general disclosure obligation set out in Article 5 of the PD.

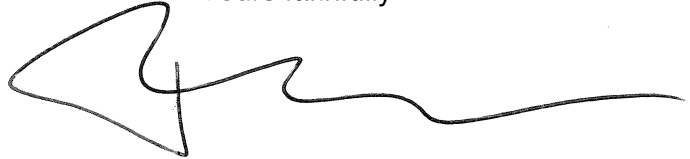
Conclusion

Given the extent of the participation by Canadian banks in the EU markets and the disruption that would be caused to EU investors who hold securities issued by them if the Canadian banks were unable to continue participating in the market, we ask that you consider recognizing that Canadian disclosure standards are equivalent to those required by the PD, Level 2 Measures and TOD thus relieving the Canadian banks, to the extent that they provide the disclosure required by Canadian securities laws, from the requirement to prepare financial statements in accordance with IAS in order to:

- issue securities in the EU when the PD comes into force; or
- have their debt securities trade (or their equity securities secondarily listed) on a regulated market in the EU when the TOD comes into force.

We also request that strong consideration be given to the other concerns expressed above when finalizing the PD, the Level 2 Measures and the TOD. We are confident that our proposals will not adversely affect the needs of investors in the EU and will ensure that the Euro markets continue to be a key source of funding for the Canadian Banks.

Yours faithfully

A handwritten signature in black ink, consisting of a large, stylized 'L' shape followed by a horizontal line that ends in a small wave.

cc. Douglas Hyndman, Chair, British Columbia Securities Commission and Canadian Securities Administrators
Stephen Sibold, Q.C., Chair, Alberta Securities Commission
David A. Brown, Q.C., Chair, Ontario Securities Commission
Pierre Godin, Chair, Quebec Securities Commission
Nicholas LePan, Superintendent of Financial Institutions (Canada)
John Doran, Assistant Superintendent, Office of the Superintendent of Financial Institutions
David Smith, FCA, President, Canadian Institute of Chartered Accountants
Paul Cherry, FCA, Chair, Accounting Standards Board (CICA)