Mr Fabrice Demarigny
Secretary General
CESR
11-13, avenue de Friedland
75008 Paris
France

Email: secretariat@europefesco.org

30 October 2003

Dear Mr Demarigny,

We, the undersigned International Financial Institutions, are writing with regard to your consultation paper of July 2003 entitled "CESR's Advice on Level 2 Implementing Measures for the Prospectus Directive" (Ref: CESR/03-210b) and the related Annexes. In particular, we wish to respond to the proposition in section III, 1 paragraph 28 that public international bodies are more akin to corporates in their structure, and therefore that such bodies should follow the retail or wholesale debt annex as appropriate. While public international bodies may resemble corporates in organizational terms, they are *qualitatively* more similar to sovereigns. From the standpoint of investor protection – the underlying purpose of the proposed Directive – we believe that public international bodies are clearly distinguishable from corporate entities.

This distinction is explicitly recognized in the proposed Directive, which states that "the Directive shall not apply to securities issued by a Member State or…public international bodies of which one or more Member States are members." As international financial institutions ("IFIs") are included within the latter category, we believe that this position recognises that public international bodies are more akin to sovereign issuers in terms of fundamental character, thereby creating an appropriate distinction from the very different risks associated with the issuance of debt by private sector corporations.

Many central banks, including the European Central Bank, have acknowledged the premier status of the undersigned IFI issuers in accepting their bonds for repo transactions.

The characterisation and treatment of IFIs as sovereign rather than corporate issuers is mirrored in the proposals for the New Basel Capital Accord, which intend that a range of multilateral development banks[1] ("MDBs") be eligible for the 0% risk weighting applicable to sovereigns rated from AAA/Aaa to AA-/Aa3. The Basel Committee[2] cites five principal reasons for this change:

- The very high credit quality of MDBs
- The significant proportion of highly rated sovereigns that comprise the shareholder base of MDBs
- The strength of shareholder support evidenced by the amount of paid-in and callable capital contributed and pledged by the shareholders
- The level of capital and liquidity
- The strict statutory lending requirements and conservative financial policies.

We believe that this rationale – which goes beyond mere credit risk concerns - recognises the unique nature of IFIs, and is equally relevant to the disclosure requirements for such issuers wishing to seeking to take advantage of passporting. In that regard, certain of the disclosure requirements for corporate issuers, in particular those addressing profit forecasts and estimates, the specificities on use of proceeds, current and future investments, and management details including remuneration underline the key differences between the nature and related risks of IFIs and corporates.

Although, as previously stated, we believe that IFI issuers are more akin to sovereigns than to corporate issuers, parts of the sovereign annex would not be relevant or applicable to IFIs, especially those pertaining to the state of the economy and the political system. We therefore suggest that issuance by public international bodies should be governed by a separate annex of disclosure requirements based on the appropriate parts of the sovereign annex, with the additional incorporation of their financial statements to be produced in accordance with the principles adopted by the relevant institution. We would be very happy to provide more detailed suggestions regarding the possible form of such an annex. Bond issuance guaranteed by such public international bodies, as well as equity-linked securities issued by such bodies, such as exchangeable bonds, would also follow this separate IFI annex in relation to the disclosures pertinent to the guarantors or equity-linked issuers.

[1] Named qualifying MDBs include ADB, AFDB, CEDB, EBRD, EIB, IADB, IBRD, IFC, and NIB.
[2] Part 2: The First Pillar – Minimum Capital Requirements (iii) 33.

The approach outlined herein would be consistent with that adopted by the listing authorities in places like London and Luxembourg. We note also that in the United States, those supranational issuers who do not count the US among their shareholders[3] are permitted to file a shelf registration statement pursuant to Schedule B to the Securities Act of 1933, which state the requirements for the registration of securities by foreign governments or political subdivisions thereof, updating the shelf by incorporating by reference the latest annual report.

We believe that this approach would ensure that all relevant information essential to an informed decision by investors is disclosed. Such proportionate requirements would also recognise the significant volume of information already disclosed to the general public by supranational issuers, and thus ensure that no unnecessary administrative procedures will be borne at public expense.

Yours Sincerely,

Isabelle Laurent
Head of Funding,
European Bank for Reconstruction and Development

For and on behalf of

African Development Bank
Asian Development Bank
Council of Europe Development Bank
Eurofima
European Bank for Reconstruction and Development
European Investment Bank
Inter-American Development Bank
International Bank for Reconstruction and Development
International Finance Corporation
Nordic Investment Bank

[3] Supranationals with the US Government as member are exempt from the SEC registration requirement.