

French Banking Federation answers to the CESR consultation paper of July 2003

In July 2003 CESR has consulted, for the third time, on possible implementing measures for the "Prospectus directive", finally adopted in July 2003.

Please find hereunder answers to the questions on the issue of information to be provided by States (EU or non-EU).

As a foreword, it is very important to note that as of today, sovereign issuers (EU and non-EU) do not provide many information on themselves in their prospectus. The sole information currently provided concern the issue itself (the securities and their fiscal regime).

Anyway, if information on the issuers would have to be provided, information requirements should be adapted to the very nature of the issuers. For example, sovereign issuers should not be obliged to provide information in the same way as corporates, simply because this information does not exist.

It could be envisaged for these issuers to require them to provide a two-year-accounts, audited by a public body such as, in France "la Cour des comptes".

For the level of detail of the information to be provided by sovereign issuers, other criteria should be taken into account, such as their membership to international organisations (OECD for example).

III - Minimum information : Member States, Non EU States and their regional or local authorities

Question 30

We agree with this approach, however we consider that the notion of guarantee should be clarified (explicit guarantee, statutory guarantee).

Plus, it is not clear whether agencies (ex: US government sponsored enterprises), which have a mission of public interest, are covered within the scope of the registration document described in the Annex for Member States, Non EU States and their regional or local authorities) or whether they fall under the broader category of non- equity issuers, for the purpose of information requirements.

Question 32

Risk Factors: We are opposed to the inclusion of a mandatory disclosure requirement for risk factors. Risk factors should highlight those important and unusual risks associated with a particular issue and will be covered by the general disclosure of article 5 of the Directive. A mandatory disclosure requirement for risks factors will lead to the development of standardised wording for risks factors, which will be of limited use to investors. The risks factors are only to be described if such risk factors exist.

Information about the Issuer :

- In paragraph 3.3 a materiality test should be inserted "Any recent events relevant, to a material extent, to the evaluation of the issuer's solvency";
- Paragraph 3.5: We consider that a description of the issuer's political system will be of limited use to investors.

Documents on Display :

We agree with the insertion of a statement regarding the availability of financial and audit reports for the issuer covering the last two fiscal years and the budget for the current fiscal year should be inserted (8(a)). However, we do not believe that issuers should be required to put on display all documents referred to in the registration documents ((8(b))). In relation to third country issuers, this requirement would be a further barrier to entry, particularly where the documents in question would require a translation.

Question 33

We do not consider that other information should be included in the Annex.

Question 35

The information requested in Item 4 of Annex D is usually publicly available, therefore we have no opposition to the disclosure of such information.

However, some clarification is needed in the definition of point (a): what does it mean / what does it cover exactly ? For example, a breakdown of State revenues per type of tax (VAT, income tax, etc.) could bear some interest but the definition and details of all taxes is of no use to the investors. Same applies for State spending.

The description of the auditing or independent review procedures on the accounts of the issuer should be limited to a simple confirmation (for example, the accounts of the Republic de France are reviewed by the "Cour des Comptes", with possibly a brief description of such body).

Question 40

No we do not consider that Investment and Development plans should be included in Annex D. If such information is material in the context of the issue of the securities, it will be covered by the general duty of disclosure in article 5 of the Directive.

Question 42

In general conflicts of interest are already covered by other regulatory requirement or rules of professional bodies. We believe that such information is not of any particular relevance of investors in debt securities.

Question 56 and following

We are in the opinion that the application of IAS norms (or national GAAP norms) is not relevant for State accounts. State accounts, and more especially the ones from countries which issue bonds on the Euro market, are already quite harmonised due to the fact that they have the obligation to report their figures to organisations they belong to (OECD, E.U., etc). Furthermore, State accounting varies significantly from corporate accounting. Consequently, we feel that State accounts should continue to be presented under the already existing formats. This applies of course to both countries and their regional/local authorities.